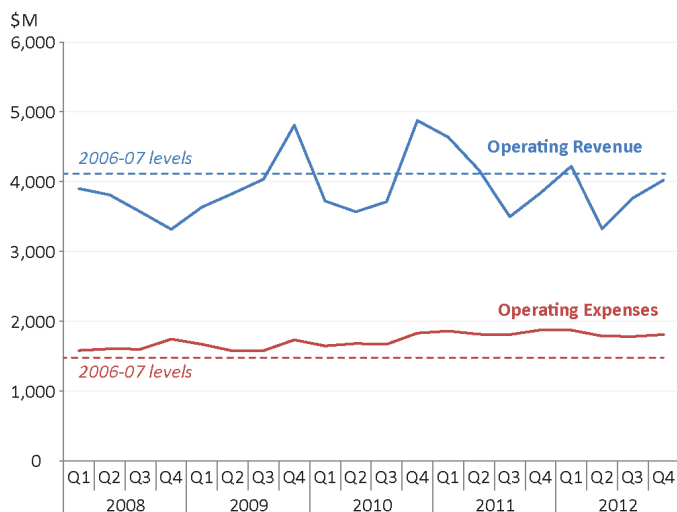


2006-2012: How Canadian Integrated and Boutique Firms Have Fared in the Face of Declining Revenue and Increased Regulatory Burdens

The Investment Industry Association of Canada (IIAC) has now compiled a detailed analysis of year-end statistics for the Canadian securities industry's 2012 financial performance. What emerges is a clear picture of the state of the industry and its trajectory since 2006-07.

Overall revenue in the post-crash period was actually down only slightly, despite largely volatile and weak equity markets, a collapse in equity financings for small and mid-sized resource companies in the last two years, and skittish investors. But this masks the deep stress on the industry and individual firms, stemming from rising industry-wide cost pressures – especially due to the impact of increased regulation – and a dramatic fall-off in financial business at the boutique firms.

Operating Revenue and Expenses Industry



Source: IIAC

A Tale of Two Sectors: Revenue Grows at Integrated Firms, Shrinks at Boutiques

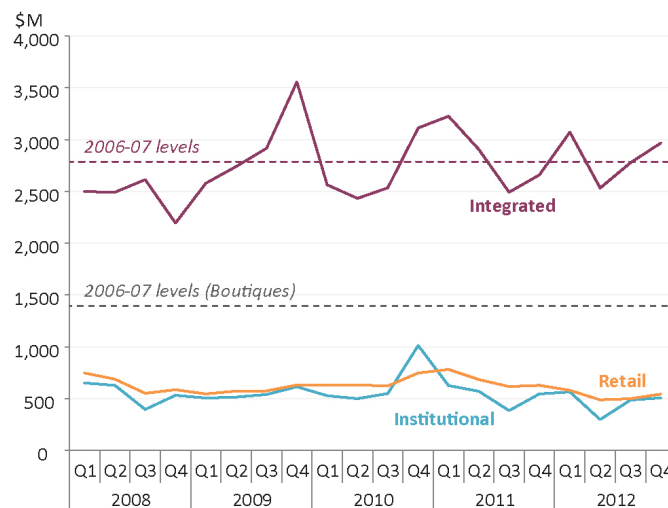
As they say in football, let's review the tape. A clear picture emerges of the impact of the increased regulatory burden, as well as of recent market conditions and competitive pressures. Overall industry operating revenue totaled \$15.3 billion in 2012 versus \$15.9 billion in 2006. That's less than a 4% decline, reflecting annual rates of revenue growth that have bounced modestly around these levels in the intervening years. One can say that the industry, *on average*, has held up reasonably well. But one can drown in a river that, *on average*, is only seven inches deep. It's

also important to look at the yawning gap between integrated and boutique firms.

Integrated Firms

Total revenue at the integrated firms, notably the bank-owned dealers dominating resurgent debt and derivatives trading and financing, rose on average nearly 5% in the post-financial crisis period.

Operating Revenue Integrated v. Boutiques

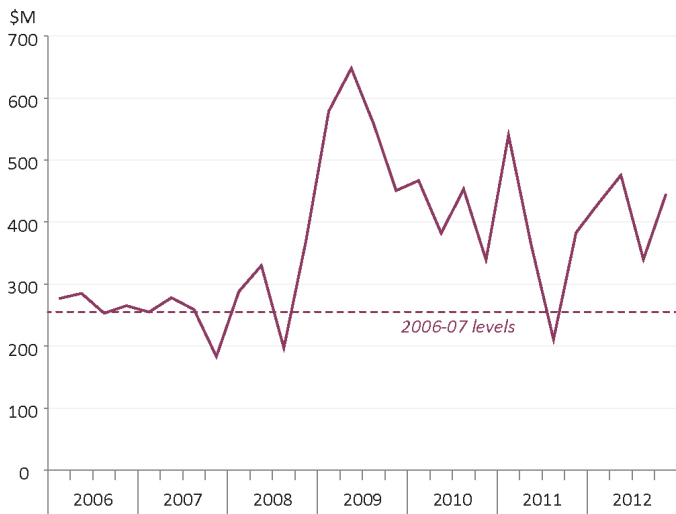


Source: IIAC

Solid revenue gains in the debt and derivatives capital markets business compensated for the fall-off in traditional equity underwriting and trading. Revenue from the debt capital markets business nearly doubled at the integrated firms in the past 5-6 years, providing important earnings support for the flagging equity business. The debt capital markets business now accounts for 15% of overall revenue, 50% higher than the revenue share in the middle of the last decade.

Revenue has increased steadily on average in the debt business, excepting the spike in bond trading revenue in 2009 when bond yields and spreads collapsed. Earnings gains relate to the stepped-up pace in high-yield bond financing, and trading in fixed-income and derivatives securities with institutional and retail investors. Trading revenue gains also reflect bond inventory profits and gains from the carry trade investing in higher-return, longer-dated bonds funded from cheaper short-dated sources.

Debt Capital Markets Business: Integrated Firms
Revenue from new debt issuance and fixed income trading



Source: IIAC

Integrated firms also benefited from significant advisory work, with several large corporate acquisitions and restructurings, and related debt financings.

Wealth management revenue remained fairly stable as clients stayed active in fixed-income yield products and dividend-paying blue-chip equities, and also shifted assets to discretionary portfolios. Retail revenue at the integrated firms actually rose modestly on average in the post-financial crash period as gains in fee income offset lower brokerage commissions. Fee income at the integrated firms increased nearly two-thirds over the past 5-6 years as firms built up their discretionary portfolio business across the client base, in response to increasing client demand for these products.

Meanwhile, integrated firms have built up a steady accumulation of cash, with client cash holdings almost doubling in the last several years – a build-up of \$10 billion to a total of \$33 billion. The larger increases in cash holdings at the integrated firms, confirmed by relative shift in other client assets, may simply reflect the shift of client assets to the integrated group, as a consequence of dealer acquisitions by the bank-owned firms. The cash build-up typically relates to cautious investors who have pulled to the sidelines and reflects less active trading in brokerage accounts.

Boutiques

While all firms face weak equity markets, the impact is keenly felt among boutique firms, with greater dependence on these markets for institutional and corporate business. The viability of the smaller boutique firms is threatened, unless a market turnaround occurs in the near term.

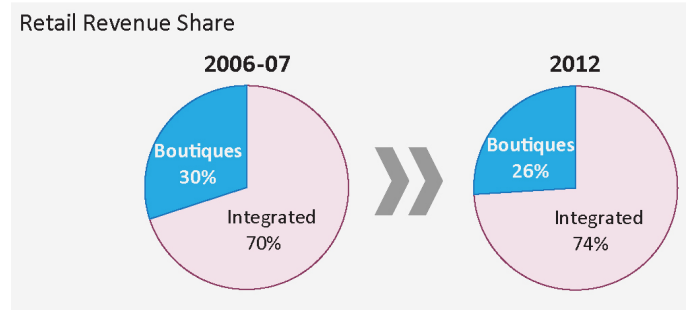
Total revenue at the boutiques shrunk by roughly one-third – at \$4 billion in 2012, down \$1.7 billion from 2006-07 levels. And much

of the revenue decline occurred in the latest two years.

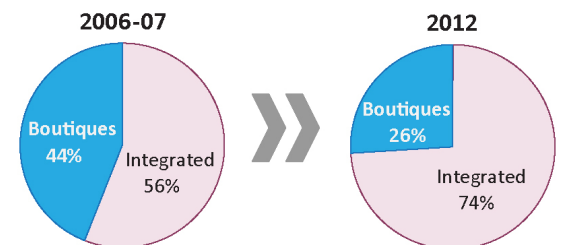
Retail revenue among boutiques has fallen roughly 20% from the 2006-07 highs, mainly due to declining brokerage commission revenue. This resulted partly from acquisitions, and partly from clients paring back activity in financial markets.

The decline in commission revenue may also reflect for some boutiques a smaller product shelf than at the integrated firms, and consequently reduced activity. But it is more likely that the commission revenue decline reflects client migration to the integrated firm group as the integrated firms acquired retail boutiques in this period, and as clients shifted accounts to bank-owned firms. Meanwhile, retail boutiques have not seen anything like the pace of cash build-up experienced by integrated firms.

Integrated Firms Encroach on Boutiques



Equity Investment Banking Revenue Share



Source: IIAC

Fee revenue did increase at the retail boutiques over this period, but far less than at the integrated firms and not nearly enough to offset the commission revenue decline. The boutiques appear to have been less successful than the integrated firms in building fee-based discretionary portfolios.

Revenue at the institutional boutiques was sideswiped by the collapse in small and mid-cap equity financing in public and private markets, notably in 2011-12. Equity investment banking at the institutional boutiques has fallen by more than half, and equity trading revenue has been decimated.

Institutional commissions are down, reflecting less interest in resource shares and greater use of swap transactions through bank-owned dealers to adjust institutional portfolios. The



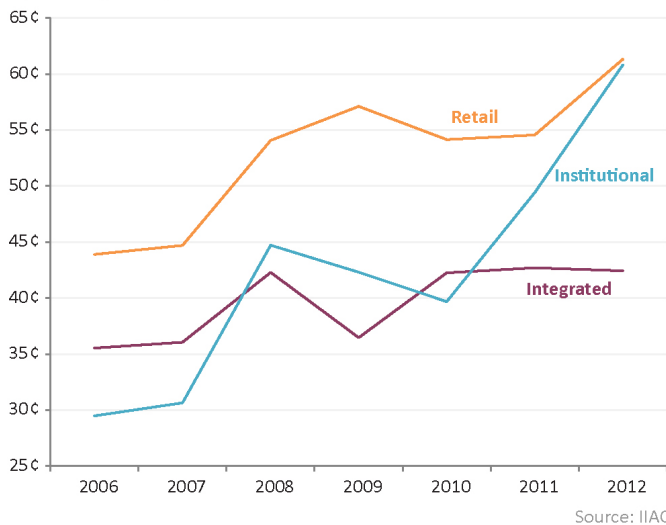
small and mid-cap resource markets show no imminent signs of recovery. However, some resource companies in production will find attractive financing windows in volatile markets, and widespread corporate restructuring will be inevitable.

Boutiques: Squeezed Between Falling Revenues and Rising Costs

Both integrated and boutique firms faced escalating operating costs, driven by higher fixed costs to comply with increasing regulation and needed technology spend for compliance and business operations. Operating costs were up strongly across-the-board in the past 6-7 years at all firms, averaging 5% annually.

While the relative rise in costs has been roughly consistent across the different firm groupings, the integrated firms have had the advantage of scale to lower per unit cost. Further, their ability to generate revenue gains in trading and underwriting debt and derivative securities, and to hold retail revenue fairly steady, has led to starkly different bottom-line results.

Falling Revenues and Rising Costs
Operating Cost per Dollar Revenue



The 185 boutiques, on the other hand, have been caught in a classic vice – falling revenue and rising fixed cost, as business opportunities decline and regulatory compliance demands increase. Operating costs (excluding variable compensation and bonuses) have risen steadily in the past six years, now totaling \$2.4 billion for the group.

Regulatory Burden

The rise in operating costs over the post-crisis period illustrates the impact of the regulatory burden on the bottom line. Despite slippage in business and related revenue, and retrenchment in infrastructure and employment, operating costs for the boutique dealers have steadily increased in the past six years, averaging about 4% annually, well above annual inflation. The steady increase in regulatory compliance costs, in terms of resources

and technology spending, is the major factor responsible for this escalation of operating costs at the boutique firms.

The pace of regulatory reform will continue. At present, we estimate 80 proposals for new and amended rules and regulations impacting dealers – directly or indirectly – have been announced, in the consultation phase or under regulatory review. Many of these proposals will eventually be implemented, often with enhanced technology, adding further to compliance costs and pressure on dealer fixed costs.

The financial squeeze faced by small boutique firms does not just threaten them. Ultimately, it threatens investors, and small and mid-cap issuers, posing a hazard to competitive and liquid markets for efficient securities trading and financing. Regulators must respond by engaging in effective rule-making, embracing rigorous cost-benefit analysis and post-rule implementation review, and impose flexible and streamlined dealer compliance requirements, to limit the regulatory burden and avoid negative unintended consequences to the savings-investment process.

A Contrast in Earnings

The weakness in domestic equity markets – with the TSX Composite Index still trading almost 15% below the pre-crash levels, driven by poorly performing resource markets – has pummeled industry earnings.

Continued torpid conditions in domestic equity markets, combined with the ratcheting up in fixed costs from the implementation of many new rules and regulations, and new tax reporting obligations from the federal government and foreign jurisdictions, will continue the squeeze on margins.

Operating Profit
Integrated v. Institutional and Retail Boutiques



These factors have also contributed to the bifurcation in earning results between integrated and boutique firms. Boutique



revenues have been heavily exposed to the collapse in resource share prices, and per unit cost at the boutiques has risen much faster than at the integrated firms.

For the integrated firm group as a whole, including the two large independent dealers and six bank-owned dealers, operating profit fell about 15-20% measured over the post-crisis period. Operating profit totaled \$3.2 billion in 2012, similar to the previous two years, but down about 15% from 2006-09 levels. The decrease in profit in the last two years translates into lower ROEs, in the 17% range, compared with 26-27% in the pre-financial crisis period. The biggest influence on the ROE decline, however, has not been net earnings but the substantial and steady injection of equity capital to meet new requirements and provide a greater cushion.

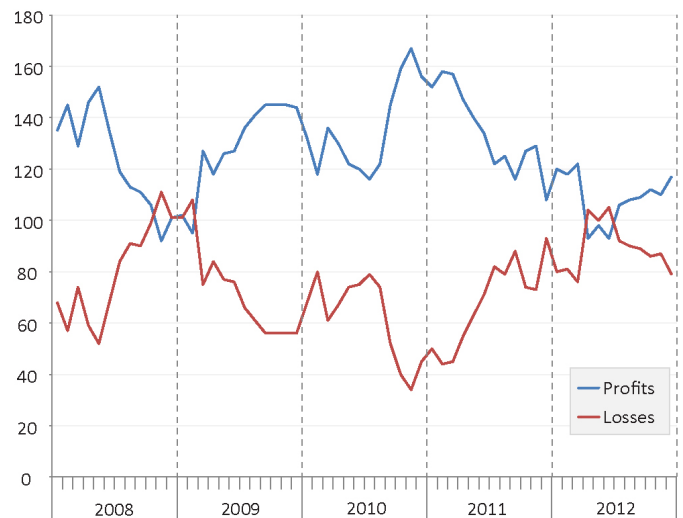
For the boutiques, a bigger decline in revenue, combined with increased costs, has led to a collapse in earnings more pronounced than at the integrated firms. Operating profit has ground down steadily. Operating profit for the boutiques is now \$587 million, only a quarter of 2006-07 levels.

Operating profit at the institutional firms – heavily dependent on conventional equity underwriting and trading in mining and energy shares – was down last year to \$605 million, less than half as much as 2006-07. The ROE on \$4 billion in equity capital was also cut in half in six years to 7% – a bigger ROE drop than the integrated dealers.

Among retail boutiques, operating profit has been eviscerated, from levels in the \$550-600 million range in 2006-07 to a modest loss of \$18 million last year. Continued results like these will eventually push many of the money-losing small firms over the edge and result in further consolidation in the securities industry.

So far, attrition has been relatively limited; recent acquisitions may have reflected not so much desperation as the opportunity to benefit from merged operations. Several solid retail and institutional franchises such as Wellington West, Richardson Partners, HSBC Securities, Blackmont, Dundee Wealth Management and J.F. Mackie disappeared in the last three or four years, as did many smaller retail or institutional firms.

Number of Firms with Profits and Losses



Source: IIAC

The staying power of small firms has been impressive, but how much longer can it last? At the end of last year, some 55 retail firms – or fully half of Canada’s retail firms – were losing money on a net profit basis. That’s up from a third of retail firms just since 2010. Among the institutional group, 34 firms, or 40%, lost money last year, versus 17% two years ago. We estimate that roughly 65 institutional and retail boutiques have been losing money fairly steadily over the past two years, leaving them in a precarious position.

Conclusion

Cost pressures and declines in revenue have hurt the investment industry as a whole, but have hit the boutique firms proportionately harder, leaving large numbers of small dealers – both retail and institutional – exposed and at-risk. Their future – and their contribution to Canada’s economic growth – depends largely on the direction of the economy, the trend-line of investor confidence, and the course and efficiency of regulatory reform.



(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	196	198	201	-1.0%	-2.5%	196	201	201	200	-2.5%	0.0%	0.5%
Number of employees	39,555	39,870	40,427	-0.8%	-2.2%	39,555	40,427	39,917	39,894	-2.2%	1.3%	0.1%
Revenue												
Commissions	1,250	1,199	1,307	4.2%	-4.4%	5,117	5,817	5,631	5,052	-12.0%	3.3%	11.5%
<i>Mutual fund only commissions</i>	550	542	520	1.4%	5.7%	2,175	2,156	1,950	1,605	0.9%	10.6%	21.5%
Investment banking	1,049	825	860	27.2%	22.0%	3,565	3,977	4,029	3,915	-10.4%	-1.3%	2.9%
<i>New issues equity</i>	478	431	467	11.0%	2.4%	1,782	2,165	2,234	2,356	-17.7%	-3.1%	-5.2%
<i>New issues debt</i>	235	179	183	31.2%	28.3%	816	826	809	653	-1.2%	2.1%	23.9%
<i>Corporate advisory fees</i>	336	215	210	56.4%	60.2%	967	986	986	906	-1.9%	0.0%	8.8%
Fixed income trading	262	254	295	3.0%	-11.2%	1,176	1,064	1,173	2,109	10.5%	-9.3%	-44.4%
Equity trading	-5	205	-21	-102.3%	77.3%	118	-1	267	459	n/a	-100.5%	-41.8%
Net interest	285	267	340	6.9%	-16.1%	1,131	1,376	1,054	914	-17.8%	30.5%	15.3%
Fees	841	793	860	6.0%	-2.2%	3,206	3,094	2,721	2,385	3.6%	13.7%	14.1%
Other	341	223	197	52.5%	72.9%	1,020	810	1,004	1,473	25.9%	-19.4%	-31.8%
Operating revenue	4,023	3,766	3,838	6.8%	4.8%	15,332	16,136	15,878	16,306	-5.0%	1.6%	-2.6%
Operating expenses¹	1,808	1,781	1,874	1.5%	-3.5%	7,249	7,355	6,825	6,555	-1.4%	7.8%	4.1%
Operating profit	1,060	1,009	906	5.0%	17.0%	3,806	4,273	4,789	5,987	-10.9%	-10.8%	-20.0%
Net profit (loss)	598	577	422	3.8%	41.8%	2,155	2,036	2,395	2,869	5.8%	-15.0%	-16.5%
Shareholders' equity	17,087	16,525	15,269	3.4%	11.9%	17,087	15,269	16,988	15,225	11.9%	-10.1%	11.6%
Regulatory capital	34,343	34,008	30,383	1.0%	13.0%	34,343	30,383	31,647	29,559	13.0%	-4.0%	7.1%
Client cash holdings	38,684	37,891	39,304	2.1%	-1.6%	38,684	39,304	37,952	36,816	-1.6%	3.6%	3.1%
Client debt margin outstanding	14,432	13,900	13,458	3.8%	7.2%	14,432	13,458	13,731	11,048	7.2%	-2.0%	24.3%
Productivity² (\$ thousands)	407	378	380	7.7%	7.1%	388	399	398	409	-2.9%	0.3%	-2.7%
Annual return³ (%)	14.0	14.0	11.1	0.1%	3.0%	12.6	13.3	14.1	18.8	-0.7%	-0.8%	-4.7%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



Integrated firms

Firms that are national in scope and have extensive retail and institutional operations; includes dealers of the six major chartered banks.

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	11	11	11	0.0%	0.0%	11	11	11	11	0.0%	0.0%	0.0%
Number of employees	25,146	25,450	25,595	-1.2%	-1.8%	25,146	25,595	24,955	25,131	-1.8%	2.6%	-0.7%
Revenue												
Commissions	877	852	909	3.0%	-3.5%	3,597	3,921	3,767	3,384	-8.3%	4.1%	11.3%
<i>Mutual fund only commissions</i>	431	429	411	0.4%	4.9%	1,711	1,654	1,471	1,226	3.5%	12.4%	20.0%
Investment banking	729	616	597	18.3%	22.0%	2,596	2,726	2,566	2,598	-4.8%	6.2%	-1.2%
<i>New issues equity</i>	332	340	313	-2.4%	6.1%	1,325	1,390	1,311	1,587	-4.7%	6.0%	-17.4%
<i>New issues debt</i>	184	149	151	23.8%	22.0%	659	699	682	546	-5.7%	2.5%	24.9%
<i>Corporate advisory fees</i>	212	127	133	67.6%	59.2%	612	637	573	465	-4.0%	11.2%	23.2%
Fixed income trading	261	191	232	36.5%	12.4%	1,031	800	960	1,690	29.0%	-16.7%	-43.2%
Equity trading	7	146	-7	-95.3%	193.0%	166	25	38	332	556.3%	-33.5%	-88.6%
Net interest	236	222	275	6.3%	-14.2%	942	1,165	906	790	-19.2%	28.6%	14.7%
Fees	629	600	547	5.0%	15.2%	2,400	2,189	1,994	1,764	9.6%	9.8%	13.0%
Other	229	151	108	52.2%	111.7%	618	456	415	1,233	35.4%	9.9%	-66.3%
Operating revenue	2,967	2,777	2,660	6.9%	11.5%	11,350	11,283	10,645	11,792	0.6%	6.0%	-9.7%
Operating expenses¹	1,171	1,201	1,215	-2.4%	-3.6%	4,817	4,818	4,497	4,300	0.0%	7.1%	4.6%
Operating profit	920	832	652	10.6%	41.2%	3,219	3,212	3,127	4,782	0.2%	2.7%	-34.6%
Net profit (loss)	555	590	361	-5.9%	53.6%	1,978	1,801	1,610	2,422	9.8%	11.9%	-33.5%
Shareholders' equity	11,902	11,356	10,475	4.8%	13.6%	11,902	10,475	11,585	10,029	13.6%	-9.6%	15.5%
Regulatory capital	24,989	24,640	22,155	1.4%	12.8%	24,989	22,155	22,882	21,372	12.8%	-3.2%	7.1%
Client cash holdings	33,018	32,255	33,088	2.4%	-0.2%	33,018	33,088	31,677	31,451	-0.2%	4.5%	0.7%
Productivity² (\$ thousands)	472	436	416	8.2%	13.5%	451	441	427	469	2.4%	3.3%	-9.1%
Annual return³ (%)	18.7	20.8	13.8	-2.1%	4.9%	16.6	17.2	13.9	24.1	-0.6%	3.3%	-10.3%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



/// Institutional firms

Firms that generate most of their revenues from servicing institutional clients or through capital market operations.

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	79	80	78	-1.3%	1.3%	79	78	74	72	1.3%	5.4%	2.8%
Number of employees	3,115	3,180	3,108	-2.0%	0.2%	3,115	3,108	2,793	2,801	0.2%	11.3%	-0.3%
Revenue												
Commissions	131	120	151	9.3%	-13.1%	558	693	655	623	-19.4%	5.7%	5.1%
Investment banking	266	167	192	59.5%	38.8%	756	912	1,082	1,052	-17.1%	-15.7%	2.9%
<i>New issues equity</i>	112	63	105	78.4%	6.7%	315	523	634	568	-39.8%	-17.5%	11.6%
<i>New issues debt</i>	34	21	16	64.6%	110.1%	103	60	58	51	71.6%	3.7%	13.7%
<i>Corporate advisory fees</i>	121	84	71	44.1%	70.1%	338	329	390	433	2.6%	-15.6%	-9.9%
Fixed income trading	-13	49	53	-126.0%	-124.1%	93	179	122	249	-48.1%	46.7%	-51.0%
Equity trading	-14	50	-21	-128.8%	32.8%	-61	-44	145	46	-38.8%	-130.1%	215.2%
Net interest	18	15	29	24.9%	-38.3%	63	49	35	33	29.5%	39.0%	6.1%
Fees	50	41	83	21.9%	-40.6%	190	174	104	77	9.4%	67.4%	35.1%
Other	72	46	61	58.1%	18.4%	263	173	453	101	52.2%	-61.8%	348.5%
Operating revenue	510	487	548	4.7%	-7.0%	1,863	2,136	2,596	2,182	-12.8%	-17.7%	19.0%
Operating expenses¹	300	269	306	11.6%	-1.8%	1,133	1,056	899	923	7.3%	17.4%	-2.6%
Operating profit	139	166	198	-16.3%	-30.0%	605	839	1,440	1,025	-27.8%	-41.7%	40.5%
Net profit (loss)	69	0	69	n/a	0.5%	276	213	752	444	29.6%	-71.7%	69.4%
Shareholders' equity	3,982	3,927	3,632	1.4%	9.6%	3,982	3,632	4,108	3,972	9.6%	-11.6%	3.4%
Regulatory capital	7,735	7,707	6,617	0.4%	16.9%	7,735	6,617	7,068	6,607	16.9%	-6.4%	7.0%
Client cash holdings	1,756	1,699	1,296	3.4%	35.5%	1,756	1,296	1,306	859	35.5%	-0.7%	52.0%
Productivity² (\$ thousands)	655	613	705	6.9%	-7.2%	598	687	929	779	-13.0%	-26.1%	19.3%
Annual return³ (%)	6.9	0.0	7.6	7.0%	-0.6%	6.9	5.9	18.3	11.2	1.0%	-12.4%	7.1%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



Retail firms

Firms that generate most of their revenues from servicing retail clients.

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	106	107	112	-0.9%	-5.4%	106	112	116	117	-5.4%	-3.4%	-0.9%
Number of employees	11,294	11,240	11,724	0.5%	-3.7%	11,294	11,724	12,169	11,962	-3.7%	-3.7%	1.7%
Revenue												
Commissions	242	227	248	6.4%	-2.5%	961	1,203	1,208	1,045	-20.1%	-0.4%	15.6%
<i>Mutual fund only commissions</i>	122	115	111	6.2%	9.8%	471	506	478	375	-6.9%	5.8%	27.5%
Investment banking	55	42	71	30.0%	-22.6%	212	338	381	265	-37.2%	-11.2%	43.8%
<i>New issues equity</i>	34	28	49	23.9%	-30.7%	142	253	289	201	-43.8%	-12.6%	43.8%
<i>New issues debt</i>	17	10	16	73.9%	7.5%	53	67	69	56	-20.0%	-3.4%	23.2%
<i>Corporate advisory fees</i>	4	5	6	-24.0%	-34.9%	17	19	23	8	-10.6%	-16.9%	187.5%
Fixed income trading	14	14	10	0.6%	48.2%	52	86	91	169	-39.9%	-5.8%	-46.2%
Equity trading	3	8	8	-66.9%	-63.9%	13	17	84	81	-25.0%	-79.8%	3.7%
Net interest	31	31	36	2.6%	-12.1%	126	162	113	91	-22.0%	43.1%	24.2%
Fees	162	153	230	6.0%	-29.7%	616	731	623	544	-15.7%	17.3%	14.5%
Other	39	27	28	44.3%	38.8%	139	180	137	138	-23.0%	31.7%	-0.7%
Operating revenue	545	502	630	8.7%	-13.4%	2,119	2,717	2,637	2,322	-22.0%	3.0%	13.6%
Operating expenses¹	337	311	353	8.1%	-4.7%	1,300	1,482	1,428	1,332	-12.3%	3.8%	7.2%
Operating profit	1	12	56	-90.6%	-98.0%	-18	221	222	180	-108.2%	-0.2%	23.3%
Net profit (loss)	-26	-13	-8	-101.9%	-226.5%	-99	22	33	3	-559.6%	-34.7%	1,000.0%
Shareholders' equity	1,202	1,241	1,162	-3.1%	3.5%	1,202	1,162	1,295	1,224	3.5%	-10.3%	5.8%
Regulatory capital	1,619	1,661	1,610	-2.5%	0.5%	1,619	1,610	1,697	1,580	0.5%	-5.1%	7.4%
Client cash holdings	3,910	3,937	4,920	-0.7%	-20.5%	3,910	4,920	4,820	4,506	-20.5%	2.1%	7.0%
Productivity² (\$ thousands)	193	179	215	8.1%	-10.1%	188	232	217	194	-19.0%	6.9%	11.6%
Annual return³ (%)	-8.6	-4.1	-2.7	-4.5%	-5.9%	-8.2	1.9	2.5	0.2	-10.1%	-0.6%	2.3%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



Domestic institutional

Firms that generate most of their revenues from servicing institutional clients and have their head office located in Canada.

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	56	57	57	-1.8%	-1.8%	56	57	54	52	-1.8%	5.6%	3.8%
Number of employees	2,122	2,177	2,279	-2.5%	-6.9%	2,122	2,279	2,013	2,090	-6.9%	13.2%	-3.7%
Revenue												
Commissions	86	77	99	12.5%	-13.0%	362	470	448	439	-22.8%	4.8%	2.1%
Investment banking	178	82	136	117.9%	31.5%	478	666	781	684	-28.3%	-14.7%	14.2%
<i>New issues equity</i>	91	47	91	95.3%	-0.1%	265	481	574	468	-44.9%	-16.1%	22.6%
<i>New issues debt</i>	14	8	9	81.9%	66.6%	41	25	17	17	62.8%	49.6%	0.0%
<i>Corporate advisory fees</i>	73	27	36	166.8%	102.4%	171	159	190	198	7.5%	-16.2%	-4.0%
Fixed income trading	8	10	-6	-20.4%	238.4%	34	13	17	38	152.3%	-21.8%	-55.3%
Equity trading	-12	6	0	-280.0%	n/a	-67	-44	101	113	-52.2%	-143.3%	-10.6%
Net interest	6	6	6	-2.2%	-9.7%	24	28	20	19	-14.9%	40.0%	5.3%
Fees	25	20	21	29.9%	20.9%	98	101	93	69	-3.6%	9.0%	34.8%
Other	34	23	14	50.2%	138.8%	184	54	341	25	243.6%	-84.3%	1,264.0%
Operating revenue	327	224	271	46.2%	20.8%	1,113	1,288	1,801	1,388	-13.6%	-28.5%	29.8%
Operating expenses¹	148	143	154	3.5%	-4.0%	601	630	554	548	-4.6%	13.7%	1.1%
Operating profit	112	37	81	199.7%	38.2%	321	444	1,008	635	-27.7%	-56.0%	58.7%
Net profit (loss)	44	-26	17	269.3%	162.4%	113	73	536	277	54.9%	-86.4%	93.5%
Shareholders' equity	1,270	1,223	1,171	3.8%	8.5%	1,270	1,171	1,737	1,685	8.5%	-32.6%	3.1%
Regulatory capital	2,597	2,578	1,749	0.8%	48.5%	2,597	1,749	2,325	1,943	48.5%	-24.8%	19.7%
Client cash holdings	894	924	967	-3.3%	-7.5%	894	967	618	555	-7.5%	56.4%	11.4%
Productivity² (\$ thousands)	616	411	475	50.0%	29.7%	524	565	895	664	-7.2%	-36.8%	34.7%
Annual return³ (%)	13.9	-8.5	5.7	22.4%	8.1%	8.9	6.2	30.9	16.4	2.7%	-24.7%	14.4%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



Foreign institutional

Firms that generate most of their revenues from servicing institutional clients and have their head office located offshore.

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	23	23	21	0.0%	9.5%	23	21	20	20	9.5%	5.0%	0.0%
Number of employees	993	1,003	829	-1.0%	19.8%	993	829	780	711	19.8%	6.3%	9.7%
Revenue												
Commissions	45	43	51	3.5%	-13.3%	196	223	208	183	-12.3%	7.2%	13.7%
Investment banking	88	85	56	3.1%	56.7%	278	246	301	367	12.9%	-18.1%	-18.0%
<i>New issues equity</i>	21	16	14	29.3%	51.6%	50	42	60	99	20.1%	-30.7%	-39.4%
<i>New issues debt</i>	19	13	7	53.8%	160.6%	62	35	41	34	78.0%	-15.3%	20.6%
<i>Corporate advisory fees</i>	47	56	35	-15.7%	36.5%	167	170	200	234	-2.1%	-14.9%	-14.5%
Fixed income trading	-21	39	59	-153.6%	-135.4%	59	166	106	212	-64.2%	56.3%	-50.0%
Equity trading	-3	44	-21	-106.5%	86.7%	6	0	44	-67	n/a	-99.7%	165.7%
Net interest	13	9	23	42.5%	-46.0%	39	21	15	14	89.8%	37.7%	7.1%
Fees	24	21	62	14.5%	-61.3%	93	73	11	8	27.6%	561.0%	37.5%
Other	38	23	47	66.2%	-18.8%	79	119	111	76	-33.8%	7.5%	46.1%
Operating revenue	183	263	277	-30.6%	-34.1%	750	848	796	794	-11.5%	6.5%	0.3%
Operating expenses¹	153	126	152	20.7%	0.4%	532	426	345	375	25.0%	23.3%	-8.0%
Operating profit	27	129	118	-78.8%	-76.9%	284	395	432	390	-28.0%	-8.6%	10.8%
Net profit (loss)	25	26	52	-2.3%	-51.8%	163	140	215	167	16.4%	-34.9%	28.7%
Shareholders' equity	2,712	2,704	2,462	0.3%	10.2%	2,712	2,462	2,371	2,287	10.2%	3.8%	3.7%
Regulatory capital	5,138	5,129	4,868	0.2%	5.5%	5,138	4,868	4,742	4,664	5.5%	2.7%	1.7%
Client cash holdings	863	775	330	11.3%	161.7%	863	330	688	304	161.7%	-52.1%	126.3%
Productivity² (\$ thousands)	737	1,050	1,338	-29.9%	-44.9%	755	1,023	1,021	3,350	-26.1%	0.2%	-69.5%
Annual return³ (%)	3.7	3.8	8.5	-0.1%	-4.8%	6.0	5.7	9.1	9.7	0.3%	-3.4%	-0.7%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



/// Retail full service

Firms that generate most of their revenues from servicing retail clients and have their own front and back offices.

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	33	33	34	0.0%	-2.9%	33	34	35	35	-2.9%	-2.9%	0.0%
Number of employees	5,547	5,615	6,114	-1.2%	-9.3%	5,547	6,114	6,231	6,072	-9.3%	-1.9%	2.6%
Revenue												
Commissions	125	119	137	5.0%	-9.1%	503	662	675	605	-24.1%	-1.9%	11.6%
<i>Mutual fund only commissions</i>	73	69	71	5.7%	3.4%	284	302	285	227	-6.0%	6.0%	25.6%
Investment banking	36	26	51	35.5%	-30.2%	142	233	271	192	-39.0%	-14.1%	41.1%
<i>New issues equity</i>	19	16	34	16.5%	-43.1%	88	163	195	128	-46.2%	-16.4%	52.3%
<i>New issues debt</i>	15	7	13	105.2%	10.3%	45	57	61	48	-21.0%	-6.2%	27.1%
<i>Corporate advisory fees</i>	2	3	4	-39.1%	-59.8%	9	12	16	17	-26.6%	-22.5%	-5.9%
Fixed income trading	9	8	4	12.7%	159.3%	29	57	71	134	-48.8%	-20.0%	-47.0%
Equity trading	0	6	4	-93.8%	-90.8%	3	-5	40	42	163.9%	-111.6%	-4.8%
Net interest	16	15	21	5.5%	-20.6%	64	93	62	49	-30.7%	49.7%	26.5%
Fees	87	85	85	2.1%	2.0%	340	354	321	288	-4.0%	10.4%	11.5%
Other	17	15	15	11.5%	11.9%	64	96	71	57	-33.2%	35.5%	24.6%
Operating revenue	290	275	316	5.6%	-8.3%	1,146	1,491	1,511	1,367	-23.1%	-1.3%	10.5%
Operating expenses¹	189	171	204	10.5%	-7.1%	719	847	819	752	-15.1%	3.4%	8.9%
Operating profit	-14	1	-19	n/a	27.4%	-15	51	117	122	-129.7%	-56.2%	-4.1%
Net profit (loss)	-28	-6	-19	-372.5%	-46.1%	-51	-7	34	31	-635.0%	-120.2%	9.7%
Shareholders' equity	643	680	798	-5.3%	-19.4%	643	798	900	804	-19.4%	-11.3%	11.9%
Regulatory capital	838	882	1,051	-5.0%	-20.3%	838	1,051	1,115	987	-20.3%	-5.8%	13.0%
Client cash holdings	2,783	2,832	3,791	-1.7%	-26.6%	2,783	3,791	3,890	3,620	-26.6%	-2.6%	7.5%
Productivity² (\$ thousands)	209	196	207	6.9%	1.1%	207	244	242	225	-15.3%	0.5%	7.7%
Annual return³ (%)	-17.2	-3.4	-9.5	-13.7%	-7.7%	-7.9	-0.9	3.8	3.9	-7.0%	-4.7%	-0.1%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.



/// Retail introducers

Firms that generate most of their revenues from servicing retail clients and typically do not have back offices (use a “carrier” firm to manage their back office).

(\$ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 12	Q3 12	Q4 11	Q4/Q3	Q4 12/11	2012	2011	2010	2009	12/11	11/10	10/09
Number of firms	73	74	78	-1.4%	-6.4%	73	78	81	82	-6.4%	-3.7%	-1.2%
Number of employees	5,747	5,625	5,610	2.2%	2.4%	5,747	5,610	5,938	5,890	2.4%	-5.5%	0.8%
Revenue												
Commissions	117	108	111	7.8%	5.6%	458	540	533	440	-15.2%	1.4%	21.1%
<i>Mutual fund only commissions</i>	49	46	40	6.8%	21.0%	187	204	192	148	-8.2%	6.1%	29.7%
Investment banking	19	16	20	20.7%	-2.8%	70	106	110	73	-33.4%	-4.0%	50.7%
<i>New issues equity</i>	15	11	16	34.9%	-4.4%	54	89	94	73	-39.4%	-4.8%	28.8%
<i>New issues debt</i>	2	2	2	-19.6%	-9.8%	8	9	9	8	-13.6%	4.8%	12.5%
<i>Corporate advisory fees</i>	2	2	2	-6.8%	20.7%	8	7	7	-8	18.9%	-4.1%	187.5%
Fixed income trading	5	6	6	-16.6%	-18.8%	22	29	20	35	-22.4%	44.8%	-42.9%
Equity trading	2	3	4	-9.8%	-37.3%	10	22	43	38	-54.8%	-49.7%	13.2%
Net interest	15	15	15	-0.4%	-0.6%	62	69	51	42	-10.4%	35.0%	21.4%
Fees	75	68	145	10.8%	-48.4%	276	376	302	256	-26.7%	24.6%	18.0%
Other	22	12	13	85.7%	69.8%	75	84	66	81	-11.4%	27.7%	-18.5%
Operating revenue	255	227	313	12.3%	-18.5%	973	1,226	1,125	966	-20.6%	9.0%	16.5%
Operating expenses¹	147	140	150	5.1%	-1.4%	581	635	609	580	-8.6%	4.3%	5.0%
Operating profit	15	11	75	34.4%	-80.1%	-3	170	105	57	-101.8%	62.1%	84.2%
Net profit (loss)	2	-7	11	123.7%	-84.8%	-48	28	-1	-27	-270.3%	2,942.9%	96.3%
Shareholders' equity	559	562	364	-0.5%	53.7%	559	364	395	420	53.7%	-7.9%	-6.0%
Regulatory capital	782	780	560	0.2%	39.7%	782	560	582	593	39.7%	-3.8%	-1.9%
Client cash holdings	1,127	1,105	1,130	2.0%	-0.3%	1,127	1,130	930	886	-0.3%	21.5%	5.0%
Productivity² (\$ thousands)	178	162	223	9.9%	-20.4%	169	219	189	164	-22.5%	15.3%	15.5%
Annual return³ (%)	1.2	-5.0	12.0	6.2%	-10.9%	-8.7	7.8	-0.3	-6.4	-16.5%	8.1%	6.2%

¹ Operating expenses reflect the underlying cost of running the securities firm and exclude commissions, bonuses and other compensation to brokers.

² Annual revenue per employee.

³ Annual return is calculated as net profit/shareholder's equity.





Comments please!

Securities Industry Performance is produced quarterly by the Investment Industry Association of Canada (IIAC).

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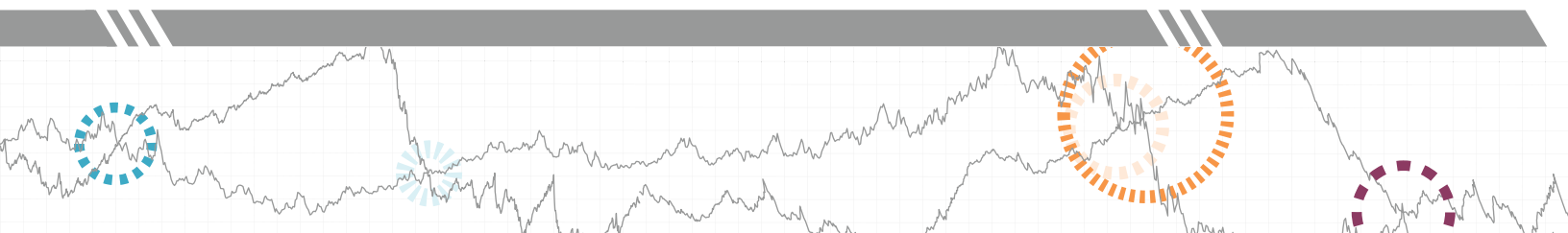


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