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For Immediate Release

Canada's Investment Dealer CEOs Expect Weak Economic Conditions, Continued Consolidation in 2016

IIAC's Ian Russell: Despite weak outlook, capital markets are innovative and flexible; market participants will undoubtedly adapt to the pressures and conditions they face

Toronto, ON, January 5, 2016 – Survey results released today by the Investment Industry Association of Canada (IIAC) show that Canada's investment industry leaders expect weak economic conditions to continue in 2016 and ever-rising operating costs to result in continued consolidation in the coming year.

According to the *2015 IIAC Survey of Canada's Investment Industry CEOs*, roughly half (51.4 per cent) of respondents expect to face similar weak economic conditions in 2016. Only one-in-five expect economic conditions to improve this year, while 28.6 per cent anticipate conditions to worsen.

When asked about the top three major trends transforming the investment industry, a majority of CEOs answered regulatory changes (86 per cent), industry restructuring (74 per cent), and demographics (60 per cent). These three themes emerge time and again as CEOs address questions related to operating costs and revenue.

Roughly half of CEOs (47.5 per cent) expect operating costs to rise more rapidly in 2016 compared to 2015. "Higher compliance and technology costs account for much of this escalation," says Ian Russell, IIAC President and CEO. "These costs are estimated to have risen seven per cent in 2015, compared to a six per cent increase the previous year. While most firms project revenue will increase in 2016, the relentless rise in operating costs will squeeze profitability," Russell continued. "As a result, Canada's investment industry will continue to experience consolidation, with firms merging or shutting down operations. This consolidation severely damages the viability of the public venture marketplace."

When asked how this restructuring is likely to unfold, 37 per cent of CEOs expect industry consolidation to intensify in the next two years while 23 per cent said it will remain about the same as 2014-15. Forty per cent expect the rate of consolidation to slow.

The survey also put a spotlight on Canada's small business marketplace. 2016 is expected to be another bleak year, as 88 per cent of CEOs do not expect any improvement in Canada's small-cap public venture capital market. "This market is already in the throes of massive structural change and is unlikely to see a return to the old model," says Russell. "However, we know that capital markets are innovative and flexible. As they have in the past, market participants will adapt to the pressures, but it will take time for a new efficient model to emerge."

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Also of note, three-in-five CEOs (59 per cent) do not expect 2016 to be another strong year in the Canadian private equity market.

Additional insights and commentary can be found in [this speech](#), which Ian Russell delivered before the Empire Club of Canada this afternoon.

About the 2015 IIAC Survey of Investment Industry CEOs:

The Investment Industry Association of Canada (IIAC) polled the heads of its [144 investment dealer member firms](#) to obtain an up-to-date snapshot of executive thinking on the economic and financial market trends and issues impacting their business.

The survey was conducted by the IIAC, from November 3 to November 25, 2015.

The collective insights of investment industry CEOs important. The health of the investment industry is an essential component of vibrant and competitive capital markets, and the industry plays a vital role in the savings-investment process in intermediating capital flows in the marketplace – from investors to businesses and government.

About the IIAC

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 144 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. For more information, please visit www.iiac.ca.

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