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NEWS RELEASE

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For Immediate Release

IIAC Survey of Canada's Investment Dealer CEOs Indicates Markets are Recovering – Slowly but Steadily

48% say the state of global capital markets will be the same as last year while 39% feel conditions will improve

Toronto, January 9, 2014 – Despite another challenging year for Canada's investment industry, dealer firm CEOs are, overall, optimistic about the outlook for 2014, according to survey results released today by the Investment Industry Association of Canada (IIAC).

According to *IIAC 2014 Capital Markets Outlook: A Survey of Canada's Investment Industry CEOs*, 48 per cent of respondents predict the state of capital markets will be more or less the same as last year while 39 per cent feel conditions will improve.

"The fact that half of industry CEOs see the state of capital markets as being more or less the same as last year signals stability," said Ian Russell, IIAC President and CEO, during a keynote address to the Empire Club of Canada's 2014 Investment Outlook Luncheon. "From an investor's perspective, this is an important and positive sign.

"Furthermore, this tepid confidence echoes last year's survey results, which found executives expressing cautious optimism about 2013. Those expectations were borne out. Last year saw slow but steady growth – giving us reason to be optimistic that this year's results will also confirm our survey findings."

Forty-eight per cent of investment dealer CEOs predict improved results for firm profitability while 36 per cent feel conditions will be more or less the same for their firms in 2014. Of note, 10 per cent say there will be significant improvements – something which not one CEO anticipated last year.

"This reflects the major efforts many small firms have made to cut costs, add scale, build business and generally put themselves on a sounder footing. If the overall picture improves, they are positioned to benefit," Russell says.

Investor Behaviour

The IIAC survey also finds the majority of CEOs see investors as more likely to participate in the market (63 per cent), and reduce their holdings in cash and equivalents (also 63 per cent).

"This is a strong indication that after years of sitting on the sidelines, Canadian investors see 2014 as the year to get back in the game."

When asked whether they anticipate any changes in their firms' headcount, a majority of CEOs (52 per cent) say they plan to hire in 2014 while 42 per cent will keep a similar staff complement and just 6 per cent expect to downsize.

In his speech, Russell also pointed to the finding that fewer investment firm CEOs have plans to acquire a firm or enter into a joint venture in 2014 – only one-third as many as last year (10 per cent vs. 30 per cent).

"Why the reduced inclination to acquire? Quite simply, some of the most valuable small firms have already been bought out. Increasingly, firms are looking to expand, thinking it makes more sense to do so by buying the assets and hiring away the personnel they need," Russell said.

The news, however, is not all positive. According to Russell, many firms face a tough challenge just to survive. For some, he says, 2014 will determine whether their doors will be open next year.

"As was the case last year, the pre-eminent roadblock is the ongoing regulatory burden. When asked to list the top three barriers to growth facing their firms in 2014, 84 per cent cite regulatory pressures, similar to last year's percentage."

Underscoring the significance of this roadblock is the fact that the second most cited barrier – pricing pressures – was indicated by only 36 per cent of respondents.

Russell concludes: "In light of the tsunami of rules that have been put in place – and the burdens they create – the industry will increasingly be looking for clear justification for any new rules. The industry – and Canadian companies seeking capital – can ill-afford additional, unjustifiable regulatory burdens that discourage small business investment and undermine the growth and competitiveness of the Canadian economy."

About the Survey

The IIAC issued the survey in December 2013 to the CEOs of its 166 member firms. Survey respondents represent every region of the country and by business model: small retail dealers (35 per cent); institutional dealers (29 per cent); integrated dealers, including bank-owned (16 per cent); medium dealers (13 per cent); and large, non-bank owned retail dealers (7 per cent).

The IIAC – Representing Canada's Investment Professionals

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry's position on securities regulation, public policy and industry issues on behalf of our 166 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets.

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