



2011-2012
Activity Report

Achievements

FINTECH Forum May 16, 2013 in Montréal:

a flagship event
for the industry

Community of interest:
Québecers working in finance
abroad

**Competition for
the creators**
of technology adapted
to the financial environment

First foundations for a
Québec Finance Centre

Retirement Day at the Conference of Montréal

June 10, 2013

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**Increase of
financial resources:**
SARA Fund for emerging managers
of alternative investments

**Montréal Exchange
scholarship program**
for university students

Statistical portrait of
finance students
in Québec and comparative analysis
between the provinces

Diagnosis of issues and
**concerted
plan of action**
concerning the **labour force**
in finance and
information technologies

Finance literacy
programs for **high school,
college**
and the **general public**

Government of Québec
fiscal measures – 2012-2013 Budget –
**to support new financial
services businesses**

Launching of
the **Montréal Institute
of Structured Products
and Derivatives (IFSID)**

Working groups:
industry **growth** in Québec,
**new products,
research**, sector outreach,
financial literacy

**Montréal ranked
17th in the world**
as per the Global Financial
Centres Index

Mission

Finance Montréal's mission is to continuously increase Montréal's competitiveness and excellence as a major global financial centre by supporting the development of the financial sector throughout Québec.

Objectives

Finance Montréal's objectives are to:

- Strengthen Québec's financial sector by stimulating growth and high value-added financial activities
- Initiate and maintain dialogue and cooperation among finance community players, the Government of Québec, the Communauté Métropolitaine de Montréal and higher education institutions to ensure:
 - A propitious environment; which includes access to capital to sustain new initiatives and availability of effective tools to support businesses
 - A constant influx of young graduates from institutions of higher learning
 - The stimulation of financial entrepreneurship and the establishment of international firms in Québec
 - An innovative environment in the information technology sector specializing in finance
- Promote Montréal as a strong financial centre which contributes to the development of Québec's overall financial sector and which radiates on the local, national and international scenes

History

Founded in November 2010 by leaders in the financial community, at the invitation of the Government of Québec, Finance Montréal – Québec's financial services cluster – brings together major financial intermediaries and financial firms, insurers, the Ministère des Finances et de l'Économie du Québec, the Communauté Métropolitaine de Montréal, the Autorité des Marchés Financiers, the Montréal Exchange as well as management schools.

Since its inception, Finance Montréal has been working closely with the International Financial Centre of Montréal (IFC Montréal) due to the highly complementary nature of their respective missions.

IFC Montréal dedicates itself to Montréal's development as an international financial centre by offering hospitality and accreditation services to fiscal incentives designed for financial institutions executing international financial transactions from Montreal.

To maximize synergies and ensure optimal cohesion, both agencies jointly appointed the same executive in 2012 to take on the role of Chief Executive Officer.

Word from management

Finance Montréal – a lever for growth

It is with great enthusiasm and pride that we are presenting Finance Montréal's first activity report.

After two years in existence, Québec's financial services cluster continues to benefit from a solid commitment from its 20 Governors and 12 Associate Members, who are all infused with the same ambition: to build and grow Montréal's long tradition as an innovative financial centre, connected to the world and resolutely turned towards the future.

Finance Montréal's main objective is to spark new initiatives by fostering a business environment that will strengthen its extensive and diverse financial sector, with an aim to develop new activities – particularly high value-added ones – and stimulate the creation and establishment of new companies and international firms in Québec.

Our first two years were thus devoted to taking stock of the existing business environment, analyzing our strengths, setting bold and measurable targets and initiating the working groups that are the backbone of our activity.

A consultation was carried out with Finance Montréal members to set out a vision and to identify business opportunities and challenges the financial services sector faces. The cluster enlisted the services of McKinsey & Company to help analyse the industry's positioning.

More specifically, the mandate consisted of identifying development opportunities for Montréal and Québec as well as international best practices. The goal is to build on Montréal's strengths to help trigger initiatives intended to develop its full potential as a global financial centre.

Finance Montréal's DNA is distinctive in the sense that members have all pledged to create a fully results-oriented organization.

To achieve this, management is project-based, and supervision and administrative functions are reduced to a minimum. Governors and the Board of Directors consistently target maximum efficiency and effectiveness.

Stemming from our strategic positioning, concrete projects have been initiated and led by Finance Montréal together with partners and industry stakeholders. These projects are aimed at consolidating Montréal as a hub for derivatives and retirement management in Canada, stimulating financial entrepreneurship and the financial technologies sector, developing infrastructure expertise and providing quick and easy access to qualified human resources in sufficient numbers.

Supporting the creative process of the various working groups and achieving the action plans they adopt are Finance Montréal's priorities. As a result, the views expressed in these groups will immediately be translated into action that is expected to have a noticeable impact on employment and activity within Québec's financial sector.

These initiatives, which were developed to enhance Montréal's reputation and influence, are in sync with those of the International Financial Centre of Montréal with which we share space and resources. Our work is truly focussed on achieving tangible results rooted in the needs and reality of financial institutions and firms.

Commitment and future outlook

The Governing Committee and Board of Directors meet regularly to ensure the aims of Finance Montréal remain aligned with the financial sector's development priorities. These seasoned executives represent all sectors essential to the existence and development of a strong financial centre.

Backed by a solid commitment from stakeholders and industry partners, Finance Montréal is able to stimulate coherent and balanced growth in Montréal's financial sector and throughout Québec.

To this end, participation in Finance Montréal is highly inclusive: all financial institutions and firms operating in Québec are welcome to take part in the effort and become actively engaged in the various working groups.

Everything is in place for Montréal to become further recognized as an international financial centre. To accomplish this, we capitalize on the existing presence of all financial services sub-sectors and their enthusiastic involvement and willingness to work together, with the support of the Government of Québec and the Communauté Métropolitaine de Montréal. In fact, Finance Montréal can count on the dedication of more than 100 partners who graciously put their expertise at its disposal.

We wish to thank them and highlight the tremendous importance of their work in positioning Montréal internationally. Our industry leaders are our best ambassadors; they are Montréal's most powerful asset to gain recognition as a major global financial centre.

At Finance Montréal, we strongly believe we are privileged participants and perhaps even catalysts in Québec's finance community's commitment to advance the sector, to ensure its international influence, and to make Montréal a stronger and more prosperous financial centre.



Jean Houde
Chairman of the Board
of Directors



Eric Lemieux
Chief Executive Officer

Strategic directions

Québec's financial community is pushing the industry forward to ensure its success and so that Montréal continues to develop as a dynamic and prosperous financial centre.

Finance Montréal benefits from the support of the Government of Québec whose commitment was made tangible notably through new fiscal measures to foster the emergence of financial firms.

The plan is to focus on market niches where the industry already enjoys a competitive advantage. Accordingly, each of the working groups was placed under the responsibility of an industry leader.

Successful financial initiatives are often related to broader non-financial undertakings such as attracting business tourism. Our strategy seeks to combine the financial sector's efforts with Québec's driving forces including other industry clusters.

For example, Finance Montréal is working to instil cooperation between the finance industry and the financial technology sector. Similarly, consolidating Québec leadership in the field of pension management contributes directly towards increasing the volume of assets under management in Québec. Indirectly, it also contributes to the development of innovative niche markets for derivatives.

Furthermore, promoting the development of a skilled workforce contributes to attracting and retaining talent in Québec. Quality human resources are indeed poles of attraction for companies and experts in the international financial industry that are looking to acquire top talent and build strong teams with the relevant expertise.

This approach, based on the complementary nature of new financial initiatives and existing forces in Montréal and Québec, will serve to bolster a stable, strong and sustainable financial sector.

A healthy and growing sector

A strong and vibrant financial industry is an invaluable asset for the Québec economy. In addition to facilitating the allocation of capital essential for economic activity as a whole, the industry contributes significantly through the many stable and quality jobs it creates.

This is why industry collaboration efforts – in close association with public authorities – are multiplying in Canada and elsewhere in the world. In a reorganizing international economy, many are rightfully trying to leverage financial industry growth, taking into account its global dimension and the influence it entails.

Montréal participates fully in the global financial community, is a major component of Canada's financial sector and is Québec's financial hub. It is home to some 3,000 financial firms representing all segments of the industry. In addition to harbouring the headquarters of major institutions, a good number of companies based outside Québec carry out their Québec and sometimes Canadian operations from Montréal.

Québec's financial services market is also unique insofar as a significant share is comprised of large local institutions whose decision-making centres are typically located in Montréal.

All finance professions are represented here in large numbers. These include specialized head office functions such as risk management and financial markets arbitrage, individual and institutional wealth and asset management, as well as the entire insurance industry value chain – a sector with a strong presence in the Québec City region.

In a symbiotic relationship with these large institutions, Montréal also hosts numerous firms of all sizes specialized in: fund management, derivatives, brokerage and corporate services such as actuarial and information technologies consulting.

Québec institutions are secure and profitable, and many have reached a size which enables them to diversify activities and markets and to benefit from economies of scale. Like the Canadian economy, they navigated the financial crisis and ensuing economic downturn relatively well. Canada's gross domestic product (GDP) is well above pre-recession levels and employment growth was the highest of all G-7 countries.

Much of this was due to sound public finances, financial sector stability, prudent management, financial professionalism and a responsible approach by the Canadian and Québec governments which, while firmly applying best international regulatory practices, did not hesitate to cooperate with the financial industry to make it one of the planet's best. This translated into vigorous and steady sector employment growth.

Montréal's traditional financial sector's diversity is amplified by the presence of other major players. These include large public pension funds such as the Caisse de Dépôt et Placement du Québec and PSP Investments as well as venture capital funds set up by the unions (FTQ and CSN) that provide funding to Québec companies – including those in the financial sector.

It is also worth noting the contribution of public financial institutions such as Investissement Québec and the Business Development Bank of Canada. These institutions which have a solid Montréal presence, work daily with private sector companies including cooperatives – a major force in Québec – to provide world-class financial services to their customers.

It is thus not surprising that Montréal is internationally recognized as a significant financial centre. Commissioned by the City of London, the Z/Yen Group financial research firm performs semi-annual rankings of global financial centres. According to results unveiled last September, Montréal ranked 17th among international financial centres, its position having progressed steadily over the last 5 years.

Montréal's advantageous positioning is also the result of a particularly favourable business environment. Six universities annually produce more than 3,500 graduates in finance professions. The operating costs for businesses in Montréal are among the lowest in North America, particularly in sectors with a strong information technology component.

Montréal is a welcoming, cosmopolitan city open to the world. It offers outstanding quality of life both to residents and businesses (that benefit from the lowest corporate taxation level on the continent). Financial firms that settle in Montréal to conduct international transactions can also benefit from fiscal measures related to job creation, through support from the International Financial Centre of Montréal.



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Executive Officer
Autorité des
Marchés Financiers



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President and Chief
Executive Officer
Fondation CSN



Richard Boivin
Assistant Deputy
Minister, Policies
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Institutions and
Corporate Legislation
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Finance Montréal's six working groups

Montréal's financial industry is distinguished by its fund management expertise, the presence of large technology companies, well-established financial institutions, a diversified venture capital supply, numerous higher education institutions, and a financial system whose stability is recognized worldwide.

Far from being satisfied, the financial community wants to stand out even more by stimulating growth of high value-added financial activities and maximizing Montréal's distinctive advantages on the international scene.

Since development of a stable, competitive and reliable financial sector cannot occur without the contribution of all actors – first and foremost industry leaders – the six working groups prioritized by Finance Montréal are led by CEOs of major institutions. In addition, work teams include more than 100 contributors from these institutions as well as from various companies in the field of finance.

To date, five of these working groups have been launched, each assuming responsibility for developing a strategic niche in the financial sector. A sixth will be added in 2013.

Human resources

Working group leader > **Monique F. Leroux**
Chair of the Board, President and Chief Executive Officer, Desjardins Group



Human resources are the main success factor in the financial services sector. The presence of an abundant workforce with required expertise is the key element in financial firms' location decisions.

"Cooperation between all financial industry players is crucial to enabling Montréal to continue its ascent among the world's best financial centres. Desjardins' participation in Finance Montréal, more specifically in the Human resources working group, was natural, especially since Desjardins is Québec's largest employer in the sector. We are very pleased to be given the opportunity to leverage our human resources expertise."

– Monique F. Leroux

A system of education and institutions of higher learning of the highest quality make Québec a hotbed of talent in all finance professions. To enhance this asset, leading-edge disciplines ought to be developed and specific industry requirements

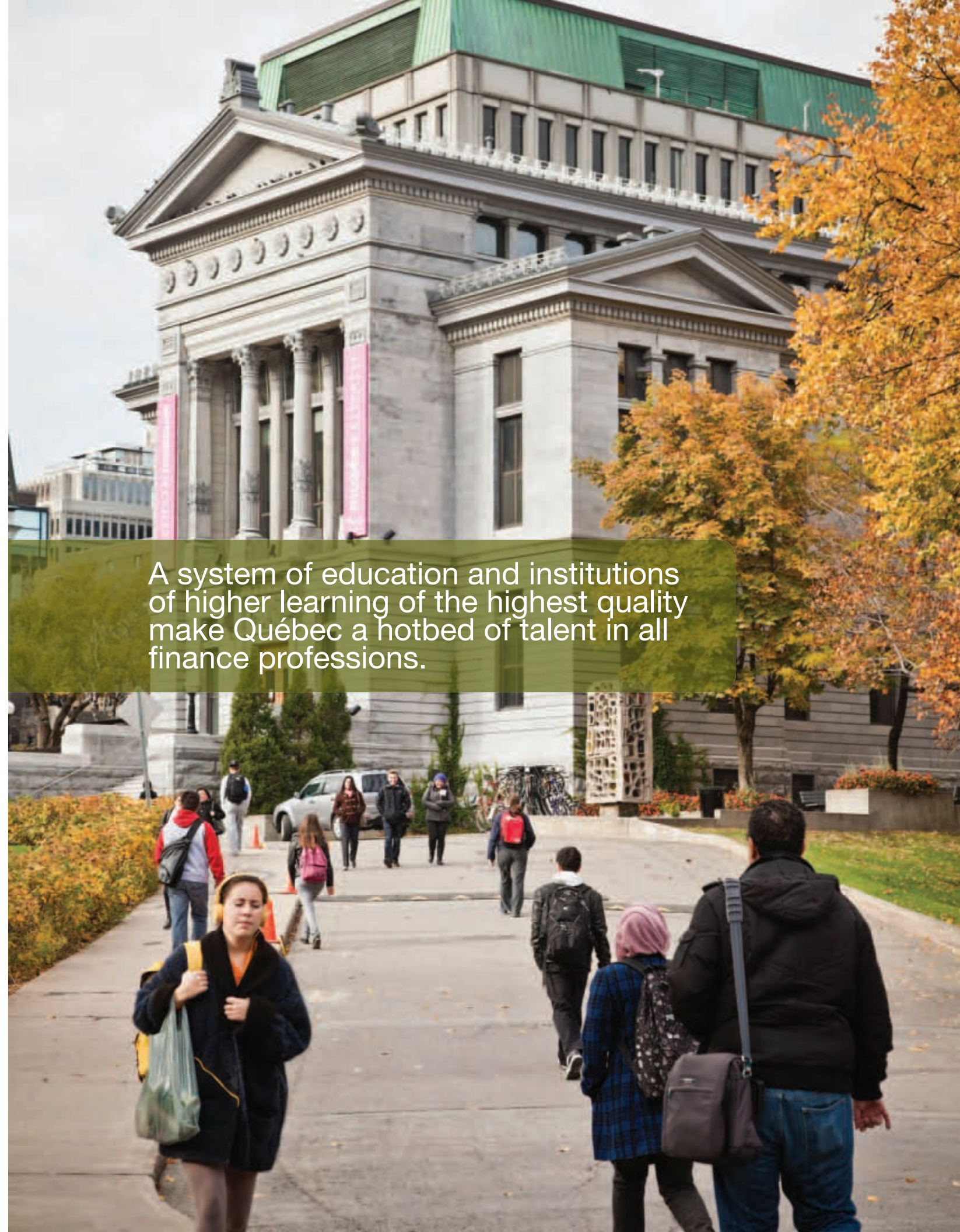
must be adequately fulfilled. The Human resources working group puts forth initiatives in the areas of workforce development, internships, foreign student retention and expatriates' return.

Objectives and methods

- Ensure a cooperative approach with the academic community to align training with true market needs
- Set up internship programs in various specialities such as financial modeling, derivatives and finance-related technologies
- Liaise with government officials in immigration, labour mobility and taxation
- Retain local talent and facilitate the return of expatriate Québec professionals

Results

- Detailed labour force planning in finance and information technologies, and development of a concerted action plan pertaining to the various niches and desired skills, in order to manage issues raised and mitigate the risk of skilled manpower shortages
- Achievement of a statistical portrait of finance students in Québec:
 - Registration and graduation status
 - Comparison between the provinces and first look at foreign students
 - Creation of a community of interest made up of Québecers working in finance abroad
- First foundations for a Québec Finance Centre to better align professional training to industry needs
- Implementation of a structured internship program in finance



A system of education and institutions of higher learning of the highest quality make Québec a hotbed of talent in all finance professions.

Financial entrepreneurship

Working group leader > **Jean-Guy Desjardins**
Chairman of the Board and Chief Executive Officer, Fiera Capital



Financial entrepreneurship was the topic of one of the earliest working groups initiated by Finance Montréal.

"A financial centre is much stronger when it is able to stimulate and encourage the emergence of new firms. This fertile environment gives rise to emerging industry leaders and a great number of innovations."

– Jean-Guy Desjardins

Indeed, new ideas and ways of doing things in finance frequently originate from individuals who start up their own businesses to progress further after a successful career in a large institution.

Fund management, brokerage and specialty financing are especially conducive to this career path.

Objectives and methods

- Increase available seed capital for emerging portfolio managers
- Make start-up assistance available to emerging finance entrepreneurs
- Set up an exchange network and a mentoring system between emerging and experienced fund managers as well as specialized financial services suppliers

Results

- Increase of the financial resources of the Fonds Stratégique à Rendement Absolu (SARA Fund) managed by HR Strategies, through additional capital provided by several cluster members; this fund pursues a mandate to invest with alternative investment managers based in Québec – notably emerging managers
- New fiscal measures by the Government of Québec in March 2012:
 - Refundable tax credit for specific expenses and salaries paid to specialized employees
 - Tax holiday for foreign specialists working in an emerging financial services firm
- Consultation with emerging entrepreneurs to identify issues related to starting up a business in the finance sector

The Financial entrepreneurship working group focuses on the expressed needs of new entrepreneurs in finance to support the development of their businesses and increase their access to start-up capital.

The Human resources and Financial entrepreneurship working groups are regarded as horizontal endeavours insofar as they tackle cross-cutting issues affecting the industry as a whole and support the sectorial or vertical working groups described below.

Derivatives

Working group leader > **Alain Miquelon**
President and Chief Executive Officer, Montréal Exchange



Derivatives are one of the global financial industry's most dynamic segments. Montréal has a significant advantage as it hosts the only Canadian exchange where these products are traded. As a result, the surrounding area houses numerous specialized firms that trade in this market or provide the technological infrastructure upon which it is built.

"We can build on the presence of the Montréal derivatives exchange by adding new products, attracting new participants and taking part in the development of this market on a global scale."

– Alain Miquelon

This presence has also incited institutions of higher learning to develop training and research programs specializing in the field. The economic crisis propelled derivatives and structured finance to

the forefront of the financial world. It is vital that Montréal continues to enhance its leadership in this area.

Objectives and methods

- Increase Montréal's leadership in the creation and trading of derivatives and actively monitor the market
- Promote scholarships linked to derivatives
- Encourage cooperation between the financial industry and the academic community to stimulate financial innovation and to perfect training
- Set up a hedge fund simulation to cultivate and sustain student interest in this area of expertise, as well as foster their learning through action

Results

- Creation of the Montréal Exchange scholarship program for graduate university students performing research on derivatives or financial risk management
- Launching of the Montréal Institute of Structured Products and Derivatives (IFSID) whose activities revolve around two main focus areas: research and teaching
- Preparation of a hedge fund simulation in partnership with the Québec university network and trading platform providers



Retirement

Working group leader > **Michael Sabia**
President and Chief Executive Officer, Caisse de Dépôt et Placement du Québec



Retirement is a central theme of any public policy. Canada, which combines capitalized public plans and fiscal incentives to promote individual savings, is a global role model in this area.

"The delicate balance between public and private savings, an ageing population and the low yields prevailing on the market are just some of the challenges that pension plans face today. But like any challenge, they offer in return development opportunities that are ours to seize."

– Michael Sabia

Montréal benefits from advantageous positioning, and several major retirement fund managers – public and private – have chosen to establish their operations here. Québec, therefore, enjoys international recognition in retirement management. It also has a solid expertise in the field of insurance and annuities.

Objectives and methods

- Consolidate Québec's leadership in the fast-growing field of retirement management
- Increase the volume of assets under management in Québec by developing new market niches and by providing consulting services internationally
- Prepare an international event to increase awareness of the Québec market internationally

These highly specialized competencies are sought by many countries that need institutional managers who can master the most advanced approaches. Québec's expertise can be deepened and used effectively to make the retirement infrastructure more efficient, thereby paving the way for exporting know-how.

Results

- Preparation of a day dedicated to retirement June 10, 2013, as part of the Conference of Montréal under the general theme "A New Economic Cycle: New Realities, New Frontiers"
- Establishment of five working groups covering the main aspects of retirement management (international outreach, research, sector growth in Québec, new products and financial literacy)

Infrastructure

Working group leader > **To come**

A new Infrastructure working group will be launched in 2013. With institutional investors actively seeking new types of quality investments, the presence of major engineering and construction management firms, a significant portfolio of new projects throughout Québec and internationally, Montréal has all the assets needed to carve out a place in this growing market.

Objectives and methods

- Promote concerted action by the various infrastructure industry stakeholders in order to build a stronger presence in Québec and abroad
- Develop a centre of excellence in infrastructure project management
- Develop Québec expertise for both domestic projects and export

Demand for private financing of infrastructure projects is growing rapidly all over the world. Investment needs are significant and will require increased private sector participation. The infrastructure funds industry has grown considerably during the past decade to meet the increasing need for capital.

Results

- Preparatory work for launch currently planned for the first quarter of 2013

Finance and technology

Working group leader > **To come**

Montréal houses numerous information technology companies some of which are world-class firms. The financial industry is a significant market for this sector, and using the large Québec video games industry as a model, there is definitely untapped growth potential.

This working group seeks to align the finance and information technology (IT) sectors, in order to identify opportunities related to the development of innovative tools that could markedly contribute to the advancement of the financial industry.

Objectives and methods

- Position Montréal as an international hub for finance-related technologies
- Make Montréal a financial software development centre by encouraging stakeholders to locate software development activities here
- Attract back and middle-office activities for which Montréal has a competitive advantage
- Implement global trends analysis centres to provide value-added business intelligence and to produce data and prospective analyses in the finance industry

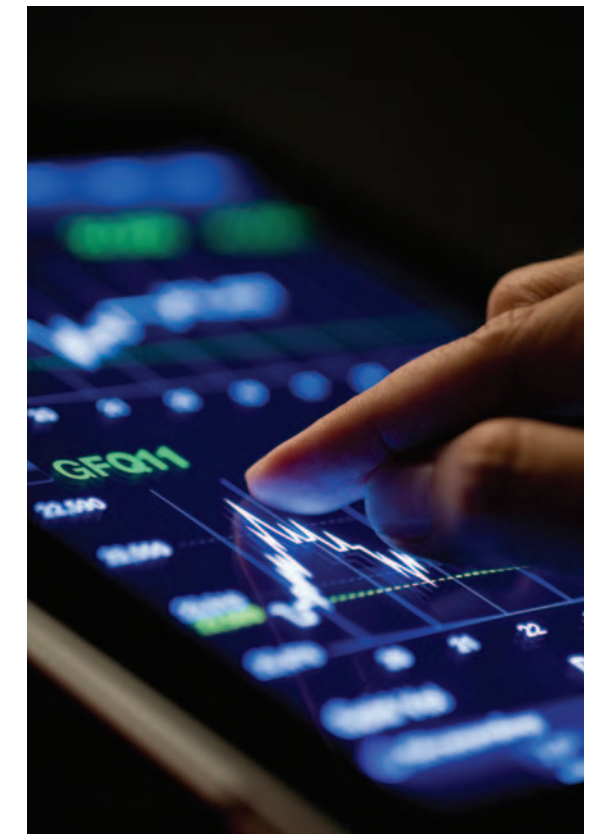
Results

- FINTECH Forum, a flagship event for the finance-related technology industry to be held on May 16, 2013
- Competition for creators of technology tools adapted to the financial environment, with an aim to spark the interest of young developers

Financial literacy

Finance Montréal also launched a project to develop a training program to improve financial literacy among the general public. The initiative was kindled by L. Jacques Ménard, President of BMO Financial Group – Québec and was jointly conducted with the Centre for Interuniversity Research and Analysis on Organizations (CIRANO), on the sidelines of the Human resources and Retirement working groups. The fact that too many people have insufficient knowledge of the economic and financial issues affecting them is indeed a major cause for concern.

Funding for implementation of the training program (at close to \$900,000) will be borne equally by the industry and the public sector. The first step will be completed in 2013 with the introduction of an optional course for Secondary V students. The second stage will include a course for college students. The loop will then be closed with the release of interactive virtual training for the general public.



Numbers at a glance

Montréal is the envy of many cities around the world for a number of reasons. These include the quality of life it offers residents, its education system, talent availability for companies that settle here, the quality of its infrastructure and civil institutions (including a reliable and transparent legal system), the stability of its political regime, and indisputably, financial institutions that reliably support its economic activity. In short, there are many reasons why individuals and businesses choose Montréal to live in and prosper.

The financial industry of Québec's metropolis is built on solid foundations. Furthermore, by capitalizing

on its strengths and competitive advantages, it has fertile ground to flourish even more.

The steady progress registered over recent years is revealed in statistical data collected. By channelling concerted efforts from key private and public sector stakeholders into targeted and concrete actions, Finance Montréal contributes to increasing the industry's performance and to advancing it internationally.

This is a tangible demonstration that competition and cooperation can coexist and bear fruit for all participants.

The Québec financial sector

Growth of the gross domestic product (GDP) 1997 - 2011

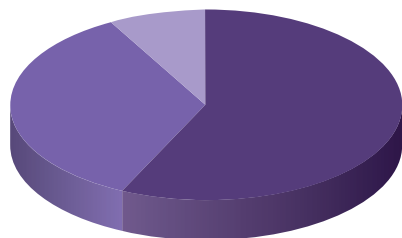
Financial sector	↗ 2.8%
Québec economy	↗ 2.3%

Size of the financial sector in Québec 2011

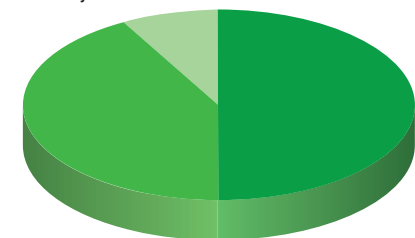
Gross domestic product (GDP)	5.8%
Employment	4.4%

Québec financial services by activity segment

Activity volume

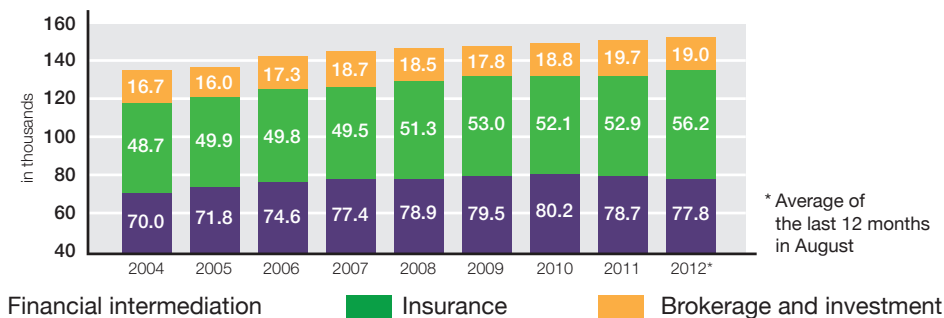


Number of jobs



■ Financial intermediation ■ Insurance ■ Brokerage and investment

Employment growth in the Québec financial sector



■ Financial intermediation ■ Insurance ■ Brokerage and investment

From 2004 to 2012, financial sector employment grew by 21,000 jobs (an average annual compound growth rate of 1.7 per cent)

Financial intermediation	↗ 1.4%
Insurance	↗ 1.9%
Brokerage and investment	↗ 1.7%

In terms of the number of jobs relative to the financial industry in Canada, Québec represents:

Financial intermediation	21.1%
Insurance	27.5%
Brokerage and investment	16.4%

Brokerage and investment in Québec

Profile of portfolio managers operating independently from major groups

- 111 firms (including 34 that can manage derivatives)
- 24 licensed brokerage firms (usually on the exempt market)
- 590 managers registered in small firms

Profile of securities dealers operating independently from major groups

- 30 firms
- 500 dealers registered

Advisors and financial analysts

- 23,200 group savings representatives (mutual funds)
- 10,100 securities dealers and advisors
- 4,600 holders of the financial planner title
- 2,100 holders of the Chartered Financial Analyst (CFA) designation

Between 40-45% of all securities brokerage for Québec consumers is carried out by large Québec institutions.

Insurance in Québec

Market share of companies with their registered head office or their main office in Québec

Premiums written in Québec, 2011 data

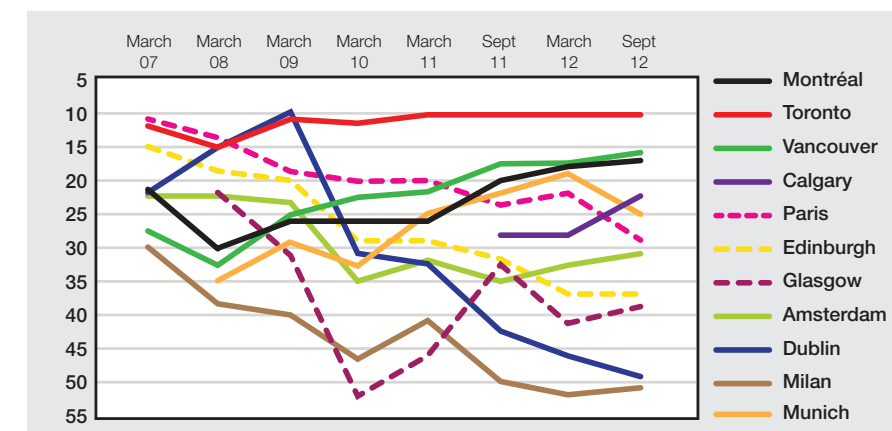
Life and health insurance	53.2%
Property and casualty insurance	59.6%

Household coverage

- 54% of Québec households have life insurance
- 62% of Québec renters take out home insurance

The position of Montréal in the finance world

Evolution of ranking, Global Financial Centres Index



108 financial firms were qualified as international financial centres in Montréal at the end of 2012.

Our industry experts: Finance Montréal's best assets

Finance Montréal, jointly with the International Finance Centre of Montréal, was placed in 2012 under the general management of Eric Lemieux, an executive seconded by Desjardins Group, who has considerable experience in many segments of the financial industry. In achieving his mandate, he is supported by three project directors with extensive financial services experience. He can also count on the cooperation from colleagues at the International Finance Centre of Montréal.

Project directors assist working group leaders in the planning of all activities, the set-up of work teams as required, the coordination and follow-up of the various initiatives, as well as the general alignment of these initiatives with strategic directions adopted by Finance Montréal's decision-making bodies.

The work teams are composed of stakeholders recruited from the financial services industry as well as governments and associations. Participants graciously contribute to advancing entrusted projects, and are the cornerstone of Finance Montréal's success.

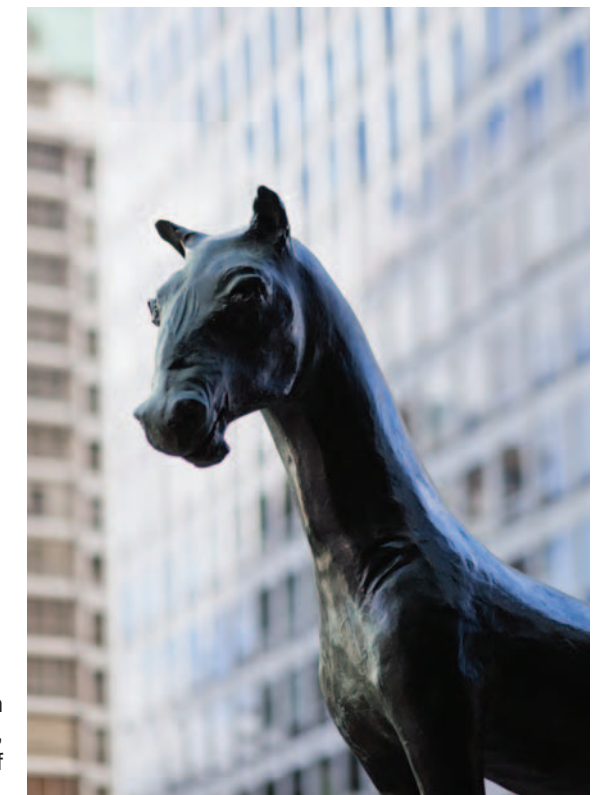


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This work of art by Barry Flanagan completed in 1986, entitled *Kouros Horse*, proudly stands in front of Finance Montréal's building.

Many thanks go to all our partners

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