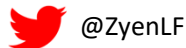# Global Financial Centres 2020 Focus On Montreal

23 April 2020

Financial Centre Futures

@ZyenLF

Focus On Montreal

Steve Gauthier

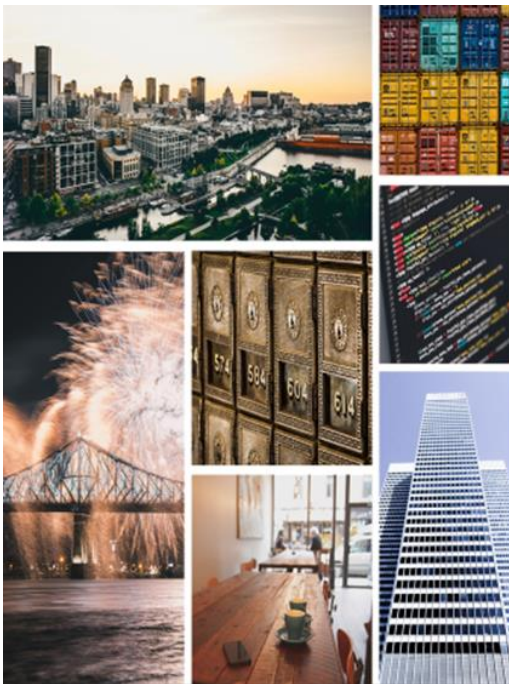**Vice-President,**

Corporate Development

Finance Montreal

Professor Michael Mainelli

Executive Chairman

Z/Yen Group

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Montreal

A ready ecosystem of future-state skills @ a distinct cost advantage!

Webinar: GFCI 2020

April 23, 2020

FINANCE MONTRÉAL

Economic Development Partner Offering An Assortment Of Personalized, Free And Confidential Services

Finance Montreal is:
1- the economic cluster for the financial services sector for Montreal (Fintech and working groups)
2- a sense-maker about alternative futures to help FIs make better decision in the present (*strategic international initiatives and investment*):

Your one-stop shop for the following services:
- Long-term strategic support
- Economic Data & Labour Analytics
- Community Network
- University liaison
- Assistance with Financial Services Tax Credit and Labour Training Incentive Programs
- Support with site selection
- Government Relations

Montreal: An Attractive International Metropolis

Cosmopolitan

- 4.2 million population
- Bilingual (tri-lingual) population
  - 21% of the population speak 3 languages
  - 25% of the population have a native language other than French or English
  - 121,000 native Spanish-speakers, 31,000 native Portuguese-speakers
- Over 40,000 immigrants / year. 50% with university degrees
- 151,497 temporary residents in Prov. of Quebec (Jan. 1 2018)

Connected

- 7th most internationally connected city among North Americas' 25 largest metro areas (McKinsey 2018)
- A hustling and bustling airport (Montreal-Trudeau / YUL)
  - More than 150 direct destinations are now offered from YUL in 2019, including 91 international destinations
  - 6.9% increase in number of passengers in 2018
  - 6 minute average wait at border control at the busiest period (July-August 2018)
- Free Trade Agreements with North America and EU (900 million+ consumers), Trans Pacific Partnership

Attractive

- Continually ranked the Best city for students, millennials and expats in North America
- Lowest cost of living among large N. American metro areas (Mercer 2018)
- 2nd best city in the world to live in (The Economist, 2014)
- Canada is ranked 7th safest country in the world for travelers by SafeAround (United States are ranked 49th, France 56th)
- Most Reputable City in the Americas 2018 (Reputation Institute)

A Snapshot Of Montreal's Financial Services Sector

- Finance represents 7% of GDP

- 109,000 employed in FS Industry (6% growth in 2018)
  - 45,000 in banking, 47,000 in insurance, 17,000 in securities
  - Same professional designations in Montreal as in London or New York
  - 39,000 CPAs (1,300+ new CPAs annually), 2,840 CFAs, 2,300+ Certified Risk Professionals (PRMIA & GARP), 14,070 Financial Analysts, 44,755 Accountants and Auditors
  - 19,000 graduates annually with identified capabilities to work in Banking and Markets functions

- All Canadian Banks and over 200 leading foreign financial institutions operate in Montreal

- Major operations by local and foreign insurance companies

- Half of Canada's pension funds and asset managers

- The derivatives arm of the TMX Group and CDCC (Canadian Derivatives Central Clearing)

Rethink Your Geographic Strategy

- The rise of new technologies and FinTechs are disrupting the traditional financial services business models, bringing both opportunities and challenges to all levels of the value chain. (e.g. one successful RPA project: 1 robot = 5 FTEs)
- Global competitiveness requires action now for a new Global Business Service (GBS) Strategy:
  - Enhance margin, higher level of service, lower cost
  - Control change so that you will not be supporting old business models
  - Your competitors are already engaged in the process:

RPA, Fintech and A.I. reduces the need for traditional BPOs and cost hubs **What matters is talent for smart automation, analytics and enhanced customer experience.** Ops are now supporting IT and revenue generating functions

FS companies need to update their location strategies. In the past, GBS were transactional. Today they are "change agents"

Portfolio of Activities Among Your Peers

FINANCE MONTRÉAL

Shared Service Centers serving Global Needs from Montreal

Demographics

57% 43%

78 NATIONALITIES

60% Millennials
36% Gen X
4% Baby boomers
60%

FRONT FUNCTIONS	**FRONT OFFICE** Coverage ALMT Cash Management Credit Management	**FUNCTIONS** Management Compliance/Legal/Audit HR/Brand & Comm Risk\Risk ORC ICT IG	**INNOVATION LAB** e.g. AI Activities, RPA, Fintech engagement etc.
BACK/ MIDDLE OFFICE	**OPERATIONS** Global Markets Global Banking Corporate Credit Control OPC	**CLIENT MANAGEMENT** Client Services Referential Due Diligence	**PAYMENTS & CLEARING SOLUTIONS** Client Services Referential Due Diligence
FINANCE & DATA	**FINANCE & TAX** Local Finance & Tax Financial Accounting & Reporting Performance Management	**ENTERPRISE DATA MANAGEMENT** Data certification & Controls Data Operations	
IT	**IT PRODUCTION** Infrastructure Production Security APS	**CORE BANKING IT** Digital Transformation & HR Program Mgt & Data & Controls Finance CCAR, Risk & Liquidity RCIT Corporate platform IT	**CYBER SECURITY** 1st and 2nd line

Turnover rate: <10%

LONG FINANCE

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FS Club

A.I. Capabilities Take Aways

A.I. Related Talent Pool: +21,700 employees

1. Data Collection
2. Data normalization
3. Data Modeling
4. Model training / feature engineering
5. Production

Expertise

1. NLP
2. NLG
3. Knowledge Graph
4. Machine learning (SAS, Matlab, Scala, Julia, etc.)
5. Strong research A.I. to support Model training / feature engineering phase
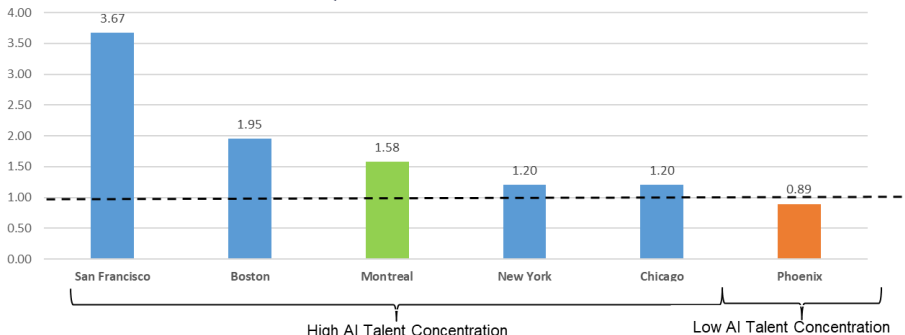
Soft-landing partners

- Collaborative research and institutions to lower risk and build compelling user-cases (Soho Square, Axionable, etc.)

Fin ML — A consortium of machine learning researchers specialized in the financial services sector

Mitacs — A pan-Canadian network providing partnership programs between academia and industry

Location Quotient for AI Related Talent

Bar chart values:
- San Francisco: 3.67
- Boston: 1.95
- Montreal: 1.58
- New York: 1.20
- Chicago: 1.20
- Phoenix: 0.89

High AI Talent Concentration (San Francisco – Montreal)
Low AI Talent Concentration (Phoenix)

AI Related Talent concentration is calculated using the ratios of the AI Data Scientist, Data Steward, Data Engineer, Software Engineer, Data Analyst, Database Administrator) to the total LinkedIn population for each metro area (data obtained on LinkedIn, July 19, 2019).
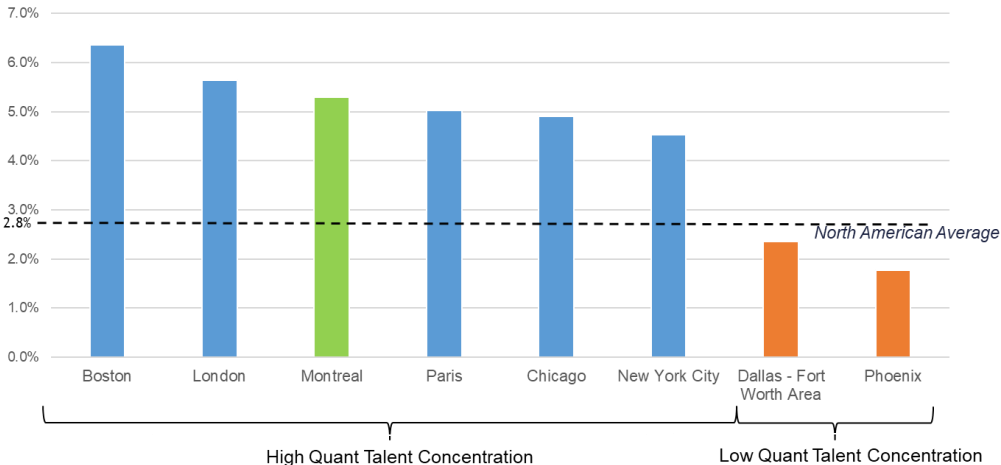
Benchmarking Quant Talent Concentration

Quant Talent Concentration in Major Financial Centers

2.8% — North American Average

High Quant Talent Concentration | Low Quant Talent Concentration

Montreal's quant talent concentration rivals that of the largest & most sophisticated financial centers in the world.

Quant concentration I is calculated using the ratios of the Quant population (Core Quant, Actuaries and Eligible Quants) to the total Financial Services population for each metro area (data obtained on LinkedIn, June 25, 2019).
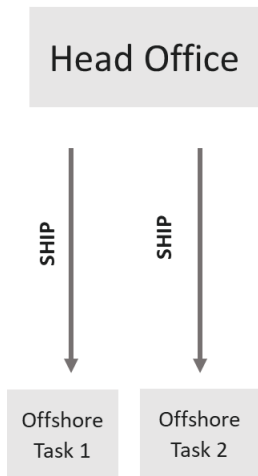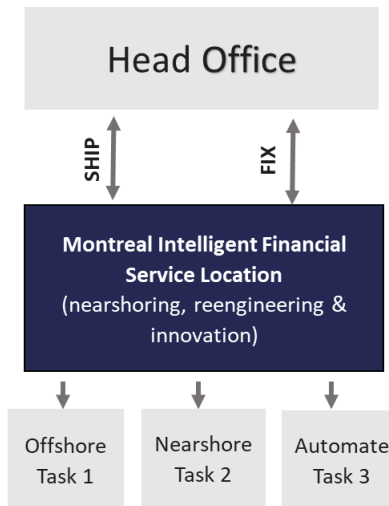
Montreal Enables Transformation

Traditional Utility Hub Set-Up

Montreal's Intelligent Financial Service Location

Head Office

SHIP

SHIP

Offshore Task 1

Offshore Task 2

Head Office

SHIP

FIX

Montreal Intelligent Financial Service Location
(nearshoring, reengineering & innovation)

Offshore Task 1

Nearshore Task 2

Automate Task 3

- Proven track record in Smart Service Centers
- Sizeable, diversified financial industry
- Deep labor pool
- World leading AI and smart automation capabilities
- Vibrant fintech and tech hub
- Favourable operating environment
- Low costs

For Projects in Operational Efficiency (Cost Cutting)

FINANCE MONTRÉAL

Includes all major geographically variable operating costs scaled to a back office center in the Financial Services industry employing 125 workers and occupying 30,000 sq. feet of Class B space

Cities	Total Annual Operating Costs ($USD)	% Difference with Montreal IFC
New York	$28,138,924	108%
London	$21,868,670	62%
Continental Europe	$20,309,039	50%
U.S. Tier II City	$19,056,680	41%
Montreal	$15,031,788	11%
Montreal with incentives	$13,516,775	Base

All costs in USD. CAD$1 = USD$0.81
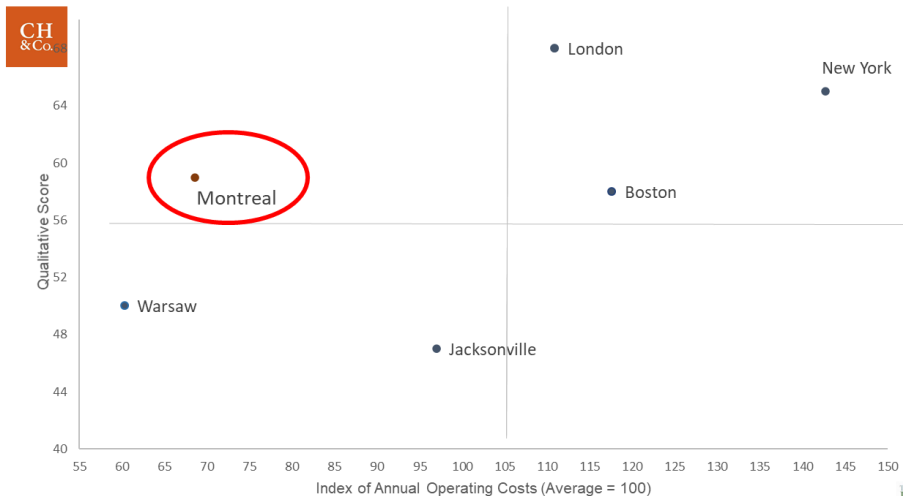Assumption: 75% of employees in IFC are eligible to tax credit (24% of employee salary).
Source: The Boyd Company, Site Location Group, Princeton NJ (2020)

Achieving Cost Savings Objectives Without Compromising On Quality

Boyd: Costs are based on a 30,000 sq. ft. Class-B suburban office space with a mix of 150 representative financial services support positions. The Qualitative Score (CH&C) consists of 12 indicators: Availability of workers, competitiveness, transports, reputation, liveability, legal environment, regulatory environment, national security, housing, health, consumer goods and corporate tax regime.

Montreal's Co-Value Creation Proposition

1. **Cluster Strength:** Financial Services, IT, Smart Automation & Advanced Analytics

2. **Diversification**: second source at a better cost (skilled and diversified labour pool reducing concentration risk in your Global In-house Centre strategy)

3. **Cost Advantage**: better Cost/Quality efficiencies than most European and North American Cities (short payback)

4. **Connectivity**: US/EU transferability of data and multiple daily flights with New York, London and Tier 2s

5. **Partnerships:** easy to engage into collaboration with key ecosystem institutions

Financial Services Companies: Here's Where to Find the Talent You Need
– *Recruiter Magazine*, John Boyd, Jr., Sep 5th, 2019

Thank You!

Steve Gauthier
Vice-President,
Corporate Development
+1 514-758-1540
steve.gauthier@finance-montreal.com

James Pitcher
UK and Europe Representative

+44 (0) 7850 712707
james_pitcher@zyen.com

Montreal – An External View

♦ A high performing centre - Montreal has always been between 18th and 28th in the Global Financial Centres Index, with consistency in ratings

♦ Montreal only 28 rating points on a scale of 1,000 outside the top ten in the world

♦ Montreal highly valued by people working in investment management, insurance and professional services, who rate Montreal higher than its overall rating. Shows real depth in these sectors

♦ Well-connected as between U.S., Europe, and Asia

♦ Built on the high quality of its talent

♦ In the Global Green Finance Index, Montreal is top of the table for green finance depth in North America, 9th overall in the world and the only centre outside Western Europe in the top 10

Montreal Strengths

♦ Very strong in business environment. On this area of competitiveness, Montreal is in the top ten in the world in the GFCI

♦ On infrastructure, the approach to open data – (U.S-Canada-E.U.), air and water quality, office occupancy cost, and IT and internet infrastructure are highlights

♦ For business environment, strong performance in the Global Peace Index, Democracy Index, Open Government, Best Countries For Business, Lloyd's City Risk Index, and the Operational Risk Rating and business continuity preparation

♦ Strong in the Best Countries index, Intellectual Property, FDI Confidence Index – covering reputation; and in green finance and stock index levels on financial sector development

♦ On human capital factors, ranked highly on the Human Freedom Index, Educational Attainment, and the Quality Of living City Rankings, along with the talent shown in earlier slides.

Montreal For The Future

◆ Connectivity will remain important – ideally positioned to link to U.S., Europe and Asia, with strong connections to New York, London and Asian centres such as Seoul

◆ Focus on AI and FinTech – where Montreal's high quality of life and access to talent make it naturally strong

◆ Sustainability and green finance – focused on leading the way in North America

◆ Continued focus on cost advantage and the talent pool make Montreal a centre to watch.

With Thanks To Our Sponsors
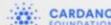
Thank You

Global Financial Centres Index 28
September 2020

Take the GFCI survey at:
www.globalfinancialcentres.net/survey/

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