



FINANCIAL SERVICES

Canada's competitive advantages

Canada 

Foreign direct investment in Canada's financial services sector

FOREIGN INVESTORS IN CANADA

- Apex Fund Services
- Bank of China
- Bank of New York Mellon
- Banque Transatlantique
- Barclays Capital
- BNP Paribas
- China Investment Corp (CIC)
- Citigroup
- Crédit Agricole
- Crédit Suisse
- Giesecke & Devrient
- Goldman Sachs
- HSBC
- ICICI Bank
- Industrial and Commercial Bank of China (ICBC)
- ING
- JPMorgan Chase & Co
- Korea Exchange Bank
- Liberty Mutual Group
- Macquarie Private Wealth
- Morgan Stanley
- Merrill Lynch
- M&T Banking
- NYSE Euronext
- Royal Bank of Scotland (RBS)
- Société Générale
- State Bank of India (SBI)
- UBS

- Foreign direct investment (FDI) in Canada's finance and insurance industries reached an accumulated \$78.5 billion* in 2011.¹
- Over 130 foreign companies established greenfield FDI projects in the financial services sector in Canada between 2003 and 2011, creating over 13,000 jobs.²

RECENT INVESTMENT EXAMPLES

Bank of China

In 2011, Bank of China established an office in Calgary, Alberta to facilitate Chinese investment in the region. The office is being used as a base for business intelligence gathering and to network with the business community.

China Investment Corp (CIC)

China Investment Corp, a US\$300 billion Chinese sovereign wealth fund, opened a corporate office in Toronto, Ontario in 2011. The operation was the CIC's first office to be located outside mainland China, and signalled the fund's plans to increase its Canadian holdings. The fund has recently made an \$817 million investment in an Alberta oil sands project.

Giesecke & Devrient

Giesecke & Devrient, a German company that specializes in banknote printing and smart card production, established a credit card personalization centre in Dorval, Quebec in 2011. The company also has other operations and a regional headquarters in Ontario.

Société Générale

French banking group Société Générale opened an IT centre in 2011 at its headquarters in Montréal, Quebec, in partnership with Montréal consulting firm CGI. There are 58 software developers employed at the operation, which provides front-office software tools to traders.

HSBC

HSBC Bank Canada, a subsidiary of U.K.-based HSBC, opened a \$47 million global software development facility in Burnaby, British Columbia in 2010. The facility works on developing software solutions for HSBC operations globally. HSBC also has a number of bank branches across Canada.

NYSE Euronext

NYSE Technologies, part of U.S.-based exchange group NYSE Euronext, opened a liquidity centre in Toronto, Ontario in 2012. The firm will offer many of its core services from the Toronto operation, including access to markets, market information and other trading infrastructure services.

JPMorgan Chase & Co

In 2010, J.P. Morgan established an investment banking office in Calgary, Alberta, to serve as a base for the firm's energy franchise in Canada. J.P. Morgan serves many prominent global corporate, institutional and government clients.

*Unless otherwise noted, all values in this publication are in Canadian dollars.

¹ Foreign Affairs and International Trade Canada, Trade and Economic Statistics (2011)

² fDi Markets database, fDi Intelligence, Financial Times Ltd (2012)

Financial services innovation in Canada

INNOVATION SNAPSHOT

- Growth of the financial services industry is driven by technology. In Canada, over one quarter of all FDI projects in financial services are related to financial technology.³
- Between 2003 and 2011, over 300 banking related patents were granted by the United States Patent and Trademark Office to inventors based in Canada.⁴
- Preliminary gross domestic expenditure on R & D in Canada in 2011 was an estimated \$30 billion, one of the highest levels in the world.⁵

Case Study: Canadian Imperial Bank of Commerce (CIBC)

CIBC is a leader in mobile financial solutions. In 2012, CIBC commenced development of Canada's first smartphone payment solution, in partnership with Canadian wireless provider Rogers Communications. CIBC also created the CIBC Mobile Brokerage App in 2011, the first application allowing Canadian investors to trade stocks on a mobile device. Global Finance named CIBC its worldwide winner for "Best in Mobile Banking".⁶

Case Study: Royal Bank of Canada

Royal Bank of Canada (RBC), introduced the inaugural Next Great Innovator Challenge in 2006, a competition open to all university students across Canada, searching for innovative concepts with commercial potential. A group from University of Waterloo won the challenge in 2012, with an innovative mobile banking platform to help young Canadians set financial goals in order to achieve their long-term financial security.

Case Study: BMO Financial Group

Toronto-based BMO Financial Group created a unified global commercial online banking solution to allow business customers to access their financial data in an easy-to-use format. The platform has reduced support costs by eliminating multiple systems. The project was a winner in CIO Magazine's CIO 100 Awards in 2011, a list honouring 100 companies that exemplify the strategic partnership of IT and business.

LEADING CANADIAN COMPANIES

- AGF Management
- Assante Wealth Management
- BMO Financial Group
- Canadian Imperial Bank of Commerce
- Canadian Western Bank
- Cunningham Lindsey
- DBRS
- Desjardins Group
- Fairfax Financial Holdings
- Great-West Lifeco
- IGM Financial
- Laurentian Bank of Canada
- Manulife
- National Bank of Canada
- Power Financial
- Royal Bank of Canada
- Scotiabank
- Sun Life
- TMX Group
- Toronto-Dominion Bank (TD)
- Vancity

³ From 2003-2011. fDi Markets database. fDi Intelligence from the Financial Times Ltd

⁴ fDi Benchmark estimates based on United States Patent and Trademark Office (2012)

⁵ Statistics Canada, Research and Development Expenditure (2012)

⁶ Global Finance, World's Best Internet Banks 2011

Canada's financial services industry

TESTIMONIALS

"There are countries with comparable economic characteristics to Canada, but with a lot less friendly environment. In our dealings with the Canadian government, various parts of the government, with the business people, we feel that it's a lot more congenial to our investments."

Gao Xiqing
President,
China Investment Corp.

"Canada represents to us a region with tremendous opportunity."

David Kubersky
Managing Director,
SimCorp North America

The financial services sector is one of the largest contributors to the Canadian economy.

Finance and insurance accounted for 7% of national output in 2011⁷, and the Canadian financial services sector represented a GDP of \$264 billion. The size and growth of the Canadian financial services sector is supported by Canada's AAA credit rating and stable banking system. Moody's Investors Service has given Canada's big banks a rating of Aa3 or above, higher than bank rankings in the U.S., Europe, and Asia. Moody's, Fitch and S&P all maintain a positive outlook for the Canadian economy.

The financial services sector in Canada is very diverse, including banks, trust and loan companies, life, health, property and casualty insurance companies, credit unions, securities dealers, finance and leasing companies, pension fund managers, mutual fund companies, and independent insurance agents and brokers. Eleven of the Top 1000 World Banks are located in Canada, with six Canadian banks in the Top 100.⁸ Four Canadian banks are among the global top 10 strongest financial institutions according to Bloomberg Markets magazine.⁹

CANADA'S KEY STRENGTHS IN FINANCIAL SERVICES

Strongest banking system in the world

The Canadian banking system was ranked the soundest in the world by the World Economic Forum in 2011.¹⁰ Moody's Investment Service ranks Canada's banking sector first worldwide for financial strength and safety. No major Canadian banks failed during the financial crisis of 2008-2009 and four of the world's top ten strongest banks are Canadian: CIBC (third), Toronto-Dominion Bank (fourth), National Bank of Canada (fifth) and Royal Bank of Canada (sixth).¹¹

Size of the financial sector

The Toronto Stock Exchange (TMX Group) is the largest in North America and second largest worldwide by number of companies listed.¹² It is the third largest in North America and eighth largest worldwide by market capitalization. Toronto was ranked the seventh leading financial centre globally in The Banker's 2011 International Financial Centre Rankings.¹³ The TMX Group is first in listed mining, oil & gas companies worldwide; first in listed cleantech companies worldwide; and second in listed technology companies in North America.¹⁴

Quality of the regulatory environment

The Canadian financial sector is among the world's most well-regulated and offers many examples of best practices. The World Bank ranks Canada fifth worldwide for its strength of investor protection, and assigns Canada a maximum score for depth of credit information.¹⁵

⁷ CANSIM, Gross domestic product (GDP) at basic prices (2012)

⁸ The Banker, Top 1000 World Banks, ranked by Tier 1 Capital (2011)

⁹ Bloomberg, Canadians Dominate World's 10 Strongest Banks (2012)

¹⁰ World Economic Forum Global Competitiveness Report 2011-2012

¹¹ Bloomberg, Canadians Dominate World's 10 Strongest Banks (2012)

¹² World Federation of Exchanges, Year-To-Date monthly statistic tables (2012)

¹³ The Banker, International Financial Centres, October 2011

¹⁴ TMX, A Capital Opportunity: A Global Market for Chinese Companies (2012)

¹⁵ World Bank Doing Business Guide 2012

SKILLS AND RESEARCH

The financial services industry is one of the largest sectors for employment in Canada, with a workforce of nearly 700,000. There are over 360,000 people employed in banking services, 115,000 employed in investment management, and over 200,000 people work in insurance.¹⁶ The Canadian government has recently realigned its temporary foreign worker program, streamlining the process for employers with immediate labour needs in high-skill occupations such as financial services.¹⁷

Canada is well-equipped to develop the next generation of business leaders. The country has a world-class higher education system with 22 Canadian universities appearing in the top 500 universities of the world.¹⁸ In 2010, a total of 1.2 million students were enrolled in Canadian universities in degree-related programs.

Canadian universities offer programs in finance at undergraduate, graduate and PhD levels, and five Canadian business schools are ranked among the top 100 in the world according to the Financial Times' Global MBA ranking.¹⁹ Eight Canadian universities also appear in the Top 100 universities for Economics and Business, including McGill University, the University of British Columbia and the University of Toronto.²⁰ Specialized academic research centres in financial services include:

- Capital Markets Institute, Financial Research and Trading Lab and International Centre for Pension Management, Rotman School of Management (University of Toronto)
- Research in Responsible Business, Schulich School of Business (York University)
- Desmarais Global Finance Research Centre (DGFRC), Desautels Faculty of Management (McGill University)
- Ben Graham Centre for Value Investing, The Richard Ivey School of Business (University of Western Ontario)
- KPMG Research Bureau in Financial Reporting; The Phillips, Hager & North Centre for Financial Research; and the Bureau of Asset Management, Sauder School of Business (University of British Columbia)

TESTIMONIALS

"We found remarkable similarities between the cultures and market dynamics of Australia and Canada. Both are resource-rich economies with relatively small populations, robust regulatory regimes and a shared commonwealth history. Those factors, along with a healthy and educated middle class, stable political climate under parliamentary democracies, and a welcoming investment culture made Canada a sound choice for Macquarie to grow our international operations."

Paul Donnelly,

President and CEO (Canada),
Macquarie Group

¹⁶ Statistics Canada, Employment (2011)

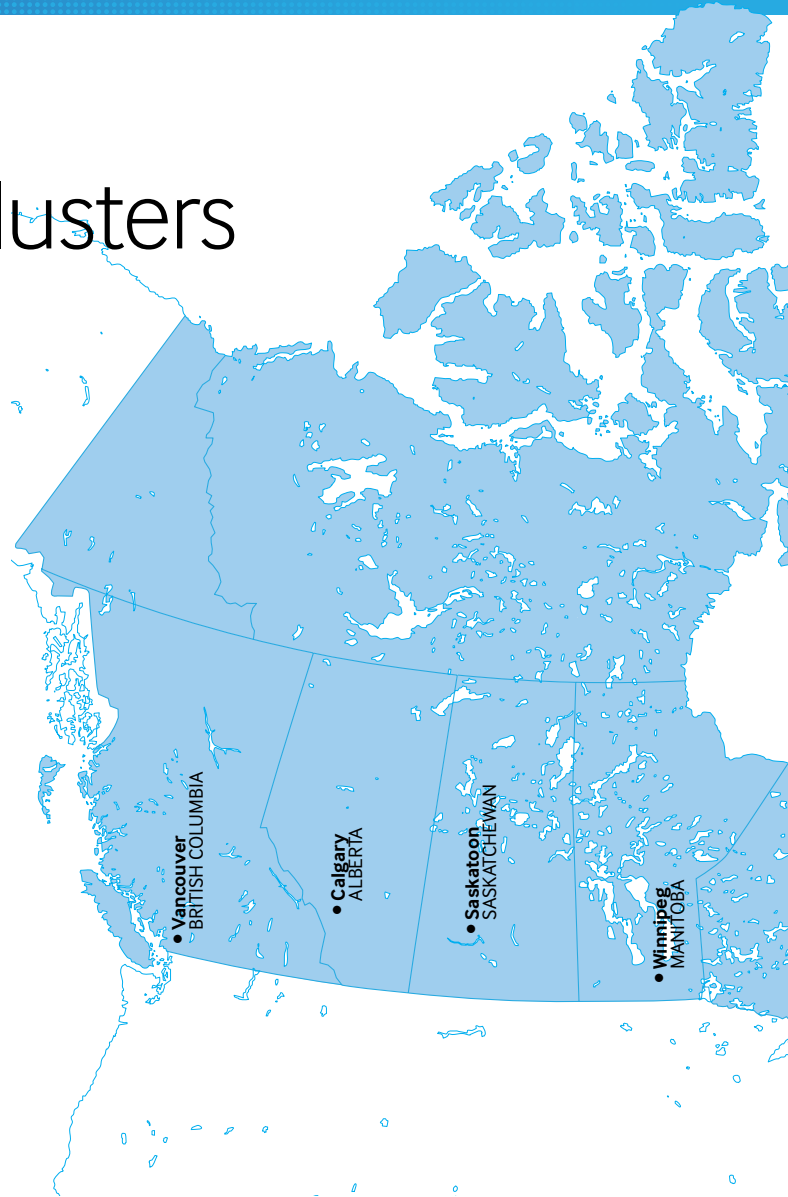
¹⁷ Human Resources and Skills Development Canada. Government of Canada announces a more efficient and responsive temporary foreign worker program (2012)

¹⁸ Shanghai Jiao Tong University, Academic Ranking of World Universities 2011

¹⁹ Financial Times, Global MBA Rankings 2012

²⁰ Shanghai Jiao Tong University, Academic Ranking of World Universities 2011

Financial services clusters



BRITISH COLUMBIA

Key strengths:

Vancouver specializes in the banking, credit union, international financial transactions, and venture capital investment subsectors, and is a global hub for resource project financing.

Size of industry:

The financial services sector is British Columbia's fastest growing sector and contributes \$32 billion to provincial GDP. More than 100,000 people are employed in financial services, of which more than 55,000 are in the Greater Vancouver area. All five of Canada's largest banks have significant operations in British Columbia.

Leading companies:

British Columbia is home to the Canadian headquarters of HSBC, Bank of China, State Bank of India (Canada), BASF Finance Canada, and Mizuho Financial Group. JPMorgan Chase & Co and ICICI Bank also have operations in British Columbia. Vancity, Canada's largest credit union, is listed in The Banker's Top 1000 World Banks.

ALBERTA

Key strengths:

Growth of the financial services sector in Alberta has been driven by strong oil prices and investment in the energy and construction sectors. Calgary has a world-class investment banking and asset management industry focused primarily on the oil and gas sector, while Edmonton has developed a globally competitive niche in wealth management and pension management.

Size of industry:

Over 4,000 financial services firms are active in Alberta, including all six large Canadian banks and 15 of the top 20 global investment banks. The province employs more than 58,000 people in finance and insurance.²¹

Leading companies:

Bank of China, HSBC, Industrial and Commercial Bank of China (ICBC), JPMorgan Chase & Co, Royal Bank of Scotland, Société Générale and State Bank of India have operations in Alberta. Great Western Bank, headquartered in Edmonton, is listed in The Banker's Top 1000 World Banks.

MANITOBA

Key strengths:

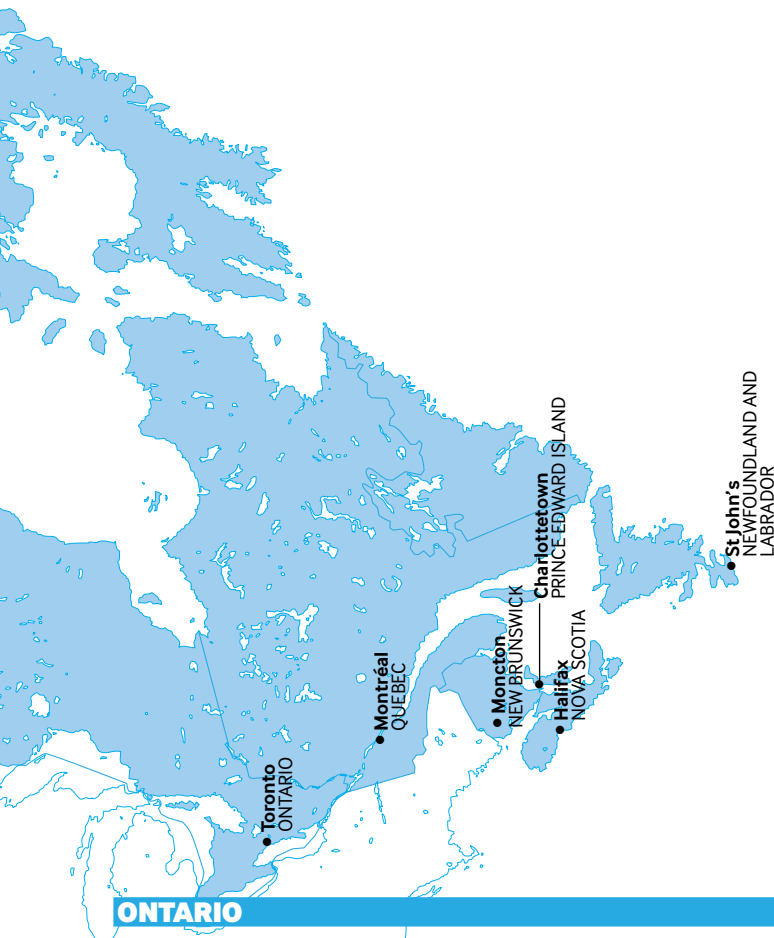
There are over 100 investment dealer firms across the province, all of which are licensed by the Manitoba Securities Commission.

Size of industry:

Manitoba's financial services sector employs an estimated 33,000 people. All major Canadian chartered banks are represented in Manitoba, along with a few smaller regional banks and three foreign banks.

Leading companies:

Great-West Life Assurance Co, HSBC, and IGM Financial.



ONTARIO

Key strengths:

Ontario's key strengths include financing for the mining and energy sector, as well as highly skilled support, administration, and servicing operations. It contains 80% of Canada's investment management industry, worth \$700 billion in assets. The Toronto Stock Exchange is the third largest in North America and the eighth largest in the world in terms of market capitalization.

Size of industry:

Ontario's finance and insurance sector employs 358,000 people, with nearly half in banking. Ontario's financial services industry is centred in the Greater Toronto Area (GTA) with smaller clusters in Waterloo, London and Ottawa. The GTA is North America's third largest financial centre after New York and Chicago, with over 221,000 employed in 2010.²²

Leading companies:

Apex Fund Services, Bank of China, Barclays Bank, China Investment Corp., Citigroup, Goldman Sachs, HSBC, ICI Bank, ING Group, M&T Banking, Merrill Lynch, NYSE Euronext and State Bank of India all have operations in Ontario. Royal Bank of Canada, Scotiabank, Toronto-Dominion Bank and the Canadian Imperial Bank of Commerce are all listed in *The Banker's* Top 1000 World Bank.

ATLANTIC PROVINCES

Key strengths:

The financial services industry in the Atlantic provinces includes banking, mutual fund administration, client relations, hedge fund administration, and insurance companies. Halifax, Nova Scotia is the financial services hub of the Atlantic provinces and is the fastest growing fund administration centre in Canada.²³ The city is a leading global centre for middle and back office operations for the fund administration and reinsurance subsectors. The province of New Brunswick has the fastest growing insurance industry in Canada.²⁴

Size of industry:

There are almost 40,000 people employed in the finance and insurance industry in the Atlantic provinces. Nova Scotia is the largest financial services employer in the region, with over 1,000 companies employing approximately 18,000 people in finance and insurance, followed by New Brunswick (13,400) Newfoundland and Labrador (6,700) and P.E.I. (1,800). Five major Canadian banks have regional offices in Halifax.

Leading companies:

Assumption Mutual Life Insurance, Citco Fund Services, Butterfield Fund Services, Marsh Captive Solutions, Olympia Capital, Meridian Fund Services (Canada).

QUEBEC

Key strengths:

Montréal is known for its pioneering expertise in derivative and commodity trading, wealth management, and pension fund asset management. The Montréal Stock Exchange specializes in derivatives, and was the first stock exchange in North America to function entirely electronically.

Size of industry:

The financial services sector employs over 150,000 people in Quebec.²⁵ Montréal's dynamic financial services sector is growing at a rapid pace and is home to more than 3,000 financial services companies, employing nearly 100,000 people. Montréal was ranked 23rd in *The Banker's* 2011 International Financial Centre Rankings.²⁶

Leading companies:

Banque Transatlantique, Crédit Agricole, Giesecke & Devrient, HSBC, Morgan Stanley, Société Générale and State Bank of India all have operations in Quebec. The Laurentian Bank of Canada and National Bank of Canada are listed in *The Banker's* Top 1000 World Banks.

²¹ Statistics Canada, Employment (2011)

²² Ontario Canada, Financial Services in Ontario (2011)

²³ KPMG, reported by Nova Scotia Business Inc (2012)

²⁴ Insureconomy (2012)

²⁵ CFI Montréal, Montréal: An International Financial Centre (2011)

²⁶ *The Banker*, International Financial Centres, October 2011

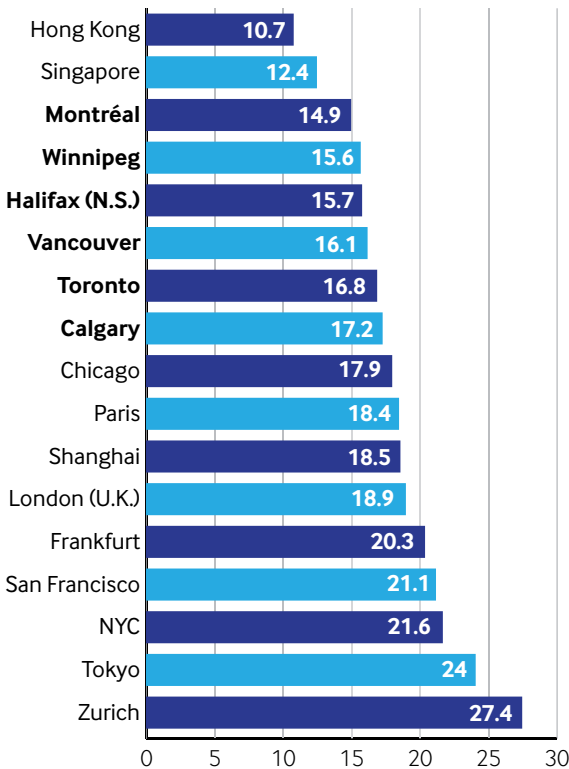
Canada's cost advantages

ADVANTAGE: LABOUR COST SAVINGS

For a typical fund administration centre, companies can make substantial labour cost savings by investing in Canadian cities compared to cities in the U.S., U.K., Switzerland, Japan and Germany.

Annual labour costs (\$ million)

This chart looks at the total labour costs for a fund administration centre with a total head count of 200 people. Labour costs include employee salary plus statutory employer social security contributions. Private healthcare costs are also included for U.S. and Canadian cities.



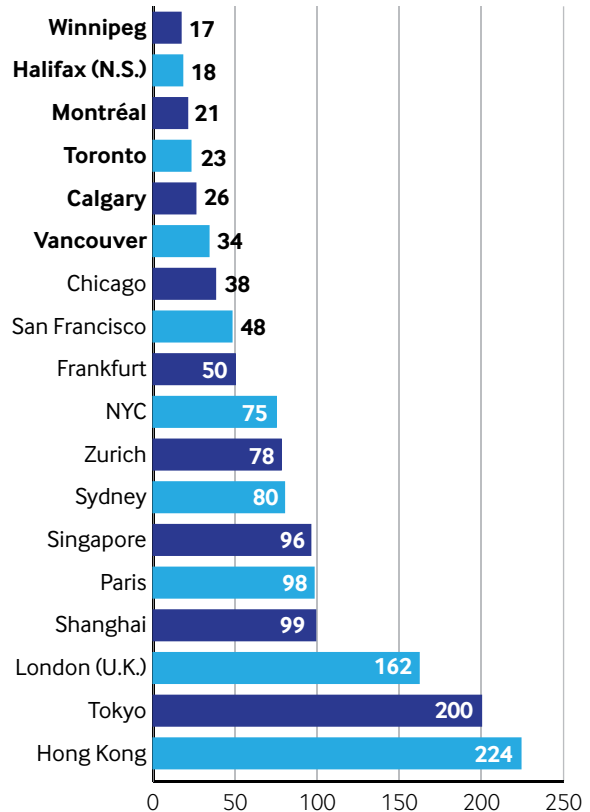
Source: fDi Benchmark Database, fDi Intelligence from the Financial Times (2012)

ADVANTAGE: COMPETITIVE OFFICE COSTS

Canada is a cost-competitive location in terms of office rent. Rents in Canadian cities are much less expensive than in many leading financial centres in both developed and emerging markets.

Office rent per square foot per annum (\$)

This table shows the cost per square foot of prime Grade A office space in each location.



Source: fDi Intelligence based on Cushman & Wakefield (Q4 2011)

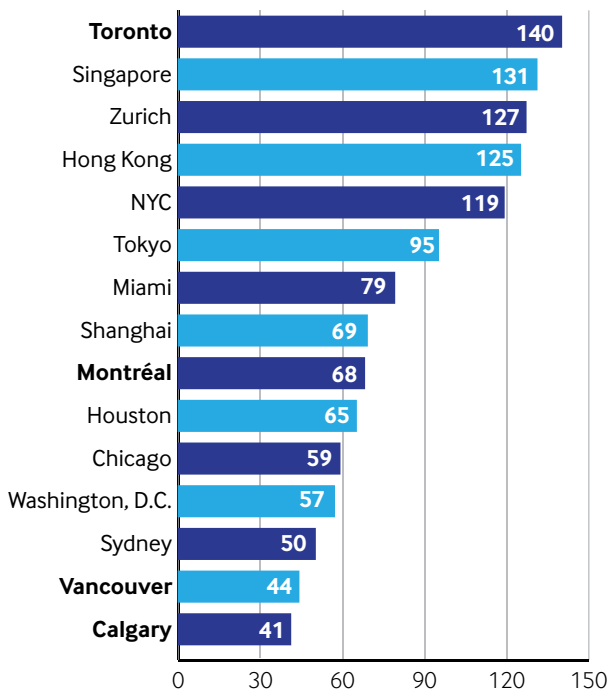
Canada's competitive advantages

ADVANTAGE: ACCESS TO INTERNATIONAL MARKETS

Canada has a world-class airport infrastructure, with large international airports close to the major financial centres of Canada. Toronto offers the largest number of direct flights to international business cities throughout the world, while Montréal, Vancouver and Calgary offer flights to over 40 international cities.

Number of international destinations

This chart shows the number of international destinations served by proximate airports (within 50 mile radius of the location).



Source: fDi Intelligence based on OAG Flight Guide (2012)

ADVANTAGE: TRACK RECORD IN ATTRACTING FDI IN FINANCIAL SERVICES

Over 130 foreign companies established greenfield FDI projects in the financial services sector in Canada between 2003 and 2011, creating over 13,000 jobs. More FDI jobs in the financial services sector have been created in Toronto than in Paris, Frankfurt, and Zurich and Chicago.

Financial services FDI, ranked by job creation

This chart shows the number of greenfield FDI projects attracted by city between 2003 and 2011, ranked by total jobs created.

Location	Jobs created	No of projects
Singapore	48,439	366
Shanghai	41,647	292
Sydney	16,278	128
Hong Kong	16,114	405
London (U.K.)	14,695	514
NYC	6,792	179
Tokyo	6,466	110
Toronto	5,107	74
Paris	3,459	140
Frankfurt	1,823	86
Zurich	1,709	66
Miami	1,269	31
Montréal	1,188	20
Chicago	1,064	28
Houston	1,015	25
San Francisco	1,001	27

Source: fDi Markets Database, fDi Intelligence from the Financial Times (2012)

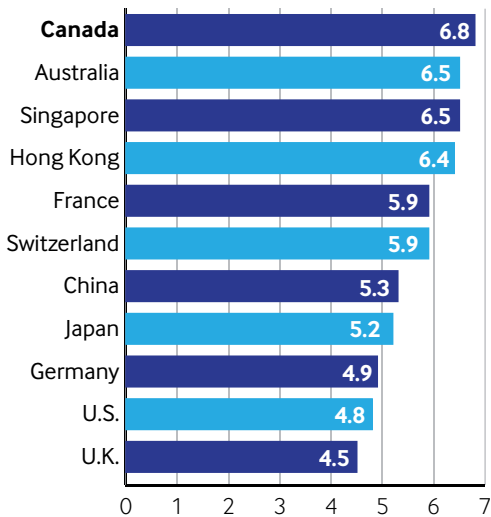
Canada's competitive advantages

ADVANTAGE: SOUND BANKING SYSTEM

Canada's banking system has been ranked as the soundest in the world, while the U.S., U.K. and Germany have below average scores for the health of their banking sectors.

Soundness of banks (Rank 1-7)

This chart shows the soundness of banks. (1= insolvent and may require a government bailout; 7= generally healthy with sound balance sheets)



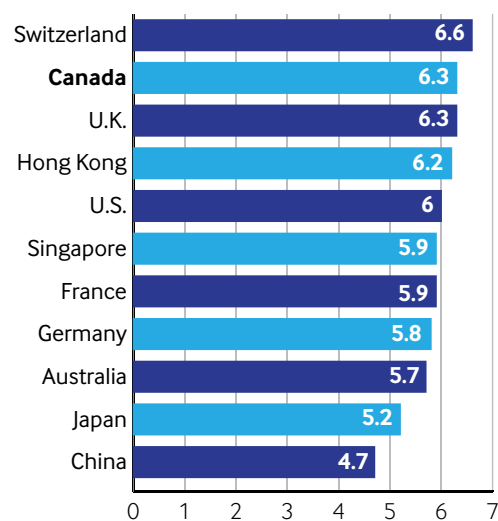
Source: World Economic Forum Global Competitiveness Report 2011-2012

ADVANTAGE: A WELL DEVELOPED FINANCIAL MARKET

According to corporate executives, Canada has one of the most developed financial service sectors in the world, and ranks higher than the U.S., Hong Kong and Singapore.

Availability of financial services (Rank 1-7)

This chart shows the degree to which the financial sector provides a wide variety of financial products and services to businesses. (1= not at all; 7= provides a wide variety)



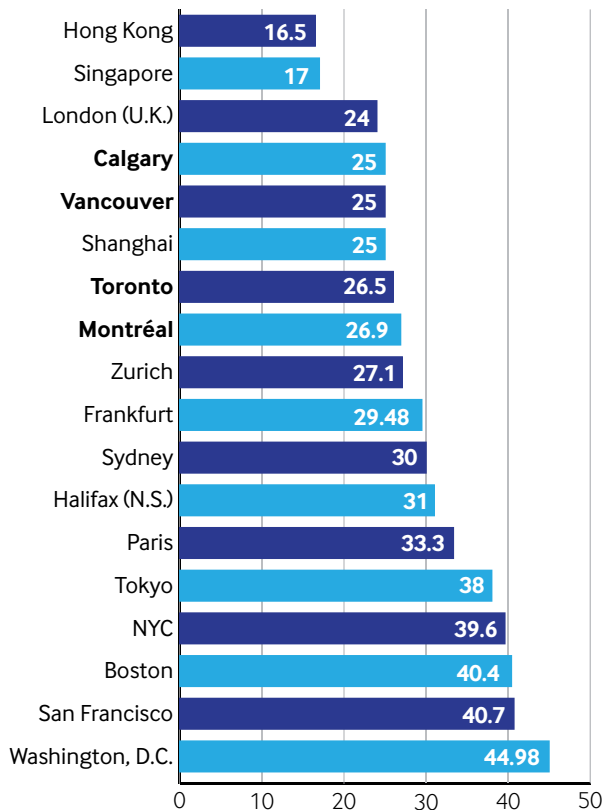
Source: World Economic Forum Global Competitiveness Report 2011-2012

ADVANTAGE: FAVOURABLE CORPORATE INCOME TAX

Canada offers among the most attractive corporate income tax levels of any comparable country. Companies locating in Canadian cities can expect to pay lower corporate income taxes than in the U.S., Australia, Germany and Switzerland.

Corporate tax (%)

This chart shows the corporate income tax rates payable by corporations. Figures are expressed as tax payable as a percentage of companies' gross profit.



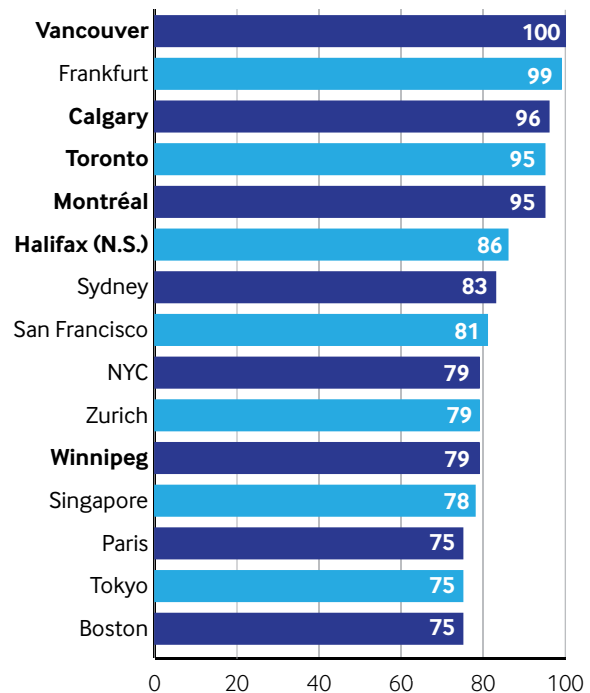
Source: KPMG (Country and Canadian Provinces; 2012)
Tax Foundation (U.S. States; 2011)

ADVANTAGE: OUTSTANDING QUALITY OF LIFE AT AN AFFORDABLE COST

Canadian cities offer the highest quality of life in the world. Vancouver was rated the most liveable city in the world by the Economist Intelligence Unit in 2011 and also tops the fDi Intelligence index. Canadian cities are highest ranking when considering both quality of life and cost of living.

Attractiveness of cities

This chart shows the overall attractiveness of cities based on combining their quality of life and cost of living, with a 50% weight attached to each.



Source: fDi Intelligence from the Financial Times (2011).
Vancouver = 100

Invest in Canada to achieve global excellence

A welcoming business environment

Canada is the best place to do business in the world.

Source: Forbes Magazine, October 2011

A growing economy

Canada has been the top performer among the G-7 in GDP growth over the 2008 to 2011 period.

Source: Consensus Economics, April 2012

A highly educated workforce

Canada has the highest proportion of post-secondary graduates among members of the Organization for Economic Co-operation and Development (OECD).

Source: Education at a Glance 2011, OECD

Financial stability

Over the past four years, Canada's banking system has repeatedly been declared the soundest in the world.

Source: Global Competitiveness Report 2009-2012, World Economic Forum (WEF)

Low tax rates

Canada's combined federal-provincial statutory corporate income tax rate of 26% is more than 13% below the U.S. and among the lowest when compared to G-7 countries.

Source: Department of Finance Canada and the OECD Tax Database 2012

Scientific research and experimental development

Canada offers some of the most generous R & D tax incentives in the industrialized world, with combined federal and provincial tax credits that can currently save foreign investors, on average, up to 30 cents on the dollar invested in R & D in Canada. Canada also has the G-7's lowest costs in R & D-intensive sectors (up to 10.7% lower than the U.S.).

Source: Department of Finance Canada and KPMG Competitive Alternatives, 2012

NAFTA

The North American Free Trade Agreement (NAFTA) gives investors access to nearly 457 million consumers and a combined continental GDP of about US\$17.2 trillion.

Canada continues to seek more free trade agreements with economic and emerging powers to increase trade and investment.

Source: World Bank, World Development Indicators Database, 2012

A great place to invest, work, and live

Canada is one of the most multicultural countries in the world, home to world-class universities, a universal health care system, and clean and friendly cities. Canada has the highest quality of life among G-7 countries and consistently ranks among the world's top countries in Human Development.

Source: Statistics Canada; United Nations Human Development Report, 2011; OECD Better Life Index, 2011



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