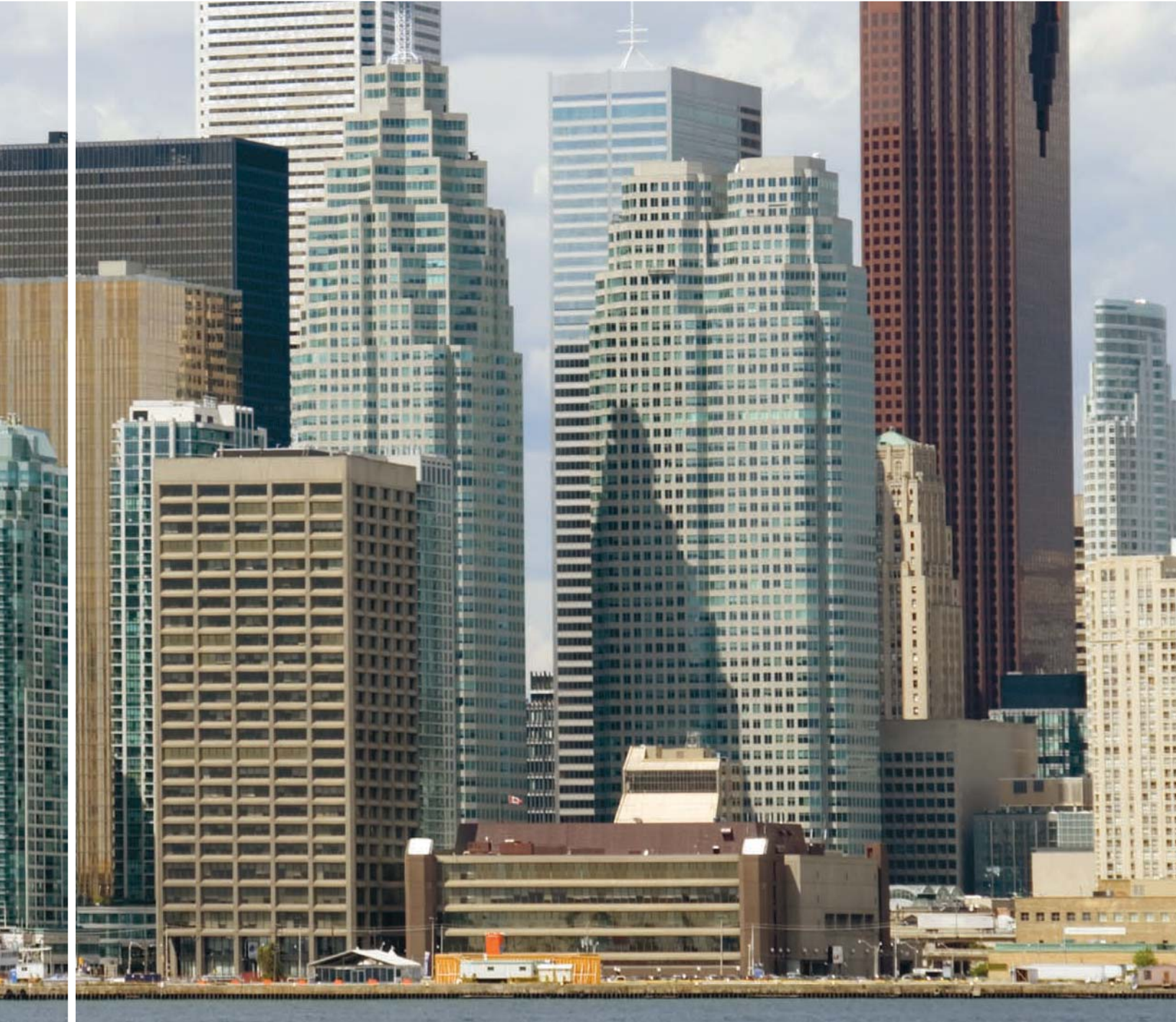


2009

Invest in Canada FINANCIAL SERVICES



RECENT INVESTMENTS IN CANADA

- » British Virgin Islands-based **Citco Group** expanded its technology development operation in Halifax, Nova Scotia, by 350 jobs in 2008.
- » U.K.-based **Invesco** opened a new facility in Charlottetown, Prince Edward Island (PEI), with 200 jobs in 2008.
- » New York-based **Merrill Lynch** opened a research and innovation technology centre in Toronto, Ontario, with 250 jobs in 2008.
- » New York-based **Morgan Stanley** announced a \$200 million investment in 2008 to open new operations in Montréal, Quebec.
- » Illinois-based **State Farm Insurance** opened a new facility in the Greater Toronto Area, with an investment of over \$55 million in 2008.

MAJOR GLOBAL INVESTORS IN CANADA

Credit Suisse First Boston
 Goldman Sachs
 HSBC
 ING
 Liberty Mutual Group
 UBS AG

LEADING CANADIAN COMPANIES

Bank of Montreal
 Bank of Nova Scotia
 Canadian Imperial Bank of Commerce
 Desjardins
 Great-West Lifeco
 IGM Financial
 Manulife Financial
 National Bank of Canada
 Royal Bank of Canada
 Sun Life Financial
 Toronto-Dominion Bank

The financial services sector is one of the largest contributors to the Canadian economy, employing more than 750,000 people. The sector has evolved substantially in recent years, generating over \$78 billion, or 6 percent of national GDP, in 2007.¹

The financial services sector in Canada is diverse, and encompasses banks, trust and loan companies; life, health, property and casualty insurance companies; credit unions and caisses populaires; securities dealers, finance and leasing companies; pension fund managers and mutual fund companies; and independent insurance agents and brokers.

Key Capabilities

Sound banking system: According to the World Economic Forum Global Competitiveness Report 2008-2009, Canada's banking system is the soundest in the world, indicating that Canada's major banks are generally healthy with sound balance sheets. This strong financial position means that Canadian banks now borrow at considerably lower rates than those of many of their international counterparts.

Leadership: Canada's mature financial sector has produced such global leaders as the Royal Bank of Canada and Manulife Financial. Further, the sector continues to attract foreign investment, with more than \$54 billion in 2006. Many major international financial services firms (BNP Paribas, CITCO, among others) maintain nearshore business-processing operations in Canada.

Regulatory oversight and reporting: The Canadian financial sector is among the world's most highly developed and offers many examples of best practices. The institutions, markets, infrastructure, safety nets, and oversight arrangements that comprise the system are sophisticated and include a full range of financial intermediaries.

Nearshore operations: Canada not only continues to produce and attract top-quality financial services firms, but is also a destination of choice for global financial services firms to locate their nearshore business-support operations. These operations are not simply local market centres, but key value creation centres representing multimillion dollar investments designed to support global clients.



The financial services sector is one of the largest contributors to the Canadian economy, employing more than 750,000 people and generating over \$78 billion, or 6 percent of the national GDP, in 2007.

Unless otherwise noted all values are in Canadian dollars.

¹ Canadian Industry Statistics, 2007. Gross Domestic Product: Finance and Insurance (NAICS 52).

British Columbia (BC)

Vancouver's financial services companies operate in global markets, leveraging the city's position as a global commercial gateway. Geographic proximity to Asia-Pacific countries is a critical asset for Vancouver's financial sector, as are strong cultural connections to these emerging economies. Vancouver performs particularly well in four financial services subsectors: banking, credit unions, international financial transactions, and venture capital investment. Five of Canada's largest banks have significant operations in Vancouver, while several international banks also have offices in the city, including the Canadian headquarters of London-based HSBC. Vancouver is recognized as a global hub for resource project financing, with strong capabilities to finance and structure exploration projects around the world.

Alberta

Calgary is North America's fastest-growing economic region, and a thriving financial and business centre, with more head offices per capita than any other Canadian city. In the past 10 years, more than 19,000 new jobs have been created in Calgary's finance and business industry. The city's rapidly growing financial support services subsector employs approximately 22,700 people and plays a substantial role in financing many of the region's new ventures.

All six of Canada's major banks have a presence in Calgary, as do a number of strong regional banks and international investment banks. The city is also seeing tremendous growth in the wealth management subsector.

Much of the growth in Calgary's financial services sector has come as a result of financing energy projects across the globe. The capital needed to finance the energy sector, and the revenue it generates, cannot be understated, and much of this activity is based in Calgary.

Manitoba

Manitoba has a large experienced labour force working in business, finance and administrative services. In addition to traditional banking, the cluster boasts industry-leading firms in insurance, mutual funds and leasing. **Winnipeg** has more than 20,000 people employed in the financial services sector. It is headquarters to Great-West Lifeco Inc., Canada's largest insurer, which operates subsidiaries in Canada, the U.S. and Europe, with over \$330 billion in total assets under administration.² Winnipeg-based IGM Financial Inc. is one of Canada's largest mutual fund distributors, with more than \$94 billion in total assets under management.³



Ontario

Toronto is North America's third-largest financial centre and Canada's financial and business capital. Toronto's financial services strengths include strategic planning, financial product development, risk management and systems design, as well as training and development. The Toronto Stock Exchange (TSX) is Canada's largest securities exchange, the third largest in North America and the seventh largest in the world, based on market cap. Toronto is the centre for over 10 percent of Canadian economic activity, at \$123 billion. The clustering of financial services in Toronto has attracted highly skilled knowledge workers and a multilingual labour force of 205,000 employees.

Quebec

Montréal's dynamic financial services sector, with more than 3,000 companies and 100,000 workers, is growing at a rapid pace, with 3.4 percent growth in 2007. Its main subsectors are banks and financial intermediaries, insurance and its associated activities, and securities. Among the major players are Desjardins, National Bank and HSBC in the banking sector, and Standard Life and Sun Life Financial in the insurance sector.

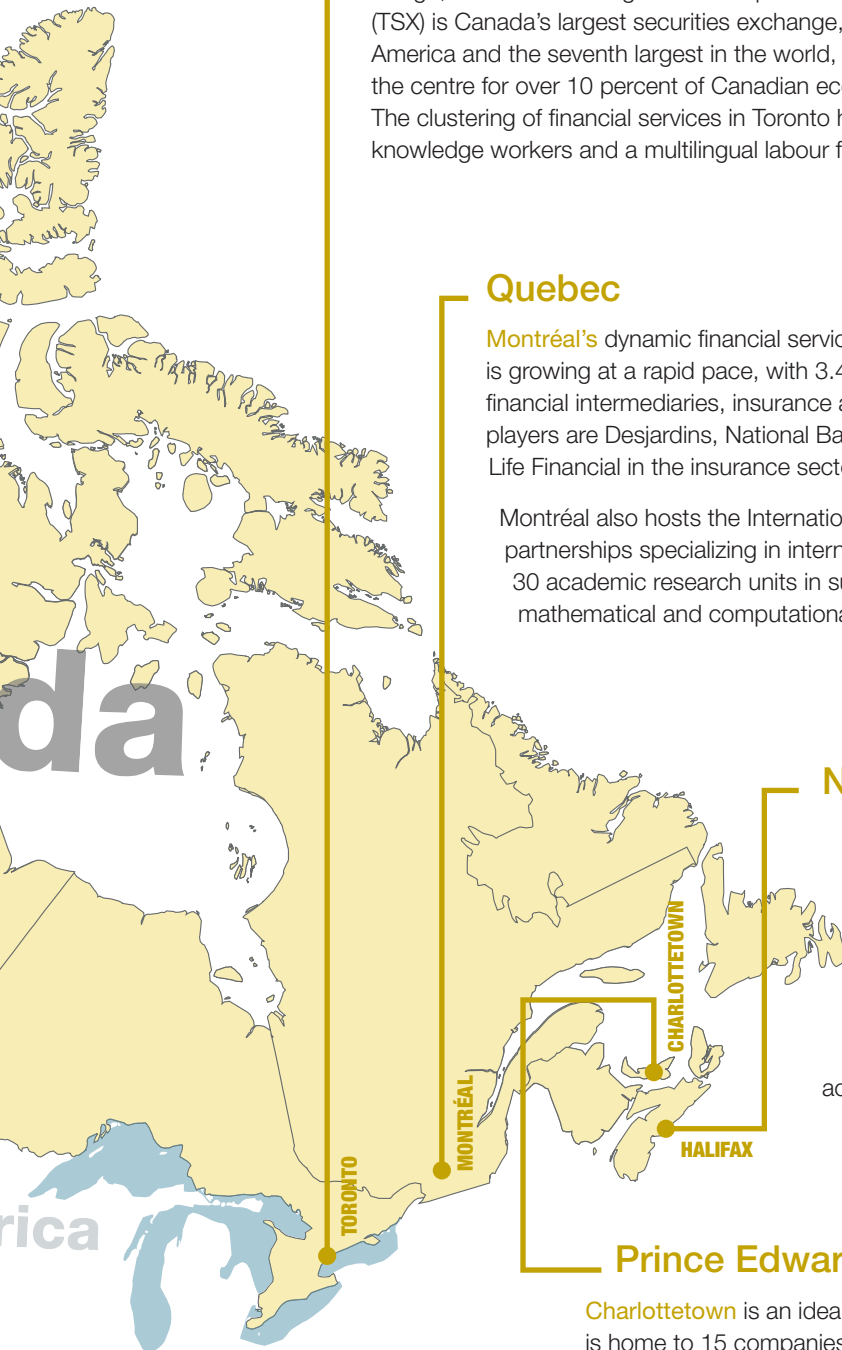
Montréal also hosts the International Financial Centre program, created to assist corporations or partnerships specializing in international financial transactions. At the R&D level, Montréal is home to 30 academic research units in such sectors as derivative products and pension fund management, mathematical and computational finance, and financial engineering.

Nova Scotia

Nova Scotia's financial services and insurance sector has seen phenomenal growth since 2006. Major international firms have established back and middle office operations in **Halifax**, including Citco Fund Services, Butterfield Fund Services, Marsh Captive Solutions, Flagstone Management Services, and OC Financial Services—a division of Olympia Capital. Halifax has an experienced labour force of 14,000 in the financial services sector, while some 7,000 students across the province are enrolled in business administration.

Prince Edward Island (PEI)

Charlottetown is an ideal financial services processing location that is home to 15 companies and employs 2,700 people. PEI's strengths include banking, mutual fund administration, client relations, hedge fund administration, and insurance. Fundamentally, financial service companies can enjoy important cost savings on labour rates and space costs in Charlottetown in comparison to other North American locations.



METHODOLOGY

This benchmarking study assesses the competitiveness of a number of Canadian clusters against competing international business locations. Based on an investor's perspective, the research and analysis uses a representative investment project prototype (an operation that processes transactions and provides custody services—see profiles on page 5) to assess criteria that corporate decision makers typically examine when evaluating location alternatives for foreign investment.

This international location benchmarking exercise was conducted by IBM-Plant Location International (IBM-PLI), a renowned global location consultancy. IBM-PLI performed objective research to assess the comparative cost and quality of doing business in various locations, simulating the approach used by investors when screening candidates for corporate investment projects. The benchmarking study examined 250 to 300 financial and qualitative location indicators in the assessment of each industry subsector.

To assess the quality of a location's operating business environment, data were collected from a variety of sources for the different subfactors in each of the categories featured in the operating environment table (page 5). Data for the qualitative assessment were translated into comparable scorings (zero to 10) for each category and subfactor using a weighted scoreboard approach. Weights were assigned to each location category and subfactor to demonstrate their relative importance in the location selection process. These weights are specific to each industry subsector and are based on IBM-PLI's experience in helping investors make strategic decisions when choosing locations.

A high-level financial analysis was also conducted to take into account major location-sensitive investment and operating costs and revenues for each representative project profile. Operating cost projections have been calculated and discounted over a 10-year period, incorporating anticipated inflation rates, to determine their net present value.

» benchmarking the comparative cost and quality of doing business in global locations



INVESTMENT LOCATION BENCHMARKING

REPRESENTATIVE PROJECT PROFILE



GENERAL DESCRIPTION OF OPERATIONS

Processing of transactions and provision of custody services for the financial services sector.

KEY PROJECT DRIVERS

- » Availability of skilled labour: accountants and financial services staff
- » Cluster of financial services companies
- » Availability of suitable office premises
- » English language skills as a corporate language

OPERATING COST ANALYSIS PROJECT REQUIREMENTS FOR FINANCIAL MODELLING

LABOUR

(HEADCOUNT = 94)

Financial Analysts: 20

Accountants: 30

Accountant Clerks: 25

Management and Administration: 9

IT Professionals: 10

OFFICE SPACE

Building: 15,000 sq. ft.

OPERATING ENVIRONMENT

GENERAL BUSINESS ENVIRONMENT » 10%*	» Economic and financial stability; » Quality of support from local government & development agencies; » Compliance with protection of privacy regulations, information security, IP rights; » Business permitting procedures; » Availability of financial support & incentives; » Political stability
LOCAL POTENTIAL TO RECRUIT SKILLED STAFF » 35%*	» Presence of experienced financial services employees; » Presence of student population; » Overall tightness in the labour market (unemployment); » Overall size of labour pool
PRESENCE OF INDUSTRY/CLUSTER » 10%*	» Presence of industry base
FLEXIBILITY OF LABOUR & REGULATIONS » 5%*	» Hiring & firing flexibility; » Industrial relations/attitude of unions; » Working time regulations; » Work permits
INFRASTRUCTURE & COMMUNICATIONS » 15%*	» Quality & reliability of IT & telecommunications; » Reliability of power supply; » Public transport; » Highway network & congestion; » Air access
REAL ESTATE » 5%*	» Availability of office space
LIVING ENVIRONMENT » 15%*	» Cost of living; » Attractiveness for young international recruits; » Attractiveness for expatriates
LANGUAGE SKILLS » 5%*	» English language skills



Bank of Canada
(Ottawa, Ontario)



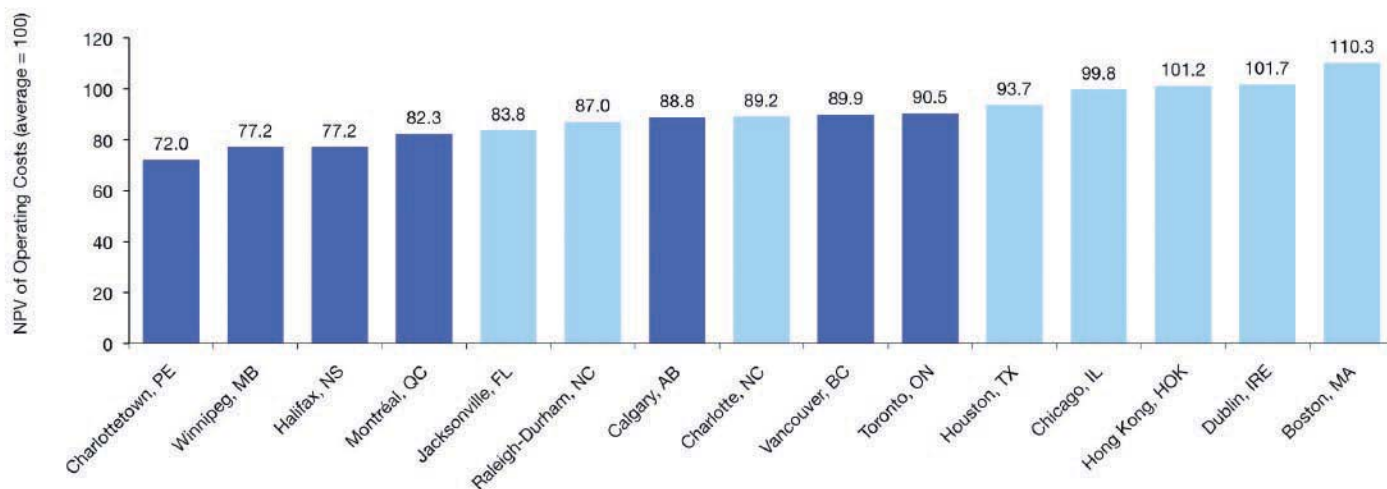
CANADA'S VALUE PROPOSITION



Canada presents strong investment options in the financial services sector with locations that provide operating cost advantages over major European and U.S. competitors. Select financial centres in Canada also provide some of the best operating environments among international cities evaluated.

COST ASSESSMENT*

■ Canadian
■ Non-Canadian
C\$1 = US\$0.862



Favourable operating costs

Among the cities considered in IBM-PLI's location benchmarking exercise, Canadian locations provide some of the most competitive operating costs. All seven Canadian cities assessed rank among the top ten global locations in this study, with Charlottetown, Winnipeg, Halifax and Montréal leading the way. Canada's cost advantage

can be attributed to advantageous labour costs, corporate tax rates and utility costs. Toronto and Montréal, both shown here as cost-competitive locations, also rank in the top international benchmarked locations in terms of their qualitative environment.



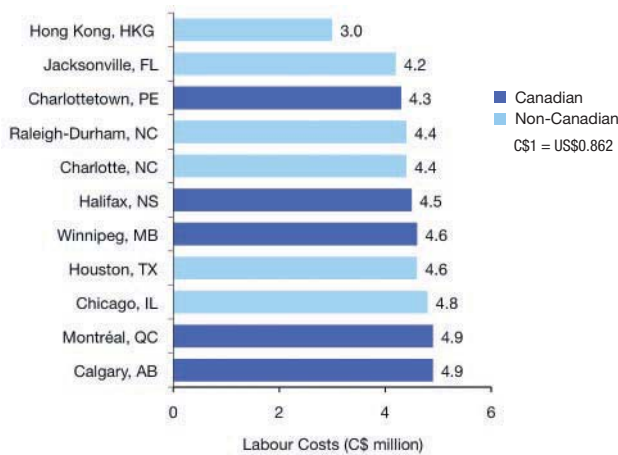
Calgary (Alberta, Canada)

*Unless otherwise noted, graphs represent IBM-PLI assessment scores.

CANADA'S VALUE PROPOSITION



Estimated annual labour costs (highest-ranking cities)**



Competitive labour costs

In Canada, labour costs for employees such as accountants, financial analysts and IT professionals are very competitive when compared with those of other North American or international locations.

An important component of Canada's labour cost competitiveness relative to the United States stems from its lower employee benefits costs. Canada's national healthcare system implies that most medical insurance is publicly funded rather than paid by the employer, leading to potential savings.

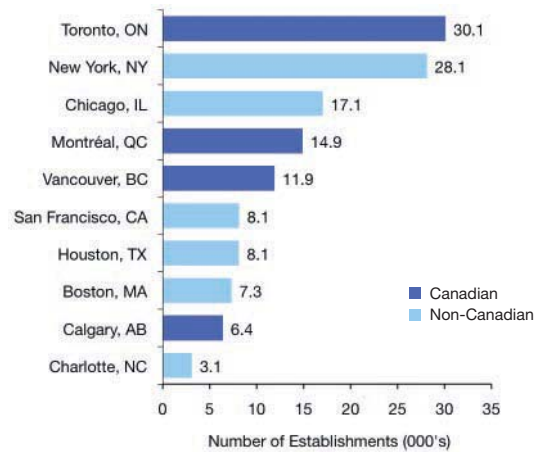
The most cost-competitive options in Canada include the Atlantic cities of Charlottetown and Halifax, as well as metropolitan centres such as Winnipeg, Montréal and Calgary.

A solid industry base

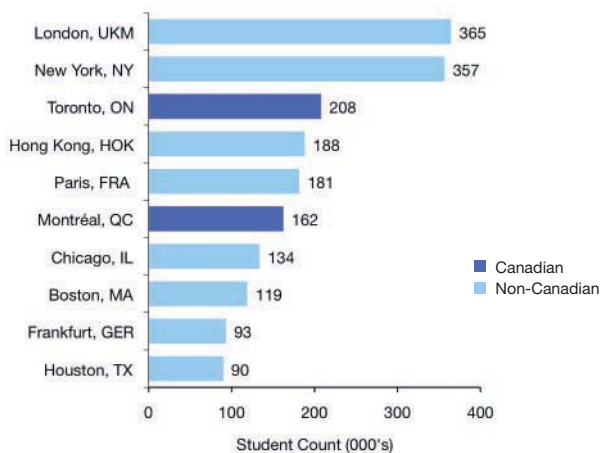
Canadian cities benefit from the strong presence of banking and insurance firms, which provide the skilled workforce needed to operate a financial service organization. Canada's largest city, Toronto, is a recognized financial hub in North America, attracting experienced professionals and world-class organizations, resulting in a large pool of qualified workers for companies to draw upon.

Many other Canadian locations, including Montréal, Vancouver and Calgary, are also home to a large number of banking and insurance establishments, which attract employees with suitable skill profiles.

Number of establishments classified as banking and insurance (highest-ranking North American cities)***



Number of university students (highest-ranking cities)****



An educated workforce

A large student population that can be trained is an important driver for the selection of financial service activities. Graduates from accounting and other business-related programs, as well as general university graduates, represent a rich potential employee pool.

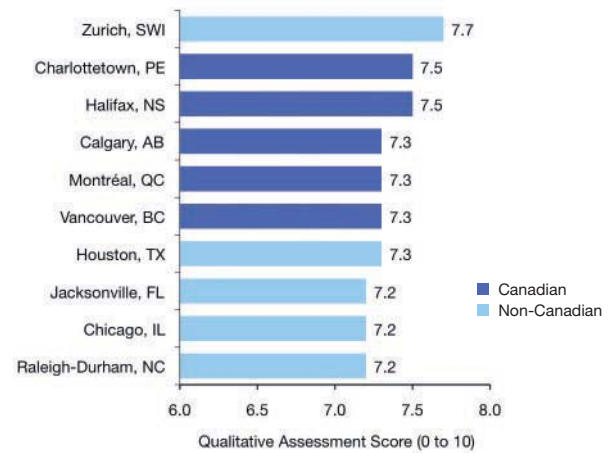
Canada has the world's highest percentage of college and university graduates.⁴ All Canadian locations benchmarked in this study are home to universities and other higher educational establishments that provide solid business programs. The presence of large universities and business schools in Canada's two largest cities, including the University of Toronto, York University, McGill University and HEC Montréal, leads to a large number of talented graduates.

A conducive business environment

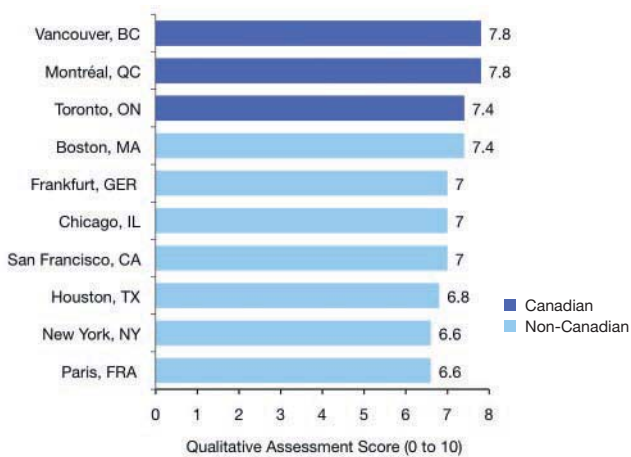
Thanks to its solid and dynamic economy, low corporate tax rates, quality support from local governments and development agencies, business permitting procedures, privacy regulations, information security and protection of intellectual property rights, Canada has fostered a business environment that allows companies to invest and grow.

As the leader in GDP growth among G7 countries over the last decade, and with the world's soundest banking system,⁵ Canada provides a stable and strong business environment that offers tremendous growth potential and peace of mind for business investment. In fact, all Canadian cities evaluated offer a strong business environment, as based on measures published by the IMD, the Economist Intelligence Unit and the World Economic Forum. Charlottetown and Halifax rank particularly well because of their very supportive local development network.

General business environment (highest-ranking cities)*



Living environment (highest-ranking cities)*



Outstanding quality of life

In the competition to draw international talent, Canada prides itself on its highly rated living environment.

With its natural beauty, high level of education, quality and affordability of healthcare, and low crime rates, Canada is globally regarded as being one of the best places in the world to live. This explains why Canadian cities attract young international recruits and talented expatriates from around the world.

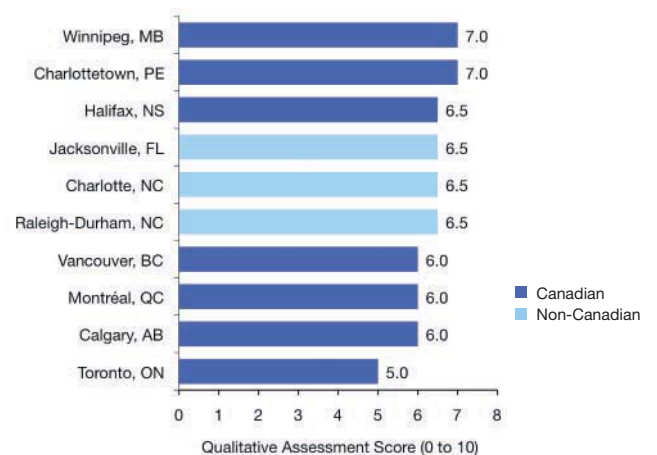
International measures such as Sperling's Cities Ranked & Rated and Economist Intelligence Unit's quality of life index consistently place Canadian cities near the top of the rankings. In fact, Canada's three largest cities, Toronto, Montréal, and Vancouver, lead all other benchmarked locations in this assessment, with Vancouver also recently ranking first overall in Expansion Management magazine's quality of living quotient.

Affordable living

Canada also appeals to expatriates and international recruits because of its relatively low cost of living. International measures such as the Mercer Cost of Living Survey and Economic Research Institute's cost of living index identify the cost advantage of Canadian cities in comparison to other North American or global locations.

Among benchmarked locations, Charlottetown, Winnipeg and Halifax offer the most competitively priced goods and services, while maintaining an attractive living environment. Canada's major urban centres round out the top 10 list by combining an overall high quality of life with affordable living costs.

Cost of living (highest-ranking cities)*



*Unless otherwise noted, graphs represent IBM-PLI assessment scores. 5 World Economic Forum Global Competitiveness Report 2008-2009, October 2008.

Invest in Canada

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We offer the following valuable services to our clients:

- strategic market intelligence on your specific sector
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- referrals to contacts in firms and industry associations, as well as experts
- information and advice on setting up a business in Canada
- help in identifying a suitable place in which to invest
- assistance in developing a business case for your next investment decision

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