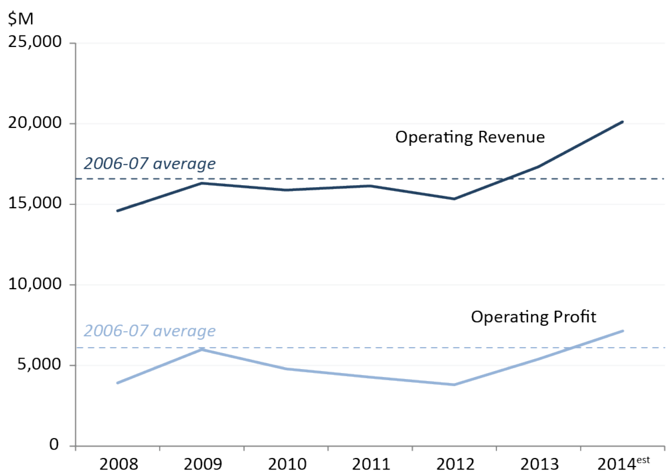
Boutiques Improve Financial Results – But Face Structural Challenges

In the six years since the financial crash, the investment industry has struggled to gain a solid foothold in recovering revenue and earnings. This year the industry clocked back-to-back earnings gains, with recovery widespread across the industry, shared by the integrated and the boutique firms. The boutique firms, battered by the extended weakness in retail and institutional market conditions and the relentless cost increases from technology outlays and compliance requirements, welcomed the recent earnings rebound. But doubts remain about their long-term future.

Operating Revenue and Profit
Industry

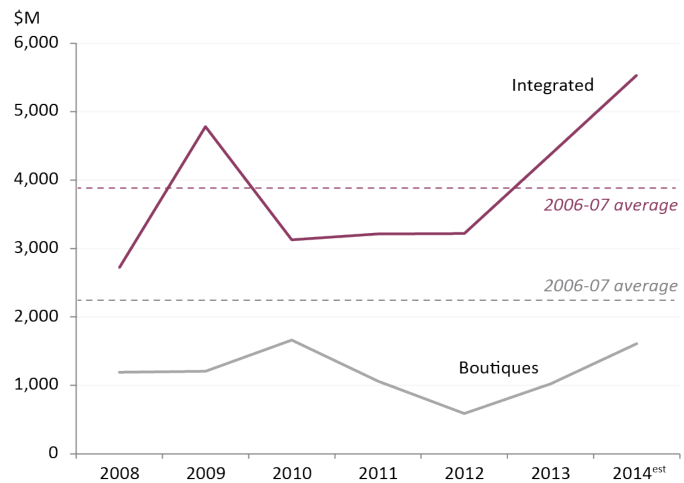


est 2014 figures are annualized estimates Source: IIAC

The first half of this year was marked by a solid rebound in industry revenue and profits. The steady upward trend in domestic and U.S. equity markets through the summer, despite some cooling in the pace of equity financings, portends continued good performance through the balance of the year. If the first-half results are extrapolated over July-December this year, industry revenue and profit will be up 16% and 32%, respectively. Relatively good cost control, despite ongoing demands for technology upgrades and compliance requirements (with the CRM 2 phase-in), has enabled firms to leverage good business conditions into solid earnings gains.

The improved market and business conditions this year have enabled all industry groupings – the integrated, and retail and institutional boutiques – to improve earnings performance. We estimate profit at the large, national integrated dealers will rise 27% year-over-year, barring major geo-political and economic shocks to the marketplace. At the same time, earnings at the institutional and retail firms are expected to be much higher this year, with corresponding revenues up 21% and 19%, respectively. It is instructive that, if our projections for 2014 are correct, operating profit at the integrated firms this year will exceed pre-crash levels for two consecutive years. However, operating profit of the boutique firms, even with the positive results this year, will still remain well below 2006-07 profit levels.

Operating Profit
Integrated v. Boutiques



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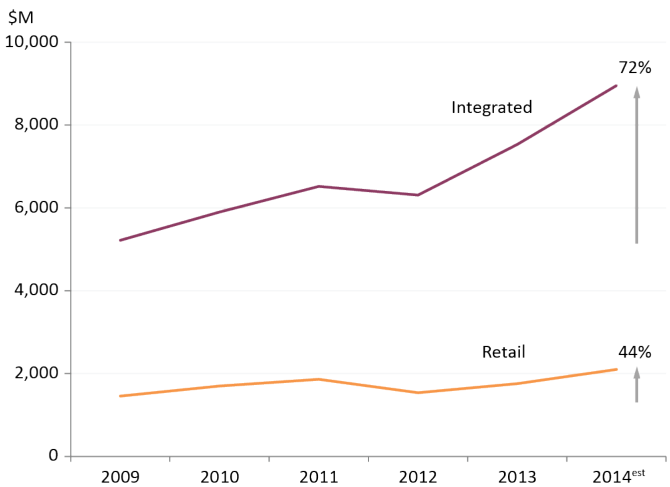
The boutiques have managed solid improvement in revenue and earnings by boosting retail and underwriting revenues in response to strengthened equity markets, and containing operating costs. But it will be difficult to replicate this outcome in the next year or so, even with continued strong revenue gains, given expected ratcheting up of compliance and technology costs, particularly as the new CRM disclosure requirements become effective.

In the past two years, despite improvement in revenue and earnings, 22 boutiques have disappeared from the scene through wind-up, merger or acquisition. The scale of the integrated firms, their access to capital, and their breadth of business provide them with a competitive edge in the markets, advantages compounded by the negative impact of cyclical and structural factors on the investment banking business and retail distribution in the small and mid-cap markets – the life-blood of many boutique firms. This report will describe the financial results of the firm groupings in the industry, the impact of client demands on the ever-changing wealth management business, unprecedented change in small and mid-cap share financing and distribution, and the broadly based stiff competition from the integrated firms. Even as market conditions continue to improve, the revenue and earnings of the boutique sector will remain under intense pressure.

We expect the larger specialized retail and institutional boutiques to build efficient business models that are focused on key product and client niches, with the scale needed for competitive efficiencies. The corollary will be further contraction of the boutique sector.

Retail Revenue
Integrated v. Retail Boutiques



est 2014 figures are annualized estimates
Source: IIAC

Integrated firms: Leveraging state-of-the-art technology to meet client needs

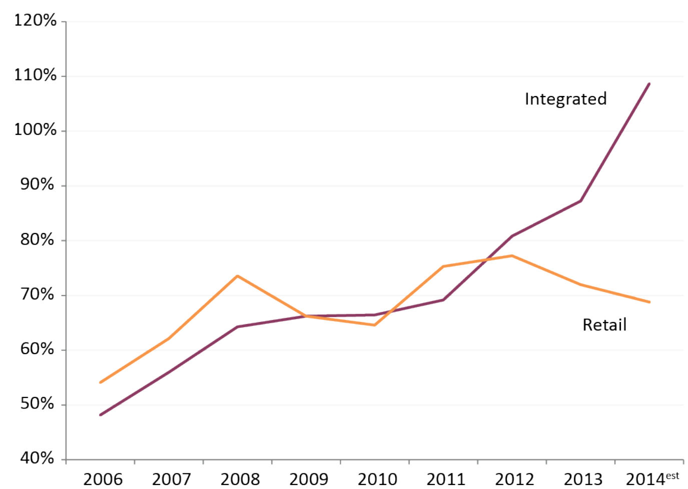
The recovery in the wealth management business in the past two years has driven strong industry performance. Industry retail revenue rose 42% in this period. Over the past five years these revenues have risen steadily, up an average of 13% per annum. The integrated firms have capitalized on the resilient strength of this business, pushing retail revenue up more than two-thirds in the latest five years. These firms account for 75% of this $12 billion per year business. Retail revenue at the boutiques rose 36% in the past two years, the first sustained revenue increase for the group since the 2008 financial crash.

The extended equity bull market in the U.S. and rebounding domestic equity markets encouraged investor participation. Investors also flocked to government and corporate bonds, through direct purchases and through mutual funds and ETFs.

The shifting client demand for retail products and services – notably the aging baby boomer demand for financial and estate planning services and income-based products, catering to an increasingly complex retirement – as well as demands for state-of-the-art client interface, enable the integrated firms with significant investment outlay to exploit their product lines, client scope and cost advantage to meet these client demands and build out the wealth management business.

The opportunity to offer fee-based accounts and planning services has enabled fee-based revenue at the integrated firms to expand at a rapid pace, nearly doubling over the past five years, a pace averaging 20% per annum. The rapid rise in fee revenue, from new asset holdings and increased asset values, has been responsible for the faster increase in retail revenue at the integrated firms. Fee revenue at these firms has increased to the point these revenues now exceed commission brokerage revenue, and account for nearly half of retail revenue. The integrated firms are positioned for further expansion in fee-based revenue as the aging baby boomer clientele continues to demand third-party discretionary managed accounts and financial planning services. At the retail boutiques, the annual increase in fee revenue has been far slower in the last five years, averaging 7% each year.

Fee Revenue Per Dollar Commissions
More Fees than Commissions for Integrated Firms



est 2014 figures are annualized estimates
Source: IIAC

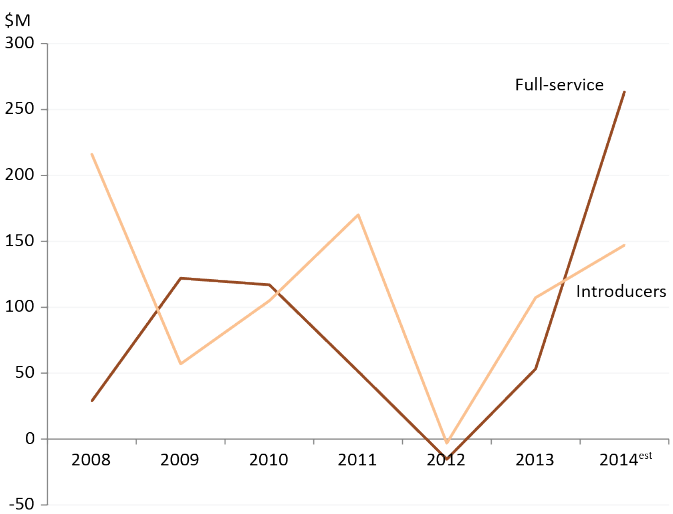
Further, retail revenue at the integrated firms has benefitted from the steady consolidation of accounts, as the baby boomers concentrate asset holdings at the larger firms, often the integrated dealers, to facilitate retirement planning. This asset consolidation has contributed to strong revenue increases across the full suite of retail services, from fee-based accounts, commission brokerage fees, and net interest earnings.

The integrated firms have aggressively sought to attract the top investment advisors, and peel off the less productive IAs, to improve relationships and productivity, and build client assets under management. Finally, profit performance at the integrated firms has benefitted from their much larger scale of business, enabling lower per unit cost as fixed costs from technology and compliance requirements are spread across a larger business base. Even though operating costs at the integrated firms have increased more than at the boutiques for the past several years, reflecting ongoing back office improvements, the relatively lower per unit cost has mitigated the impact on fees charged to clients, and on firm profitability.

Retail boutiques: Divergence between self-clearing and introducer firms

As performance of the wealth management business has improved, a divergence in revenue and earnings performance has opened up between the self-clearing and the introducer retail boutiques. There are just less than 100 retail boutiques in total, with the self-clearers accounting for about a third of the retail boutiques. Revenues at the self-clearing firms expanded at a faster pace than at the introducers in 2012-14, a 38% growth rate versus 28% for the introducers. For both retail boutique groupings, estimated revenue and profits this year will still remain below average results prior to the 2008 financial crash. The better performance at the self-clearers likely reflects the larger boutiques in this group that can offer the full range of products and services, such as discretionary accounts and financial and estate planning, to meet client demand.

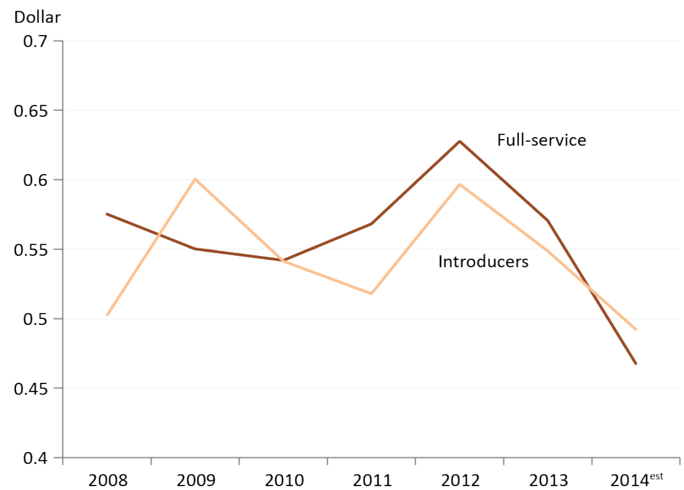
Operating Profit
Retail Full-service v. Introducers



est 2014 figures are annualized estimates — Source: IIAC

The earnings of the self-clearers have also benefitted from modest increases in operating costs. The clearing infrastructure at the self-clearers has enabled these firms to keep clearing costs under better control than the introducer firms that have outsourced clearing of rising trade volumes to the carrier brokers. Despite the cost clearing advantage during actively traded markets, we are surprised at the resistance of self-clearers to outsource the clearing operations to carrier brokers. In the last two years only four firms have exited the self-clearing group, and that migration reflected business reasons, not clearing costs. The outsourcing of clearing services is the most efficient option for smaller boutiques, enables better cost control in market downturns and ensures state-of-the-art technology for client clearing and trade confirmation.

Operating Cost per Dollar Revenue
Retail Full-service v. Introducers



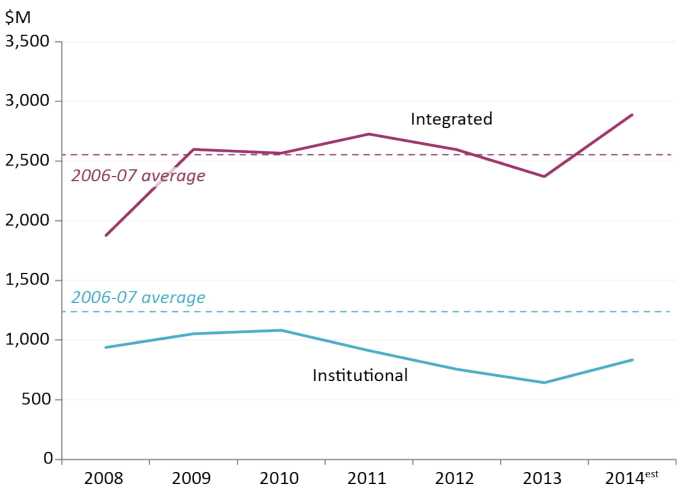
est 2014 figures are annualized estimates — Source: IIAC

Institutional firms: A good year – but a cloudier future

The investment banking business improved solidly in the 2013-14 period, with revenues up 30% this year, and 10% over the past two years. Revenues bounced around at relatively low levels over the previous four years, after falling sharply in 2008. It should be noted a stepped-up pace of government and corporate borrowing in the past five years, benefiting the integrated firms, boosted the banking business.

Estimated revenues from equity offerings at the domestic institutional firms (accounting for two-thirds of the firms in the institutional grouping) rose for the first time in four years, albeit at levels still well below pre-crash years. The surge in common equity financings – and stepped up M&A – in the small and mid-cap energy sector contributed importantly to the investment banking recovery. But investment banking in the mining sector remains in the doldrums, and equity trading revenue remains at dismal levels, with tight commissions and more difficult proprietary trading. Six domestic boutiques exited the industry this year, the biggest contraction in recent history. Some institutional dealers have closed doors and others have merged with other boutiques, while still others have shifted to limited registration as exempt market dealers. The active exempt dealer group, with a lighter regulatory burden, is increasingly a competitive factor in small business financings.

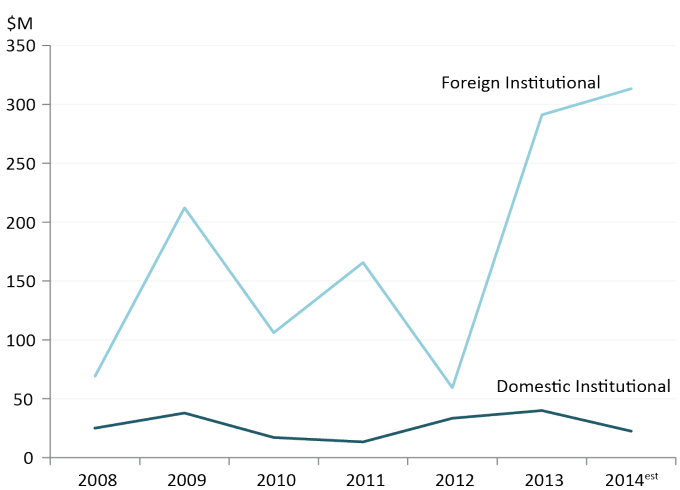
Investment Banking Revenue
Integrated v. Institutional



est 2014 figures are annualized estimates — Source: IIAC

The foreign affiliate institutional firms stand in marked contrast to their domestic counterparts as the larger firms in this grouping focus on fixed income trading in Canadian government and corporate debt securities, and provide a platform to project cross-border investment banking with the offshore parent firm. The strong gains in fixed income trading in the past two years, and improved conditions for investment banking, have vaulted this group to record revenue and near-record profitability.

Fixed Income Trading Revenue
Domestic v. Foreign Institutional

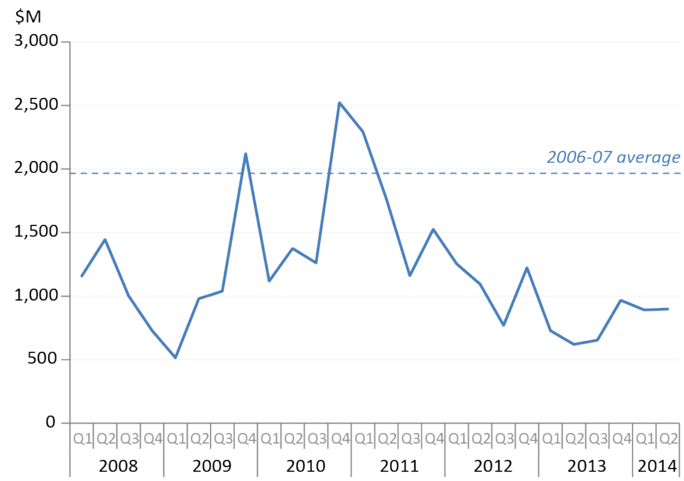


est 2014 figures are annualized estimates — Source: IIAC

The recovery in investment banking revenue in the past two years and improved earnings for the institutional group is welcomed by an industry sector battered by depressed underwriting and trading conditions, the continued layering of fixed costs and competitive pressure from exempt market dealers. However, recovering conditions belie difficult structural circumstances for the institutional boutique sector.

The collapse in financing activity in the small and mid-cap business sector, with offerings half the volume of five years ago and IPOs at record low levels, reflects more than weak cyclical conditions. The contraction in financing also reflects structural changes in the distribution and sale of small equity offerings.

Collapse in SME Financing
Common Equity <$20M



Source: IIAC

- First, the traditional institutional demand for speculative small business offerings has fallen away, reflecting increased investor risk aversion and the attraction of foreign securities and derivatives as an alternative to generate alpha returns.
- Second, small managed investment funds that specialize in small business investments have difficulty finding institutional participation and, more importantly, difficulty obtaining shelf-space with large bank and insurance groups to distribute funds to advisors and their clients, because of the speculative risk of these managed portfolios.
- Third, even with access to these specialized funds, individual advisors are reluctant to distribute this managed product, as well as individual small company securities, to their clients reflecting reduced risk tolerance and appetite of an aging clientele for these securities, together with tougher internal firm compliance standards for speculative investments.
- Finally, many small firms are staying private to limit the regulatory offering and disclosure costs, contributing to the reduced pace of IPOs.

Even with the improved revenue picture in investment banking, the institutional boutiques continue to lose market share in the investment banking business to the integrated firm group. Over the past two years, revenues from new equity issuance averages about one-quarter the corresponding share at the integrated firms – compared to nearly half prior to the 2008 financial crash. The lower revenue market share reflects the protracted weak conditions in the Canadian resource markets, and the negative structural changes described earlier. It also reflects the penetration of the integrated firms into the financing and advisory business of the small and mid-cap business sector. Nowadays, it is not uncommon for the integrated firms to pitch for business at smaller companies, say companies with less than $500 million in market capitalization.

What's the business vision and strategy to strengthen boutique firms?

1. Expand discretionary money management and fee-based services.
2. Differentiate wealth management services from the integrated firms by emphasizing the offer of traditional brokerage, specializing in more speculative equities. Stress the importance of taking risk to generate return, but underline that risk must be kept within the bounds of individual risk tolerance limits.
3. Focus on building scale through acquisition of small retail-focused firms.
4. Broaden customized wealth management service to less affluent investors (less than $100K in investable assets). Target clients of independent financial planners to offer a wide array of products and services.
5. Find the right balance between outsourcing service through a carrier broker and internal compliance.
6. i) Build out broker teams to offer a broad array of investment techniques and strategies including portfolio management and third party funds, and ii) train and develop younger advisors to transition from aging advisors and to target millennial/GenXer investors.
7. Acquire independent institutional boutiques to build financing scope in exempt markets and add scale.

How can the regulators assist the boutique sector?

1. Permit limited registration (mutual fund registrants) on the IIROC registered platform to facilitate business scale.
2. Permit small reporting issuers to distribute new securities without prospectus or offering memoranda on condition these securities are sold though registered IIROC advisors subject to the standard of know-your-client and suitability, and comprehensive self-regulatory oversight.

Conclusion

The past six years have been difficult ones for the 169 boutique firms in the Canadian investment industry. While there have been a number of upturns in markets and related earnings gains along the way, the sector has been denied the benefit of a sustained recovery. It is unfortunate that the sector has faced a significant ramp up in fixed costs, from client and back office demands for new technology and compliance requirements, just at a time of weak resource markets, structural change in the wealth management business and stiff competition across the industry.

It is easy in the wake of this sectoral weakness to predict an ongoing and even accelerating pace of consolidation among the boutique firms. Indeed, this is likely to happen. What is less recognized, however, is that many boutique firms have become stronger and remained profitable during this period through acquisition, the application of technology and sound management practice. The open question for industry observers is the eventual size and dynamism of the boutique sector over the long haul. The answer will depend on broader recovery in resource markets, the vigour of structural adjustment among the firms, and the efficacy of remedial measures taken by the regulators and governments to stimulate financing in the small and mid-sized business sector.

Industry

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	179	184	194	-2.7%	-7.7%	189	196	201	201	-3.6%	-2.5%	0.0%
Number of employees	40,064	39,617	39,571	1.1%	1.2%	39,357	39,555	40,427	39,917	-0.5%	-2.2%	1.3%
Revenue												
Commissions	1,410	1,500	1,386	-6.0%	1.7%	5,516	5,117	5,817	5,631	7.8%	-12.0%	3.3%
Mutual fund only commissions	620	623	611	-0.4%	1.4%	2,435	2,175	2,156	1,950	12.0%	0.9%	10.6%
Investment banking	1,165	804	711	44.8%	63.7%	3,191	3,565	3,977	4,029	-10.5%	-10.4%	-1.3%
New issues equity	664	414	319	60.4%	108.3%	1,473	1,782	2,165	2,234	-17.3%	-17.7%	-3.1%
New issues debt	288	190	229	52.1%	26.1%	938	816	826	809	15.0%	-1.2%	2.1%
Corporate advisory fees	212	200	164	5.8%	29.4%	780	967	986	986	-19.3%	-1.9%	0.0%
Fixed income trading	439	459	477	-4.4%	-8.0%	1,791	1,176	1,064	1,173	52.3%	10.5%	-9.3%
Equity trading	77	124	-160	-37.8%	148.2%	153	118	-1	267	29.5%	8703.7%	-100.5%
Net interest	736	673	469	9.4%	56.8%	1,945	1,131	1,376	1,054	72.0%	-17.8%	30.5%
Fees	1,135	1,106	889	2.6%	27.6%	3,660	3,206	3,094	2,721	14.1%	3.6%	13.7%
Other	197	240	209	-18.0%	-5.7%	1,073	1,020	810	1,004	5.2%	25.9%	-19.4%
Operating revenue	5,157	4,905	3,981	5.2%	29.6%	17,328	15,332	16,136	15,878	13.0%	-5.0%	1.6%
Operating expenses[1]	1,878	1,971	1,844	-4.7%	1.9%	7,296	7,249	7,355	6,825	0.6%	-1.4%	7.8%
Operating profit	1,935	1,636	1,017	18.3%	90.3%	5,395	3,806	4,273	4,789	41.8%	-10.9%	-10.8%
Net profit (loss)	785	491	347	60.1%	126.6%	2,062	2,155	2,036	2,395	-4.3%	5.8%	-15.0%
Shareholders' equity	40,067	34,237	17,643	17.0%	127.1%	34,474	17,087	15,269	16,988	101.8%	11.9%	-10.1%
Regulatory capital	61,755	55,916	34,161	10.4%	80.8%	51,414	34,343	30,383	31,647	49.7%	13.0%	-4.0%
Client cash holdings	42,030	41,990	40,658	0.1%	3.4%	42,124	38,684	39,304	37,952	8.9%	-1.6%	3.6%
Client debt margin outstanding	18,048	17,453	16,158	3.4%	11.7%	16,444	14,432	13,458	13,731	13.9%	7.2%	-2.0%
Productivity[2] **($ thousands)**	515	495	402	4.0%	28.0%	440	388	399	398	13.6%	-2.9%	0.3%
Annual return[3] **(%)**	**7.8**	**5.7**	**7.9**	**2.1%**	**0.0%**	**6.0**	**12.6**	**13.3**	**14.1**	**-6.6%**	**-0.7%**	**-0.8%**

[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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	10	10	11	0.0%	-9.1%	10	11	11	11	-9.1%	0.0%	0.0%
Number of employees	25,581	25,235	25,169	1.4%	1.6%	24,989	25,146	25,595	24,955	-0.6%	-1.8%	2.6%
Revenue												
Commissions	947	1,005	971	-5.7%	-2.4%	3,862	3,597	3,921	3,767	7.4%	-8.3%	4.1%
Mutual fund only commissions	454	456	468	-0.4%	-3.0%	1,854	1,711	1,654	1,471	8.3%	3.5%	12.4%
Investment banking	873	572	521	52.6%	67.5%	2,369	2,596	2,726	2,566	-8.7%	-4.8%	6.2%
New issues equity	495	299	231	65.7%	114.2%	1,079	1,325	1,390	1,311	-18.5%	-4.7%	6.0%
New issues debt	244	162	190	50.6%	28.3%	789	659	699	682	19.7%	-5.7%	2.5%
Corporate advisory fees	133	111	99	20.3%	34.1%	500	612	637	573	-18.3%	-4.0%	11.2%
Fixed income trading	340	340	389	-0.2%	-12.8%	1,383	1,031	800	960	34.1%	29.0%	-16.7%
Equity trading	63	80	-140	-21.4%	145.1%	96	166	25	38	-42.4%	556.3%	-33.5%
Net interest	590	540	374	9.4%	57.8%	1,555	942	1,165	906	65.1%	-19.2%	28.6%
Fees	885	859	679	3.0%	30.3%	2,785	2,400	2,189	1,994	16.1%	9.6%	9.8%
Other	126	145	127	-13.0%	-0.7%	771	618	456	415	24.9%	35.4%	9.9%
Operating revenue	3,824	3,540	2,922	8.0%	30.9%	12,820	11,350	11,283	10,645	13.0%	0.6%	6.0%
Operating expenses[1]	1,283	1,340	1,221	-4.2%	5.1%	4,888	4,817	4,818	4,497	1.5%	0.0%	7.1%
Operating profit	1,532	1,234	832	24.2%	84.2%	4,374	3,219	3,212	3,127	35.9%	0.2%	2.7%
Net profit (loss)	645	419	322	53.8%	100.1%	2,007	1,978	1,801	1,610	1.4%	9.8%	11.9%
Shareholders' equity	34,816	29,190	12,823	19.3%	171.5%	29,479	11,902	10,475	11,585	147.7%	13.6%	-9.6%
Regulatory capital	48,237	42,621	25,912	13.2%	86.2%	42,940	24,989	22,155	22,882	71.8%	12.8%	-3.2%
Client cash holdings	35,676	35,565	34,599	0.3%	3.1%	35,760	33,018	33,088	31,677	8.3%	-0.2%	4.5%
Productivity[2] **($ thousands)**	598	561	464	6.5%	28.8%	513	451	441	427	13.7%	2.4%	3.3%
Annual return[3] **(%)**	**7.4**	**5.7**	**10.1**	**1.7%**	**-2.6%**	**6.8**	**16.6**	**17.2**	**13.9**	**-9.8%**	**-0.6%**	**3.3%**

[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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	73	74	82	-1.4%	-11.0%	78	79	78	74	-1.3%	1.3%	5.4%
Number of employees	2,973	2,969	3,027	0.1%	-1.8%	2,912	3,115	3,108	2,793	-6.5%	0.2%	11.3%
Revenue												
Commissions	146	168	141	-13.2%	3.7%	534	558	693	655	-4.4%	-19.4%	5.7%
Investment banking	233	184	143	26.2%	62.4%	642	756	912	1,082	-15.1%	-17.1%	-15.7%
New issues equity	133	83	63	59.8%	113.0%	295	315	523	634	-6.4%	-39.8%	-17.5%
New issues debt	26	17	22	49.5%	17.1%	91	103	60	58	-11.5%	71.6%	3.7%
Corporate advisory fees	74	84	59	-12.0%	25.5%	256	338	329	390	-24.3%	2.6%	-15.6%
Fixed income trading	75	93	76	-18.9%	-0.6%	331	93	179	122	256.4%	-48.1%	46.7%
Equity trading	11	34	-20	-68.6%	154.7%	50	-61	-44	145	182.9%	-38.8%	-130.1%
Net interest	65	70	60	-7.6%	8.1%	245	63	49	35	289.4%	29.5%	39.0%
Fees	60	67	45	-10.5%	34.6%	200	190	174	104	4.9%	9.4%	67.4%
Other	35	43	36	-18.7%	-1.0%	129	263	173	453	-51.0%	52.2%	-61.8%
Operating revenue	625	660	480	-5.3%	30.0%	2,131	1,863	2,136	2,596	14.4%	-12.8%	-17.7%
Operating expenses[1]	259	292	284	-11.2%	-8.9%	1,075	1,133	1,056	899	-5.1%	7.3%	17.4%
Operating profit	302	298	160	1.4%	88.3%	860	605	839	1,440	42.2%	-27.8%	-41.7%
Net profit (loss)	93	37	30	149.8%	212.3%	79	276	213	752	-71.3%	29.6%	-71.7%
Shareholders' equity	4,212	4,006	3,865	5.1%	9.0%	3,976	3,982	3,632	4,108	-0.2%	9.6%	-11.6%
Regulatory capital	6,998	6,785	6,859	3.1%	2.0%	6,983	7,735	6,617	7,068	-9.7%	16.9%	-6.4%
Client cash holdings	2,353	2,415	1,727	-2.6%	36.3%	2,466	1,756	1,296	1,306	40.4%	35.5%	-0.7%
Productivity[2] ($ thousands)	840	889	635	-5.5%	32.4%	732	598	687	929	22.4%	-13.0%	-26.1%
Annual return[3] (%)	**8.8**	**3.7**	**3.1**	**5.1%**	**5.7%**	**2.0**	**6.9**	**5.9**	**18.3**	**-4.9%**	**1.0%**	**-12.4%**

[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.

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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	96	100	101	-4.0%	-5.0%	101	106	112	116	-4.7%	-5.4%	-3.4%
Number of employees	11,510	11,413	11,375	0.8%	1.2%	11,456	11,294	11,724	12,169	1.4%	-3.7%	-3.7%
Revenue												
Commissions	316	327	275	-3.3%	15.1%	1,120	961	1,203	1,208	16.6%	-20.1%	-0.4%
Mutual fund only commissions	162	164	141	-1.2%	14.8%	571	471	506	478	21.4%	-6.9%	5.8%
Investment banking	59	48	47	23.6%	25.9%	180	212	338	381	-15.2%	-37.2%	-11.2%
New issues equity	36	32	25	12.3%	42.8%	99	142	253	289	-30.4%	-43.8%	-12.6%
New issues debt	19	10	16	78.8%	13.3%	58	53	67	69	8.1%	-20.0%	-3.4%
Corporate advisory fees	5	5	5	-15.5%	-14.3%	24	17	19	23	39.2%	-10.6%	-16.9%
Fixed income trading	24	26	12	-7.4%	105.4%	78	52	86	91	50.5%	-39.9%	-5.8%
Equity trading	4	10	-1	-63.7%	396.0%	7	13	17	84	-46.4%	-25.0%	-79.8%
Net interest	81	63	35	28.1%	129.3%	144	126	162	113	14.6%	-22.0%	43.1%
Fees	190	179	166	6.0%	14.8%	675	616	731	623	9.5%	-15.7%	17.3%
Other	35	51	46	-31.3%	-23.2%	172	139	180	137	24.2%	-23.0%	31.7%
Operating revenue	709	704	579	0.7%	22.5%	2,377	2,119	2,717	2,637	12.2%	-22.0%	3.0%
Operating expenses[1]	337	339	339	-0.8%	-0.6%	1,332	1,300	1,482	1,428	2.5%	-12.3%	3.8%
Operating profit	101	104	25	-2.8%	303.1%	160	-18	221	222	979.1%	-108.2%	-0.2%
Net profit (loss)	48	34	-5	39.9%	965.8%	-24	-99	22	33	75.5%	-559.6%	-34.7%
Shareholders' equity	1,040	1,041	956	-0.1%	8.8%	1,019	1,202	1,162	1,295	-15.3%	3.5%	-10.3%
Regulatory capital	6,520	6,511	1,389	0.1%	369.3%	1,491	1,619	1,610	1,697	-7.9%	0.5%	-5.1%
Client cash holdings	4,001	4,010	4,332	-0.2%	-7.6%	3,898	3,910	4,920	4,820	-0.3%	-20.5%	2.1%
Productivity[2] **($ thousands)**	246	247	204	-0.2%	21.0%	207	188	232	217	10.6%	-19.0%	6.9%
Annual return[3] **(%)**	**18.3**	**13.1**	**-2.3**	**5.2%**	**20.6%**	**-2.4**	**-8.2**	**1.9**	**2.5**	**5.9%**	**-10.1%**	**-0.6%**

[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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	49	50	59	-2.0%	-16.9%	55	56	57	54	-1.8%	-1.8%	5.6%
Number of employees	1,993	1,996	2,053	-0.2%	-2.9%	1,946	2,122	2,279	2,013	-8.3%	-6.9%	13.2%
Revenue												
Commissions	105	122	90	-14.0%	16.1%	351	362	470	448	-3.0%	-22.8%	4.8%
Investment banking	156	124	84	26.4%	87.0%	396	478	666	781	-17.2%	-28.3%	-14.7%
New issues equity	115	76	43	52.3%	170.1%	233	265	481	574	-12.0%	-44.9%	-16.1%
New issues debt	10	6	5	57.8%	84.5%	28	41	25	17	-32.0%	62.8%	49.6%
Corporate advisory fees	31	42	36	-25.1%	-12.3%	134	171	159	190	-21.7%	7.5%	-16.2%
Fixed income trading	5	6	7	-5.2%	-20.5%	40	34	13	17	19.4%	152.3%	-21.8%
Equity trading	2	5	-25	-59.0%	107.3%	-97	-67	-44	101	-45.1%	-52.2%	-143.3%
Net interest	8	7	9	27.3%	-8.7%	32	24	28	20	35.1%	-14.9%	40.0%
Fees	29	48	24	-39.6%	20.5%	125	98	101	93	27.8%	-3.6%	9.0%
Other	12	16	17	-26.5%	-28.4%	72	184	54	341	-60.8%	243.6%	-84.3%
Operating revenue	318	327	206	-2.8%	54.6%	920	1,113	1,288	1,801	-17.3%	-13.6%	-28.5%
Operating expenses[1]	136	157	148	-13.1%	-7.5%	561	601	630	554	-6.7%	-4.6%	13.7%
Operating profit	126	110	32	14.2%	288.3%	201	321	444	1,008	-37.3%	-27.7%	-56.0%
Net profit (loss)	51	16	-9	216.9%	669.7%	-13	113	73	536	-111.2%	54.9%	-86.4%
Shareholders' equity	1,375	1,210	1,202	13.6%	14.4%	1,196	1,270	1,171	1,737	-5.8%	8.5%	-32.6%
Regulatory capital	1,950	1,777	1,791	9.7%	8.9%	1,793	2,597	1,749	2,325	-31.0%	48.5%	-24.8%
Client cash holdings	1,458	1,475	904	-1.1%	61.4%	1,464	894	967	618	63.8%	-7.5%	56.4%
Productivity[2] ($ thousands)	639	656	401	-2.6%	59.2%	473	524	565	895	-9.9%	-7.2%	-36.8%
Annual return[3] (%)	**14.9**	**5.4**	**-3.0**	**9.6%**	**17.9%**	**-1.1**	**8.9**	**6.2**	**30.9**	**-9.9%**	**2.7%**	**-24.7%**

[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.

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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	24	24	23	0.0%	4.3%	23	23	21	20	0.0%	9.5%	5.0%
Number of employees	980	973	974	0.7%	0.6%	966	993	829	780	-2.7%	19.8%	6.3%
Revenue												
Commissions	41	46	51	-11.0%	-18.6%	182	196	223	208	-6.8%	-12.3%	7.2%
Investment banking	76	61	60	25.8%	28.0%	247	278	246	301	-11.4%	12.9%	-18.1%
New issues equity	18	8	20	135.7%	-10.4%	62	50	42	60	23.5%	20.1%	-30.7%
New issues debt	16	11	17	45.1%	-3.6%	63	62	35	41	2.2%	78.0%	-15.3%
Corporate advisory fees	42	42	23	1.0%	84.2%	122	167	170	200	-26.9%	-2.1%	-14.9%
Fixed income trading	70	87	69	-19.8%	1.3%	291	59	166	106	390.3%	-64.2%	56.3%
Equity trading	9	30	6	-70.1%	56.7%	147	6	0	44	2327.1%	4313.9%	-99.7%
Net interest	56	64	51	-11.2%	11.1%	213	39	21	15	443.8%	89.8%	37.7%
Fees	31	19	20	64.3%	51.4%	75	93	73	11	-19.2%	27.6%	561.0%
Other	23	27	19	-14.0%	23.7%	57	79	119	111	-28.2%	-33.8%	7.5%
Operating revenue	307	333	275	-7.9%	11.6%	1,212	750	848	796	61.5%	-11.5%	6.5%
Operating expenses[1]	122	135	137	-9.0%	-10.5%	514	532	426	345	-3.4%	25.0%	23.3%
Operating profit	176	187	128	-6.1%	37.7%	659	284	395	432	131.8%	-28.0%	-8.6%
Net profit (loss)	41	21	39	97.9%	7.0%	92	163	140	215	-43.7%	16.4%	-34.9%
Shareholders' equity	2,837	2,796	2,662	1.4%	6.6%	2,780	2,712	2,462	2,371	2.5%	10.2%	3.8%
Regulatory capital	5,048	5,007	5,069	0.8%	-0.4%	5,190	5,138	4,868	4,742	1.0%	5.5%	2.7%
Client cash holdings	895	941	823	-4.9%	8.7%	1,002	863	330	688	16.2%	161.7%	-52.1%
Productivity[2] ($ thousands)	1,251	1,368	1,128	-8.5%	11.0%	1,254	755	1,023	1,021	66.0%	-26.1%	0.2%
Annual return[3] (%)	**5.8**	**3.0**	**5.8**	**2.8%**	**0.0%**	**3.3**	**6.0**	**5.7**	**9.1**	**-2.7%**	**0.3%**	**-3.4%**

[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.

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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	29	31	31	-6.5%	-6.5%	32	33	34	35	-3.0%	-2.9%	-2.9%
Number of employees	5,585	5,557	5,491	0.5%	1.7%	5,449	5,547	6,114	6,231	-1.8%	-9.3%	-1.9%
Revenue												
Commissions	160	167	143	-4.5%	12.2%	582	503	662	675	15.8%	-24.1%	-1.9%
Mutual fund only commissions	99	99	84	0.0%	17.6%	343	284	302	285	20.8%	-6.0%	6.0%
Investment banking	43	30	34	43.2%	25.5%	122	142	233	271	-14.1%	-39.0%	-14.1%
New issues equity	22	16	15	36.9%	49.3%	51	88	163	195	-41.3%	-46.2%	-16.4%
New issues debt	17	10	16	68.9%	8.1%	53	45	57	61	17.6%	-21.0%	-6.2%
Corporate advisory fees	4	4	4	1.8%	3.7%	17	9	12	16	91.0%	-26.6%	-22.5%
Fixed income trading	16	18	14	-11.7%	18.4%	68	29	57	71	134.1%	-48.8%	-20.0%
Equity trading	0	3	-2	-97.7%	104.2%	-2	3	-5	40	-180.2%	163.9%	-111.6%
Net interest	61	44	18	38.3%	231.7%	76	64	93	62	17.8%	-30.7%	49.7%
Fees	108	97	91	11.0%	17.9%	365	340	354	321	7.3%	-4.0%	10.4%
Other	19	24	21	-18.8%	-7.2%	83	64	96	71	28.4%	-33.2%	35.5%
Operating revenue	407	384	319	6.0%	27.5%	1,293	1,146	1,491	1,511	12.9%	-23.1%	-1.3%
Operating expenses[1]	186	184	189	1.0%	-1.9%	738	719	847	819	2.6%	-15.1%	3.4%
Operating profit	74	57	11	29.8%	589.5%	53	-15	51	117	449.2%	-129.7%	-56.2%
Net profit (loss)	42	22	-4	88.2%	1047.5%	-37	-51	-7	34	27.4%	-635.0%	-120.2%
Shareholders' equity	692	677	670	2.2%	3.3%	658	643	798	900	2.2%	-19.4%	-11.3%
Regulatory capital	5,887	5,882	868	0.1%	577.9%	863	838	1,051	1,115	3.0%	-20.3%	-5.8%
Client cash holdings	2,841	2,857	2,875	-0.6%	-1.2%	2,816	2,783	3,791	3,890	1.2%	-26.6%	-2.6%
Productivity[2] ($ thousands)	291	276	233	5.5%	25.3%	237	207	244	242	14.9%	-15.3%	0.5%
Annual return[3] (%)	**24.1**	**13.1**	**-2.6**	**11.0%**	**26.7%**	**-5.6**	**-7.9**	**-0.9**	**3.8**	**2.3%**	**-7.0%**	**-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.

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		
	Q2 14	Q1 14	Q2 13	Q2/Q1	Q2 14/13	2013	2012	2011	2010	13/12	12/11	11/10
Number of firms	67	69	70	-2.9%	-4.3%	69	73	78	81	-5.5%	-6.4%	-3.7%
Number of employees	5,925	5,856	5,884	1.2%	0.7%	6,007	5,747	5,610	5,938	4.5%	2.4%	-5.5%
Revenue												
Commissions	156	160	132	-2.0%	18.2%	538	458	540	533	17.4%	-15.2%	1.4%
Mutual fund only commissions	63	65	57	-3.1%	10.8%	228	187	204	192	22.2%	-8.2%	6.1%
Investment banking	16	18	13	-9.1%	27.2%	58	70	106	110	-17.3%	-33.4%	-4.0%
New issues equity	14	16	10	-12.6%	33.5%	47	54	89	94	-12.9%	-39.4%	-4.8%
New issues debt	2	0	1	339.9%	119.9%	5	8	9	9	-44.4%	-13.6%	4.8%
Corporate advisory fees	1	2	2	-54.7%	-54.6%	6	8	7	7	-19.9%	18.9%	-4.1%
Fixed income trading	8	7	-2	3.0%	460.2%	10	22	29	20	-57.7%	-22.4%	44.8%
Equity trading	4	7	1	-47.0%	488.7%	9	10	22	43	-5.8%	-54.8%	-49.7%
Net interest	20	19	17	4.6%	18.5%	69	62	69	51	11.3%	-10.4%	35.0%
Fees	82	82	74	0.1%	10.9%	309	276	376	302	12.1%	-26.7%	24.6%
Other	16	27	25	-42.2%	-36.6%	90	75	84	66	20.6%	-11.4%	27.7%
Operating revenue	302	321	260	-5.7%	16.3%	1,083	973	1,226	1,125	11.3%	-20.6%	9.0%
Operating expenses[1]	151	156	150	-3.0%	0.9%	594	581	635	609	2.4%	-8.6%	4.3%
Operating profit	27	47	14	-42.6%	87.3%	107	-3	170	105	3658.0%	-101.8%	62.1%
Net profit (loss)	6	12	-1	-50.0%	639.2%	12	-48	28	-1	125.8%	-270.3%	2942.9%
Shareholders' equity	348	364	286	-4.4%	21.4%	361	559	364	395	-35.4%	53.7%	-7.9%
Regulatory capital	633	629	521	0.6%	21.5%	628	782	560	582	-19.7%	39.7%	-3.8%
Client cash holdings	1,160	1,152	1,457	0.7%	-20.4%	1,083	1,127	1,130	930	-3.9%	-0.3%	21.5%
Productivity[2] ($ thousands)	204	219	177	-6.8%	15.5%	180	169	219	189	6.5%	-22.5%	15.3%
Annual return[3] (%)	**6.8**	**13.1**	**-1.5**	**-6.2%**	**8.4%**	**3.5**	**-8.7**	**7.8**	**-0.3**	**12.1%**	**-16.5%**	**8.1%**

[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.

Comments please!

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