INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÈRES

LETTER FROM THE PRESIDENT

Vol. 93

Poor markets and an escalating regulatory burden battered boutique earnings in 2015, but signs point to a more optimistic outlook

HIGHLIGHTS:

Operating profit for institutional boutique firms fell steeply in 2015, continuing a four-year stretch of poor earnings. The carnage is most evident in the employment statistics.

The industry was hit by a perfect storm of adverse cyclical and structural business conditions, the need for technology and the relentless rise in regulatory costs.

Given the impact of regulatory costs on integrated and boutique firms and their clients, new regulatory reforms should be subject to cost-benefit analysis.

In the last several months, the media has focused intensely on the difficulties of the small independent boutique firms and the steps many are taking — expenditure cuts, staff layoffs, corporate restructuring and general business retrenchment — to respond to persistently tough business conditions and the unrelenting rise in the regulatory burden. Many small firms have concluded these initiatives may not go far enough, particularly without confidence that light is at the end of the tunnel, and are considering mergers and acquisitions or shuttering operations. The consolidation of boutique firms has accelerated in the last two years, with about 30 boutiques disappearing.

This letter describes the deterioration in the financial performance of retail and institutional boutique firms. The letter also points to reasons for optimism in the hard-hit institutional boutiques.

The challenges are clear: CRM and rising regulatory costs

2015 industry statistics confirm the financial deterioration at the boutiques and the structural transformation of the boutique sector. Earnings were down sharply for both retail and institutional firms in 2015, reversing modest gains in 2014, and average earnings in the past six years have consistently remained well below pre-financial crisis levels. The financial challenges faced by the retail and institutional firms, however, have been very different.

After a 16% increase in 2014, revenues at the retail boutiques stalled last year. Commission earnings on share transactions were down, as was net interest income, while fee revenue continued to improve. The boutiques have made a concerted effort in recent years to build out fee-based revenues through offerings of fee-based accounts, and in-house and third-party discretionary accounts. They have made progress, with fee revenue accounting for nearly 40% of overall retail revenue compared to a one-half share of retail revenue at the integrated firms.

Despite revenues holding fairly steady, operating profit at the retail boutiques fell roughly one-third below 2014 levels, dragged down by the steep 5% rise in operating costs. The uptick in expenses stands in contrast to relatively well-contained costs in the previous two years. The jump is attributable to rising regulatory costs — mainly costs from implementing the CRM rule framework and, to a lesser extent, from the tax-reporting and anti-money laundering (AML) requirements.

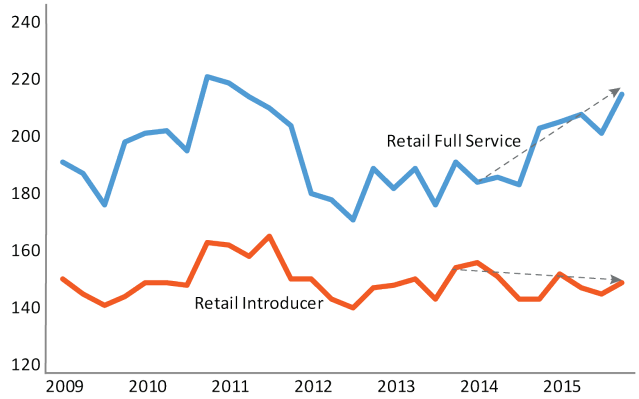
The 27 full-service or self-clearing retail boutiques, comprising one-third of the retail firms, faced the brunt of cost increases, with operating costs up a whopping 10%, the largest annual increase in 10 years. This large cost increase, occurring in a low inflation environment, reflects measures taken by the self-clearing firms to hire compliance specialists and consultants, and adopt the necessary technology and systems (and hire related staff), to comply with the new CRM rule framework, effective mid-year 2016. Earnings at the self-clearers have fallen by half as a consequence.

In contrast, the introducing firms dodged the CRM bullet, with most of the technology changes undertaken by the carrier firms. However, once the CRM becomes effective mid-year 2016, fees charged to the introducers for compliance services will ramp up sharply. Earnings will fade, and business pressures will intensify through the remainder of this year and next, unless business conditions and revenues miraculously improve.

The toll: Mergers and shutdowns rise, earnings decline

The relentless rise in operating costs and declining profitability have pushed many small retail firms into merging or shutting down operations. In the past five years, nearly 26 retail firms left the firm grouping, two-thirds from the introducer group and the balance from the self-clearing firms. Despite extensive cost-cutting efforts and corporate reorganization and back-to-back revenue gains in 2012-14, 11 retail boutiques, on net, left the industry in the past two years.

Operating Costs ($M)
Quarterly



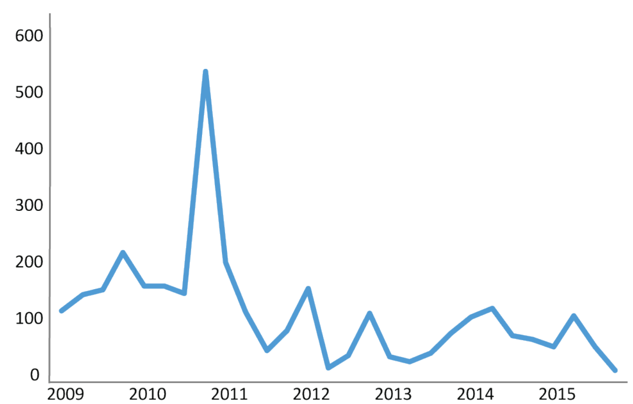
Data Source: IIROC

The domestic institutional firms have faced both revenue and cost pressures in the past several years. Revenues of this firm grouping are about one-half the level of five years ago. Total operating costs have remained relatively constant, but per-firm operating costs have risen significantly — up 20% — with the loss of 10, on net, firms from the grouping since 2013. This reflects higher equity trading costs (i.e. market data and execution fees).

Foreign institutional firms are in a class by themselves

Revenue and operating profit in the last two years are close to pre 2007-08 financial crisis levels. These firms have benefitted from opportunities, trading in secondary debt markets, and origination and distribution of cross-border debt and equity offerings. More recently, offshore interest in Canadian corporate acquisitions has boosted investment banking business, both financings and advisory opportunities.

Domestic Institutional Firms Operating Profit ($M)
Quarterly

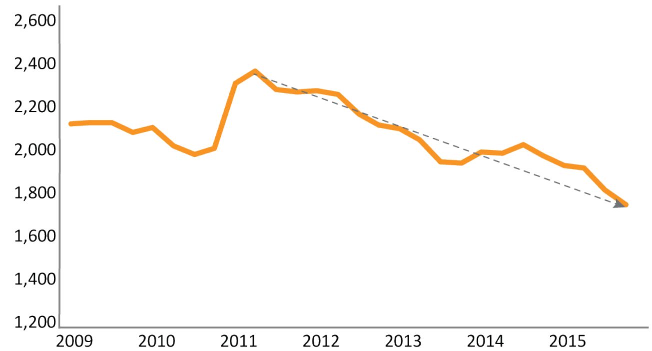


Data Source: IIROC

Lost jobs tell the tale

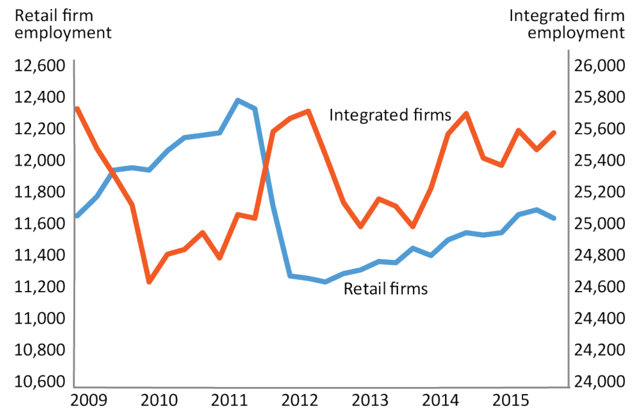
The carnage in the boutique sector is most evident in the employment statistics. The weak performance of the domestic institutional boutique firms, following four consecutive years of poor earnings, triggered massive layoffs this past year as part of extensive restructuring. These layoffs included highly trained sales, trading and banking personnel as these firms have reduced their global platforms and narrowed their overall business focus. Since the employment peak in 2011, staff layoffs in the domestic institutional firm sector total 623, or nearly 25% of total employment. More than 40% of these layoffs occurred just in the past year. In contrast, the employment figures at the integrated firms and the retail boutique sector have stayed fairly constant.

Domestic Institutional Firm Employment
Quarterly



Data Source: IIROC

Integrated and Retail Firm Employment
Quarterly



Data Source: IIROC

Extensive rule-making undermines viability of boutique firms

The financial data also makes it clear that the extensive rule-making in the past year, focused mainly on implementing the CRM rules, has taken its toll on industry costs and earnings. The new rule framework has significantly improved the transparency of the investing process, the fees charged to clients and advisor compensation, and portfolio performance. The CRM has also strengthened the obligations of advisors in terms of Know-Your-

Client and suitability requirements, and in managing conflicts of interest, particularly compensation-based conflicts. But, CRM rule implementation has come at a heavy price, in terms of much higher costs at retail boutique firms, and higher transaction and fee costs for clients. It also has undermined the viability of smaller regional retail boutiques.

For example, the 27 self-clearing retail boutiques were in the vanguard of implementing the CRM rule framework in the past year. In contrast, the introducing firms will face the brunt of these costs this year and next. Operating costs at the self-clearers rose a remarkable $74 million in 2015, or 10% year-over-year — cost increases that can be traced mainly to CRM compliance costs. The $271 million increase (up 5% year-over-year) in operating costs at the integrated firms similarly relates to CRM implementation. As well, some institutional firms with retail clientele are absorbing the costs of CRM, anti-money-laundering and tax-reporting compliance.

Regulators should undertake careful cost-benefit analysis for new rules

The OSC has just announced further reforms to improve the client-advisor relationship and create a "best interest" standard. Even before engaging in planned consultations with market participants on the proposed reforms, the OSC should undertake a cost-benefit analysis of these proposed additional reforms for IIROC-registered firms and advisors to confirm that the benefits of these reforms — incremental to the comprehensive CRM rule framework — justify the additional costs imposed on registered firms and advisors, and on clients.

A cost-benefit analysis would begin by measuring the impact of the recently imposed CRM rules and related firm-specific policies and procedures in addressing the best interests of the clients of IIROC-registered firms and advisors. The incremental benefits of the newly proposed rules could then be weighed against the additional compliance costs to member firms.

The upside potential: Rebounding oil and metal prices, improved efficiencies and sharp client focus

The extended period of institutional boutiques' weak revenues and disastrous earnings make it easier to take a pessimistic view of their outlook. But the worst may be behind us.

First, a rebound in crude oil (WTI) prices from a 2016 daily low of US$29/bbl on February 11 to about US$39/bbl at time of writing is a positive development. The effort by some OPEC producers, with Saudi Arabia and Russia in the lead, to restrict production, and improving supply-demand balance, give room for optimism on the global oil price front. Since early March, even with modest price improvement, a succession of small and mid-cap companies has come to the equity markets. At this stage, market access is restricted to conventional producers with positive cash flow and earnings and strong balance sheets, with a focus on acquisition in the energy sector. The cost of capital may be relatively low, but so is the share price of the takeover prospects. Hard-pressed companies with weak cash flow and indebted balance sheets are still denied access to the capital markets. If oil prices demonstrate continued stability and further upside, financings will pick up and independent firms will benefit.

Second, the recent rise in gold and base metal prices, and corresponding upward share price moves for mining companies, also presages improving business conditions for the boutique sector. For example, two recent acquisitions have occurred in the gold sector — the purchase of Lake Shore Gold Corp. by Tahoe Resources Inc. and the purchase of Claude Resources by Silver Standard.

Third, the independent firms have made significant expenditure cuts and the necessary adjustments in operations to improve competitiveness.

Fourth, these firms are client-focused with tightly coordinated research, trading and investment banking platforms to respond nimbly and quickly to emerging opportunities in the marketplace.

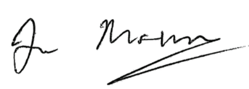
Finally, these firms are well capitalized, without conflicted business relationships and deep knowledge for broad placement of mid-cap securities in domestic and offshore markets.

Conclusion

Last year, the retail and institutional boutiques weathered one of the worst years on record, in terms of cost increases, earnings performance, employment layoffs and the exiting of small firms from the marketplace. The boutique firms faced a "perfect storm" of adverse cyclical and structural business conditions, the competitive drive for new technology and relentless escalating regulatory compliance costs. The considerable impact of the expanding regulatory burden on boutique firms, clients and investors, makes a strong case for careful regulatory assessment of the costs and benefits of new initiatives, before these initiatives are put forward for comment and implementation.

We are hopeful that positive signs in the commodities and non-resource markets are laying a foundation for sustained recovery and improving business conditions for small players in the investment industry and capital markets. The country can ill-afford the loss of the boutique sector.

Yours sincerely,



Ian C. W. Russell, FCSI
President & CEO, IIAC
March 2016

Industry

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 15	Q3 15	Q4 14	Q4/Q3	Q4 15/14	2015	2014	2013	2012	15/14	14/13	13/12
Number of firms	168	174	175	-3.4%	-4.0%	168	175	189	196	-4.0%	-7.4%	-3.6%
Number of employees	39,936	39,974	39,918	-0.1%	0.0%	39,936	39,918	39,357	39,555	0.0%	1.4%	-0.5%
Revenue												
Commissions	1,412	1,438	1,527	-1.8%	-7.5%	5,838	5,800	5,516	5,117	0.7%	5.1%	7.8%
Mutual fund only commissions	694	695	702	-0.2%	-1.1%	2,840	2,576	2,435	2,175	10.2%	5.8%	12.0%
Investment banking	655	708	798	-7.5%	-18.0%	3,246	3,793	3,191	3,565	-14.4%	18.8%	-10.5%
New issues equity	258	276	405	-6.3%	-36.3%	1,578	2,057	1,473	1,782	-23.3%	39.6%	-17.3%
New issues debt	160	195	139	-17.9%	14.7%	814	801	938	816	1.6%	-14.6%	15.0%
Corporate advisory fees	237	238	254	-0.4%	-6.7%	855	934	780	967	-8.5%	19.7%	-19.3%
Fixed income trading	427	286	331	49.5%	29.1%	1,466	1,644	1,791	1,176	-10.9%	-18.2%	52.3%
Equity trading	-112	56	68	-298.3%	-264.7%	8	243	153	118	-96.8%	-94.9%	29.5%
Net interest	241	221	217	8.9%	11.1%	864	839	536	1,131	3.0%	61.2%	-52.6%
Fees	1,420	1,348	1,190	5.4%	19.3%	5,343	4,614	3,660	3,206	15.8%	46.0%	14.1%
Other	238	253	306	-5.8%	-22.3%	980	983	1,073	1,020	-0.3%	-8.6%	5.2%
Operating revenue	4,281	4,309	4,437	-0.7%	-3.5%	17,745	17,915	15,919	15,332	-1.0%	11.5%	3.8%
Operating expenses[1]	2,037	1,914	2,038	6.4%	-0.1%	8,086	7,739	7,296	7,249	4.5%	10.8%	0.6%
Operating profit	900	1,122	1,069	-19.8%	-15.8%	4,219	4,866	3,986	3,806	-13.3%	5.8%	4.7%
Net profit (loss)	508	560	525	-9.3%	-3.2%	2,063	2,382	2,062	2,155	-13.4%	0.1%	-4.3%
Shareholders' equity	28,373	21,549	45,367	31.7%	-37.5%	28,373	45,367	34,474	17,087	-37.5%	-17.7%	101.8%
Regulatory capital	44,951	38,096	62,363	18.0%	-27.9%	44,951	62,363	51,414	34,343	-27.9%	-12.6%	49.7%
Client cash holdings	50,677	48,245	45,291	5.0%	11.9%	50,677	45,291	42,124	38,684	11.9%	20.3%	8.9%
Client debt margin outstanding	21,173	21,234	18,913	-0.3%	12.0%	21,173	18,913	16,444	14,432	12.0%	28.8%	13.9%
Productivity[2] **($ thousands)**	429	431	445	-0.6%	-3.6%	444	449	404	388	-1.0%	9.9%	4.4%
Annual return[3] **(%)**	**7.2**	**10.4**	**4.6**	**-3.2%**	**2.5%**	**7.3**	**5.2**	**6.0**	**12.6**	**38.5%**	**1.3%**	**-6.6%**

Integrated

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 15	Q3 15	Q4 14	Q4/Q3	Q4 15/14	2015	2014	2013	2012	15/14	14/13	13/12
Number of firms	10	10	10	0.0%	0.0%	10	10	10	11	0.0%	0.0%	-9.1%
Number of employees	25,590	25,479	25,430	0.4%	0.6%	25,590	25,430	24,989	25,146	0.6%	2.4%	-0.6%
Revenue												
Commissions	976	997	1,051	-2.1%	-7.1%	4,019	3,920	3,862	3,597	2.5%	4.1%	7.4%
Mutual fund only commissions	525	525	540	0.0%	-2.8%	2,145	1,916	1,854	1,711	12.0%	15.7%	8.3%
Investment banking	463	497	570	-6.8%	-18.7%	2,291	2,749	2,369	2,596	-16.7%	-3.3%	-8.7%
New issues equity	202	196	308	3.2%	-34.3%	1,158	1,540	1,079	1,325	-24.8%	7.3%	-18.5%
New issues debt	124	159	105	-21.9%	18.1%	652	659	789	659	-1.0%	-17.3%	19.7%
Corporate advisory fees	137	142	157	-3.8%	-12.8%	481	550	500	612	-12.6%	-3.9%	-18.3%
Fixed income trading	349	215	233	61.8%	49.3%	1,168	1,243	1,383	1,031	-6.0%	-15.5%	34.1%
Equity trading	-125	-16	-54	-682.9%	-130.1%	-69	83	96	166	-183.1%	-172.4%	-42.4%
Net interest	210	194	198	8.0%	5.8%	746	686	489	942	8.7%	52.5%	-48.0%
Fees	1,128	1,069	913	5.5%	23.5%	4,226	3,590	2,785	2,400	17.7%	51.7%	16.1%
Other	151	146	191	3.4%	-21.1%	565	601	771	618	-5.9%	-26.7%	24.9%
Operating revenue	3,152	3,103	3,104	1.6%	1.5%	12,946	12,873	11,755	11,350	0.6%	10.1%	3.6%
Operating expenses[1]	1,380	1,305	1,411	5.8%	-2.1%	5,561	5,290	4,888	4,817	5.1%	13.8%	1.5%
Operating profit	741	828	674	-10.5%	9.9%	3,232	3,572	3,308	3,219	-9.5%	-2.3%	2.8%
Net profit (loss)	469	476	449	-1.6%	4.3%	1,752	2,014	2,007	1,978	-13.0%	-12.7%	1.4%
Shareholders' equity	23,420	16,326	40,082	43.4%	-41.6%	23,420	40,082	29,479	11,902	-41.6%	-20.6%	147.7%
Regulatory capital	37,167	30,036	53,841	23.7%	-31.0%	37,167	53,841	42,940	24,989	-31.0%	-13.4%	71.8%
Client cash holdings	43,294	40,916	38,448	5.8%	12.6%	43,294	38,448	35,760	33,018	12.6%	21.1%	8.3%
Productivity[2] **($ thousands)**	493	487	488	1.1%	0.9%	506	506	470	451	-0.1%	7.6%	4.2%
Annual return[3] **(%)**	**8.0**	**11.7**	**4.5**	**-3.7%**	**3.5%**	**7.5**	**5.0**	**6.8**	**16.6**	**48.9%**	**0.7%**	**-9.8%**

[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.

Retail

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 15	Q3 15	Q4 14	Q4/Q3	Q4 15/14	2015	2014	2013	2012	15/14	14/13	13/12
Number of firms	90	93	94	-3.2%	-4.3%	90	94	101	106	-4.3%	-10.9%	-4.7%
Number of employees	11,645	11,702	11,537	-0.5%	0.9%	11,645	11,537	11,456	11,294	0.9%	1.6%	1.4%
Revenue												
Commissions	297	299	308	-0.6%	-3.5%	1,240	1,263	1,120	961	-1.8%	10.7%	16.6%
Mutual fund only commissions	166	167	158	-0.3%	5.1%	681	644	571	471	5.7%	19.2%	21.4%
Investment banking	42	34	48	23.5%	-13.0%	200	213	180	212	-6.1%	11.2%	-15.2%
New issues equity	22	16	23	32.8%	-5.9%	104	130	99	142	-19.8%	5.8%	-30.4%
New issues debt	14	13	14	11.2%	-1.0%	63	57	58	53	10.0%	8.5%	8.1%
Corporate advisory fees	6	5	11	23.6%	-44.8%	33	26	24	17	27.6%	40.1%	39.2%
Fixed income trading	12	25	10	-52.3%	24.5%	60	74	78	52	-18.7%	-22.9%	50.5%
Equity trading	5	-2	-4	315.7%	222.0%	8	8	7	13	-1.0%	17.0%	-46.4%
Net interest	31	32	37	-4.2%	-16.8%	137	220	121	126	-37.6%	13.7%	-4.1%
Fees	235	224	213	5.0%	10.3%	901	783	675	616	15.1%	33.6%	9.5%
Other	47	51	49	-8.1%	-4.1%	193	178	172	139	8.1%	11.8%	24.2%
Operating revenue	669	672	662	-0.4%	1.2%	2,740	2,740	2,353	2,119	0.0%	16.4%	11.0%
Operating expenses[1]	364	346	346	5.0%	4.9%	1,422	1,348	1,332	1,300	5.4%	6.7%	2.5%
Operating profit	36	49	54	-26.7%	-33.9%	212	329	137	-18	-35.6%	54.8%	849.5%
Net profit (loss)	51	12	9	322.3%	452.7%	103	132	-24	-99	-22.1%	524.7%	75.5%
Shareholders' equity	1,174	1,120	1,025	4.8%	14.6%	1,174	1,025	1,019	1,202	14.6%	15.2%	-15.3%
Regulatory capital	1,623	1,588	1,526	2.2%	6.4%	1,623	1,526	1,491	1,619	6.4%	8.9%	-7.9%
Client cash holdings	4,900	4,728	4,389	3.6%	11.6%	4,900	4,389	3,898	3,910	11.6%	25.7%	-0.3%
Productivity[2] **($ thousands)**	230	230	229	0.1%	0.2%	235	237	205	188	-0.9%	14.6%	9.5%
Annual return[3] **(%)**	**17.3**	**4.3**	**3.6**	**13.0%**	**13.7%**	**8.8**	**12.9**	**-2.4**	**-8.2**	**-32.0%**	**11.2%**	**5.9%**

Retail Introducers

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 15	Q3 15	Q4 14	Q4/Q3	Q4 15/14	2015	2014	2013	2012	15/14	14/13	13/12
Number of firms	63	65	65	-3.1%	-3.1%	63	65	69	73	-3.1%	-8.7%	-5.5%
Number of employees	5,818	5,862	5,831	-0.8%	-0.2%	5,818	5,831	6,007	5,747	-0.2%	-3.1%	4.5%
Revenue												
Commissions	130	132	140	-1.4%	-7.0%	557	607	538	458	-8.2%	3.5%	17.4%
Mutual fund only commissions	61	62	59	-2.4%	3.5%	255	248	228	187	2.7%	11.6%	22.2%
Investment banking	14	10	11	33.6%	21.2%	50	57	58	70	-12.9%	-14.0%	-17.3%
New issues equity	12	8	10	55.1%	26.6%	39	50	47	54	-22.4%	-17.4%	-12.9%
New issues debt	1	1	1	-15.7%	6.8%	3	3	5	8	-9.2%	-35.6%	-44.4%
Corporate advisory fees	1	2	1	-47.9%	-20.6%	8	4	6	8	106.0%	26.1%	-19.9%
Fixed income trading	4	5	7	-4.7%	-40.2%	16	25	10	22	-34.9%	71.3%	-57.7%
Equity trading	2	-1	1	432.3%	111.1%	6	10	9	10	-39.9%	-33.2%	-5.8%
Net interest	13	14	16	-2.9%	-16.2%	55	72	65	62	-23.6%	-15.9%	5.6%
Fees	99	103	97	-3.4%	1.8%	404	349	309	276	15.6%	30.6%	12.1%
Other	29	29	28	-0.8%	3.0%	111	94	90	75	18.0%	23.2%	20.6%
Operating revenue	292	292	301	0.0%	-3.1%	1,199	1,214	1,080	973	-1.2%	11.1%	10.9%
Operating expenses[1]	149	145	143	2.6%	4.0%	593	593	594	581	0.0%	-0.2%	2.4%
Operating profit	20	26	37	-26.0%	-46.9%	107	141	104	-3	-24.0%	3.2%	3540.3%
Net profit (loss)	51	7	9	589.7%	497.5%	72	37	12	-48	93.2%	474.3%	125.8%
Shareholders' equity	458	414	357	10.6%	28.4%	458	357	361	559	28.4%	26.9%	-35.4%
Regulatory capital	652	624	620	4.4%	5.1%	652	620	628	782	5.1%	3.8%	-19.7%
Client cash holdings	1,379	1,314	1,251	5.0%	10.3%	1,379	1,251	1,083	1,127	10.3%	27.4%	-3.9%
Productivity[2] **($ thousands)**	200	199	206	0.7%	-2.9%	206	208	180	169	-1.0%	14.7%	6.1%
Annual return[3] **(%)**	**44.3**	**7.1**	**9.5**	**37.2%**	**34.8%**	**15.7**	**10.4**	**3.5**	**-8.7**	**50.5%**	**12.2%**	**12.1%**

[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.

Retail Full Service

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 15	Q3 15	Q4 14	Q4/Q3	Q4 15/14	2015	2014	2013	2012	15/14	14/13	13/12
Number of firms	27	28	29	-3.6%	-6.9%	27	29	32	33	-6.9%	-15.6%	-3.0%
Number of employees	5,827	5,840	5,706	-0.2%	2.1%	5,827	5,706	5,449	5,547	2.1%	6.9%	-1.8%
Revenue												
Commissions	167	167	168	0.0%	-0.6%	683	657	582	503	4.1%	17.4%	15.8%
	106	105	100	1.0%	6.1%	426	396	343	284	7.6%	24.3%	20.8%
Investment banking	28	24	37	19.1%	-23.4%	150	156	122	142	-3.5%	23.2%	-14.1%
New issues equity	10	9	14	12.8%	-28.5%	65	80	51	88	-18.2%	27.0%	-41.3%
New issues debt	13	12	14	13.2%	-1.4%	60	54	53	45	11.2%	12.3%	17.6%
Corporate advisory fees	5	3	10	57.8%	-47.3%	25	22	17	9	13.7%	45.3%	91.0%
Fixed income trading	8	21	2	N/A	228.7%	44	49	68	29	-10.3%	-36.1%	134.1%
Equity trading	3	-2	-5	271.3%	156.3%	2	-2	-2	3	185.0%	177.5%	-180.2%
Net interest	18	19	21	-5.0%	-17.3%	83	149	56	64	-44.4%	48.2%	-13.4%
Fees	136	122	116	12.1%	17.5%	497	433	365	340	14.7%	36.1%	7.3%
Other	18	22	21	-17.8%	-13.8%	82	85	83	64	-3.0%	-0.6%	28.4%
Operating revenue	378	372	361	1.5%	4.7%	1,541	1,525	1,273	1,146	1.0%	21.0%	11.1%
Operating expenses[1]	215	201	203	6.7%	5.6%	829	755	738	719	9.7%	12.3%	2.6%
Operating profit	16	23	17	-27.6%	-6.3%	105	188	33	-15	-44.3%	216.2%	317.3%
Net profit (loss)	0	5	1	-101.8%	-112.5%	31	95	-37	-51	-67.2%	184.9%	27.4%
Shareholders' equity	716	706	668	1.4%	7.2%	716	668	658	643	7.2%	8.9%	2.2%
Regulatory capital	972	964	906	0.8%	7.3%	972	906	863	838	7.3%	12.7%	3.0%
Client cash holdings	3,521	3,414	3,139	3.1%	12.2%	3,521	3,139	2,816	2,783	12.2%	25.1%	1.2%
Productivity[2] ($ thousands)	259	255	253	1.7%	2.5%	264	267	234	207	-1.1%	13.2%	13.1%
Annual return[3] (%)	**0.0**	**2.6**	**0.4**	**-2.7%**	**-0.4%**	**4.4**	**14.2**	**-5.6**	**-7.9**	**-69.4%**	**9.9%**	**2.3%**

Domestic Institutional

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q4 15	Q3 15	Q4 14	Q4/Q3	Q4 15/14	2015	2014	2013	2012	15/14	14/13	13/12
Number of firms	45	47	47	-4.3%	-4.3%	45	47	55	56	-4.3%	-18.2%	-1.8%
Number of employees	1,751	1,824	1,981	-4.0%	-11.6%	1,751	1,981	1,946	2,122	-11.6%	-10.0%	-8.3%
Revenue												
Commissions	85	87	112	-2.0%	-24.3%	372	434	351	362	-14.3%	5.8%	-3.0%
Investment banking	61	93	90	-33.7%	-31.6%	376	490	396	478	-23.2%	-4.8%	-17.2%
New issues equity	19	53	57	-63.9%	-66.7%	201	324	233	265	-38.0%	-13.9%	-12.0%
New issues debt	6	6	6	-3.5%	-4.1%	23	26	28	41	-11.4%	-16.9%	-32.0%
Corporate advisory fees	37	34	27	8.3%	38.3%	152	140	134	171	8.8%	13.6%	-21.7%
Fixed income trading	4	-19	12	120.2%	-68.8%	-7	28	40	34	-124.4%	-117.0%	19.4%
Equity trading	-4	4	-14	-206.9%	69.3%	-17	-26	-97	-67	35.0%	82.3%	-45.1%
Net interest	1	3	4	-66.2%	-74.9%	17	15	12	24	13.4%	36.5%	-48.8%
Fees	33	27	34	23.8%	-2.9%	120	137	125	98	-12.8%	-4.2%	27.8%
Other	17	17	18	-3.7%	-5.5%	68	62	72	184	10.4%	-5.3%	-60.8%
Operating revenue	197	212	256	-7.3%	-23.1%	929	1,139	900	1,113	-18.5%	3.3%	-19.1%
Operating expenses[1]	151	134	148	12.6%	2.2%	558	573	561	601	-2.6%	-0.5%	-6.7%
Operating profit	11	53	66	-79.7%	-83.7%	223	365	181	321	-38.8%	23.2%	-43.6%
Net profit (loss)	-36	-7	13	-410.9%	-376.7%	-20	52	-13	113	-138.5%	-58.8%	-111.2%
Shareholders' equity	913	994	1,377	-8.2%	-33.7%	913	1,377	1,196	1,270	-33.7%	-23.7%	-5.8%
Regulatory capital	1,162	1,245	1,963	-6.6%	-40.8%	1,162	1,963	1,793	2,597	-40.8%	-35.2%	-31.0%
Client cash holdings	1,428	1,358	1,467	5.2%	-2.7%	1,428	1,467	1,464	894	-2.7%	-2.5%	63.8%
Productivity[2] ($ thousands)	449	465	516	-3.4%	-13.0%	531	575	462	524	-7.7%	14.8%	-11.8%
Annual return[3] (%)	**-15.9**	**-2.9**	**3.8**	**-13.0%**	**-19.7%**	**-2.2**	**3.8**	**-1.1**	**8.9**	**-158.1%**	**-1.1%**	**-9.9%**

[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.