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

LETTER FROM THE PRESIDENT

Vol. 121

The Future of the Independent Dealer: Will the advantages of nimbleness and technology be enough?

HIGHLIGHTS:

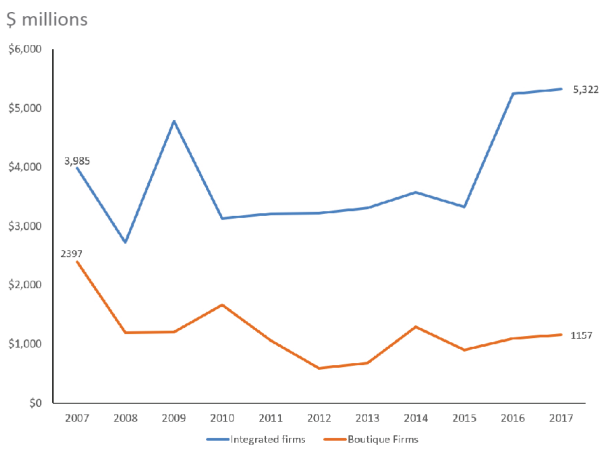
Integrated dealers have outperformed independent firms in revenue throughout the post-financial crisis. Performance of the independent firm group has surprised in the past five years with overall profit nearly doubling despite an earnings collapse at the domestic institutional firms.

The success and staying power of the independent retail firms in the face of changing demographics, expanded products and services, emerging technology, increased compliance costs and stiff competition, is the real story.

The independent firms have three positive factors to their advantage: strategic vision focused on niche businesses; strong retail markets to boost revenue at retail firms and enhance distribution at institutional dealers; and access to emerging technology to amp-up retail services and lower operating costs.

The past five years have been marked by transforming business operations in the securities industry, turbulent and uncertain capital markets, proliferating technology and steady strong demand for wealth management services. The integrated full-service firms have seized business opportunities throughout the period to outperform the independent firms, both in terms of revenue and earnings growth. Indeed, the outperformance has lasted throughout the post-financial crisis period. These firms have taken advantage of their broad business base, with investment banking and trading operations complementing record strong retail performance. Integrated firms also have the advantage of business scale to spread fixed costs. In sum, average total revenue at the integrated firms in the last three years was up 34 percent over the 2007-09 period, versus a one percent increase at the independent firms measured over the same time frame.

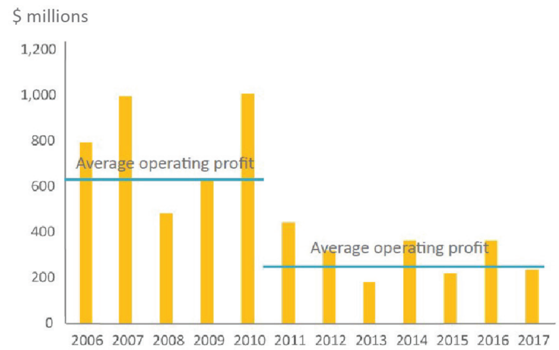
Operating Profit: Integrated and Independent Firms



Average operating profit at the integrated firms in the latest three years was up 21 percent when compared to 2007-09. For the independents, operating profit over this period fell 34 percent as the money-losing institutional firms dragged down performance of the independent firm grouping. Average operating profit at the institutional boutiques over the past six years was roughly one half the average level in the 2006-10 period. Much of this earnings fall-off at the institutional boutiques related to declining revenue as depressed market conditions gutted the investment banking business, as many small mid-cap companies, particularly in the resource sector, were unable to offer equity shares in public and private markets.

Domestic Institutional Firms

Operating Profit

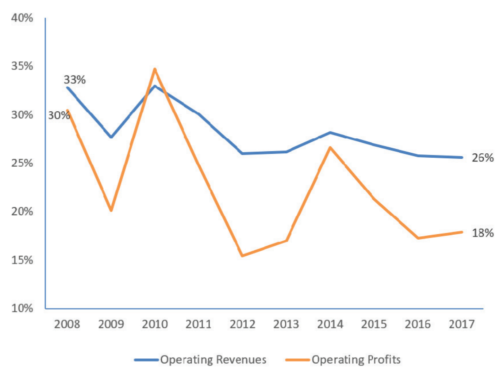


The independent institutional dealers have struggled mightily in the past six years to stay profitable. Twenty-five institutional firms withdrew from the investment industry in 2012-14, with the pace of exit falling in recent years. Buoyant markets for cannabis and technology have provided some relief, and there has been some come-back in the mining sector. Over the past nine years, the independent dealer share of industry revenue has fallen to 26 percent from a one-third share, while the share of industry profit has been cut nearly in half to 18 percent.

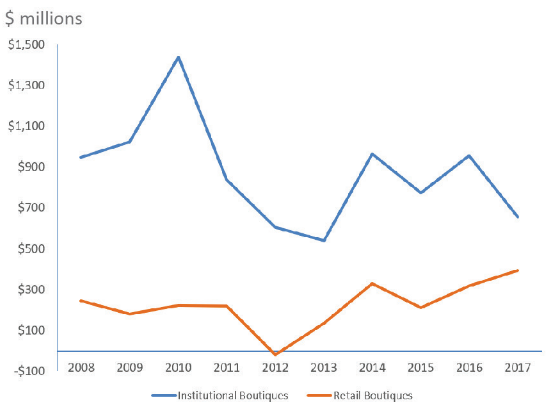
In contrast to the institutionally-focused markets, independent dealers in the retail markets, both self-clearing and introducer firms, have performed well, with revenue and earnings up strongly since 2012. Average operating profit rose 45 percent in the latest six years ended 2017. The loss of 15 firms to mergers and acquisitions and closing operations, is not the big news.

It is the success and staying power of the remaining 90 or so firms that have competed successfully in the retail marketplace, a business transforming dramatically through emerging technology, changing client demands, the steady increase in compliance costs and faced with aggressive competitive pressure from the integrated dealers.

Independent Dealers Share of Revenue and Profit



Operating Profit: Independent Firms
Retail and Institutional



LOOKING TO THE FUTURE: WHERE DO WE GO FROM HERE?

So, what does the future look like for the independent firm? Over the near term, existing business conditions will likely remain the same. Recent evidence on dealer performance suggests business success for both independent retail and institutional firms will depend on holding to a clear strategic vision, often targeted at niche business opportunities, the flexibility and nimbleness to re-calibrate the business model in response to changing conditions, such as shifting client demands and stiff competition, and the ability to leverage technology.

RETAIL FIRMS

The wealth business will remain fairly robust in the foreseeable future, given the continued impact of demographic trends. Preliminary figures for the first half this year indicate a continued upward trend in retail revenue. The baby-boomer generation will continue to move into retirement with related demand for wealth products and services, while the millennial investors will account for a growing share of income and savings, becoming a more significant factor in the wealth business. The wealth management business will remain attractive for the independents to expand business and stay profitable. Cost increases will continue to hamper performance as the latest set of targeted reforms fall into place and firms place greater reliance on technology applications.

The independent retail firms will orient operations to focus on defined client segments. Many firms will target the affluent mass-market clients with assets less than $500K. The narrower product shelf, the similarity in client accounts, and less complex compliance requirements and risk, will limit operating cost increases and enhance efficiencies. Other firms may focus on high net worth (HNW) clients, counting on higher revenues offsetting increased costs and compliance complexity.

The independent firms have been able to access alternative investments, such as private equity and derivatives for HNW clients, and needed technology products and tools for all client segments at reasonable cost to compete effectively in the marketplace, particularly against the larger integrated firms. Importantly, these new technology products and services, including online client opening documents and the updating of existing documentation, financial planning tools, order management and compliance tools, robo-investing and digitalization for real-time access to accounts through mobile devices, are designed by the service vendors as "plug and play" technology that can be integrated and customized for introducers to fit with carrying broker back-office systems, and are compatible with different clearing and settlement systems of the self-clearing firms (IBM and BPS). Moreover, the costs are typically reasonable because service providers have built technology on a "mutualized" or generic basis that can be fitted and customized for both small independent firms, and integrated firms.

The hybrid robo-investing platforms enable the independent firms to penetrate the small investor market on cost-effective terms to build client assets and scale, and on-board millennial investors with the potential for expanded portfolios.

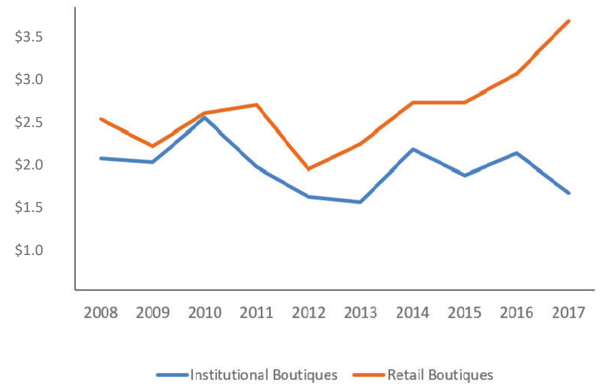
The independent retail dealers have proven effective competitors in the retail markets, even against the much larger integrated firms with the edge in product range and business scale. More than sixty independent retail firms have relied heavily on carrying brokers to provide investment products, financial services, securities execution and clearing, and custodial services. In the next few years, these firms will rely even more heavily on the various service vendors, such as Broadridge and many others, for a wide range of technology applications, technology products and tools for the wealth business. The challenge for the independents will be adjusting business focus towards the growing influence of the millennial investor base, deploying the right technology applications to meet customer demand and improve operating efficiencies, keeping a tight focus on overall costs and managing advisor training, transition and compensation arrangements.

INSTITUTIONAL FIRMS

The uncertain and precarious business conditions, with significant down-side risk, will keep the brakes on investment spending. As a result, investment banking revenue is more likely to decline from current levels than increase, particularly financing activity in the resource sector. Further, the small and mid-cap sectors will be more susceptible to weaker business conditions and less likely to expand operations than larger companies. These developments will put further pressure on the revenue and earnings of the institutional dealers. These independent firms will continue to struggle, and further consolidation of the institutional boutique firms is likely.

Operating Revenue: Independent Firms

$ billions



Most of the independent institutional dealers will have to expand and diversify their issuer client base to bring greater balance and stability to their investment banking business and reduce reliance on cyclical resource markets. The recent moves of the larger independent dealers into financing the nascent cannabis industry and the tech sector are a case in point. The success of the larger independents with investment banking operations turns on building out effective retail operations to broaden the distribution capability of new offerings. For the smaller institutionally-focused independents, corporate coverage must widen further to include businesses as pharma, high tech and bio-tech, real estate and special niches in the manufacturing and service sectors. The key to wider banking coverage in the corporate sector, and attracting financing opportunities in public and private markets, is expanding research capability.

Effective compensation schemes and good research recruitment are critical. Further, the smaller independent firms should also expand their financing capabilities upstream from the venture public markets and traditional private placement markets, to build capability in private equity markets. The wider scope for private equity financing will be tied to broadening the client base to include private equity investors, such as family offices, small foundations and small institutions. This shift to the private markets may also encourage small dealers to take on a merchant banking role to incubate promising small businesses through invest-and-hold strategies, and advising these growing companies, until the businesses reach sufficient size and profitability to launch IPO offerings. Dealers could also shift capital from increasingly unprofitable trading operations to merchant banking given the erosion in equity trading revenue at small dealers. Technology will play a key role reducing operating costs and providing efficient linages to marketplaces and clearinghouses.

The fundamental key for success of independent institutional firms is to convince governments to implement a market-driven tax incentive to stimulate financing activity in public and private markets for small and mid-sized businesses. Some suggested measures to encourage small business share issuance and capital formation include:

i. A Canadianized version of the U.K. Enterprise Investment Scheme that provides a 30 percent personal tax credit and an exemption from capital gains for the purchase of designated small business equity shares;

ii. A capital gains tax-free rollover provision that enables investors to defer capital gains on asset sales if the proceeds are invested in designated shares of small business;

iii. Expanding the definition of Canadian-Controlled Private Corporations (CCPCs) to include small public companies to provide these businesses with certain tax credits, and access to the preferred corporate tax rate;

iv. Comprehensive review of federal government grants and tax credits to abolish ineffective programs to fund lower corporate tax rates with the proceeds from eliminated federal programs;

v. Removing the proposed tax treatment for passive income of Canadian private corporations.

SUMMARY

The independent dealers have three positive factors working to their competitive advantage: strategic vision targeted on specific niche businesses; strong retail markets to boost revenue at retail firms and enhance distribution capability at institutional-focused firms; and access to emerging technology to amp up retail services, such as robo-investing, and lower operating costs. We are optimistic the independent dealers will survive and prosper in the most challenging markets ever confronted by the industry. The vigour of these firms in the marketplace, and the unique product and service mix they provide, will bring significant benefits to investors and corporate issuers, especially small business, and contribute importantly to the health of the economy and capital markets.

Yours sincerely,

Ian C. W. Russell, FCSI
President & CEO, IIAC
August 2018

Industry

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	163	166	166	-1.8%	-1.8%	166	163	168	175	1.84%	-2.98%	-4.0%
Number of employees	42,002	41,265	40,989	1.8%	2.5%	40,865	40,130	39,936	39,918	1.83%	0.49%	0.0%
Revenue												
Commissions	1,412	1,531	1,431	-7.8%	-1.3%	5,697	5,715	5,838	5,800	-0.32%	-2.11%	0.7%
Mutual fund only commissions	602	624	646	-3.5%	-6.8%	2,541	2,567	2,840	2,576	-1.00%	-9.60%	10.2%
Investment banking	1,079	793	1,006	36.1%	7.2%	3,610	3,744	3,246	3,793	-3.57%	15.33%	-14.4%
New issues equity	457	354	485	28.9%	-5.8%	1,681	1,994	1,578	2,057	-15.71%	26.39%	-23.3%
New issues debt	292	177	258	65.5%	13.4%	928	783	814	801	18.47%	-3.81%	1.6%
Corporate advisory fees	329	262	264	25.9%	24.8%	1,002	967	855	934	3.62%	13.15%	-8.5%
Fixed income trading	534	284	218	88.3%	145.1%	1,021	1,439	1,466	1,644	-29.03%	-1.81%	-10.9%
Equity trading	-238	1,063	40	NM	NM	-331	129	8	243	-356%	1547%	-96.8%
Net interest	535	503	332	6.4%	61.1%	1,500	1,070	864	839	40.19%	23.86%	3.0%
Fees	2,026	1,999	1,758	1.3%	15.2%	7,240	5,998	5,343	4,614	20.71%	12.26%	15.8%
Other	313	357	232	-12.2%	35.1%	1,110	1,356	980	983	-18.17%	38.37%	-0.3%
Operating revenue	5,839	5,650	5,228	3.3%	11.7%	21,156	20,275	17,754	17,915	4.35%	14.20%	-0.9%
Operating expenses[1]	2,270	2,306	2,169	-1.6%	4.7%	8,588	8,405	8,086	7,739	2.17%	3.95%	4.5%
Operating profit	1,986	1,717	1,547	15.7%	28.4%	6,479	6,335	4,228	4,866	2.28%	49.84%	-13.1%
Net profit (loss)	1,131	952	859	18.8%	31.6%	3,710	3,504	2,063	2,382	5.87%	69.85%	-13.4%
Shareholders' equity	27,077	26,169	24,666	3.5%	9.8%	25,514	23,117	28,373	45,367	10.37%	-18.52%	-37.5%
Regulatory capital	38,654	38,403	39,217	0.7%	-1.4%	37,281	39,009	44,951	62,363	-4.43%	-13.22%	-27.9%
Client cash holdings	57,921	59,686	57,618	-3.0%	0.5%	62,026	59,944	50,677	45,291	3.47%	18.29%	11.9%
Client debt margin outstanding	29,455	31,168	25,886	-5.5%	13.8%	26,267	23,740	21,173	18,913	10.64%	12.12%	12.0%
Productivity[2] ($ thousands)	556	548	510	1.5%	9.0%	518	505	445	449	2.47%	13.65%	-0.9%
Annual return[3] (%)	**17**	**15**	**13.9**	**14.8%**	**19.9%**	**15**	**15**	**7.3**	**5.2**	**-4.07%**	**108.46%**	**2.0%**

Integrated

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	10	10	10	0.0%	0.0%	10	10	10	10	0.00%	0.00%	0.0%
Number of employees	26,118	25,548	26,293	2.2%	-0.7%	25,391	25,886	25,590	25,430	-1.91%	1.16%	0.6%
Revenue												
Commissions	925	1,004	965	-7.9%	-4.1%	3,810	3,871	4,019	3,920	-1.57%	-3.69%	2.5%
Mutual fund only commissions	420	436	480	-3.9%	-12.6%	1,858	1,928	2,145	1,916	-3.61%	-10.13%	12.0%
Investment banking	804	537	728	49.8%	10.5%	2,606	2,722	2,291	2,749	-4.27%	18.81%	-16.7%
New issues equity	327	214	359	52.5%	-8.9%	1,202	1,448	1,158	1,540	-17.00%	25.04%	-24.8%
New issues debt	231	150	205	54.4%	12.7%	760	634	652	659	19.89%	-2.81%	-1.0%
Corporate advisory fees	246	173	164	42.6%	50.2%	644	640	481	550	0.58%	33.13%	-12.6%
Fixed income trading	472	212	136	122.8%	247.4%	732	1,162	1,168	1,243	-37.04%	-0.55%	-6.0%
Equity trading	-441	1,072	87	NM	NM	-676	-183	-69	83	-269.65%	-164.51%	-183.1%
Net interest	451	425	291	6.1%	55.0%	1,311	954	746	686	37.38%	27.90%	8.7%
Fees	1,589	1,543	1,390	3.0%	14.3%	5,638	4,691	4,226	3,590	20.18%	11.01%	17.7%
Other	182	211	116	-13.6%	57.1%	690	967	565	601	-28.68%	71.10%	-5.9%
Operating revenue	4,349	4,077	3,885	6.7%	11.9%	15,663	15,188	13,041	12,873	3.13%	16.47%	1.3%
Operating expenses[1]	1,594	1,596	1,493	-0.1%	6.8%	5,920	5,808	5,561	5,290	1.93%	4.44%	5.1%
Operating profit	1,654	1,340	1,277	23.4%	29.5%	5,322	5,241	3,327	3,572	1.55%	57.55%	-6.9%
Net profit (loss)	995	785	752	26.7%	32.3%	3,302	3,099	1,752	2,014	6.56%	76.88%	-13.0%
Shareholders' equity	21,645	20,769	19,425	4.2%	11.4%	19,987	17,973	23,420	40,082	11.21%	-23.26%	-41.6%
Regulatory capital	30,145	29,856	31,007	1.0%	-2.8%	28,733	30,896	37,167	53,841	-7.00%	-16.87%	-31.0%
Client cash holdings	48,836	50,164	49,110	-2.6%	-0.6%	52,117	51,281	43,294	38,448	1.63%	18.45%	12.6%
Productivity[2] ($ thousands)	666	638	591	4.3%	12.7%	617	587	510	506	5.14%	15.14%	0.7%
Annual return[3] (%)	**18**	**15**	**15.5**	**21.6%**	**18.7%**	**17**	**17**	**7.5**	**5.0**	**-4.18%**	**130.48%**	**2.5%**

[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		
	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	91	92	90	-1.1%	1.1%	91	87	90	94	4.60%	-3.33%	-4.3%
Number of employees	13,548	13,411	12,257	1.0%	10.5%	13,141	11,860	11,645	11,537	10.80%	1.85%	0.9%
Revenue												
Commissions	356	391	325	-8.9%	9.5%	1,344	1,246	1,240	1,263	7.88%	0.44%	-1.8%
Mutual fund only commissions	181	186	164	-2.5%	10.4%	677	632	681	644	7.05%	-7.21%	5.7%
Investment banking	89	88	85	1.7%	4.6%	285	218	200	213	30.50%	8.79%	-6.1%
New issues equity	54	68	49	-20.2%	10.0%	179	138	104	130	29.85%	32.10%	-19.8%
New issues debt	22	10	19	116.3%	20.2%	63	60	63	57	4.83%	-4.14%	10.0%
Corporate advisory fees	12	9	17	35.1%	-27.6%	42	20	33	26	112.06%	-39.98%	27.6%
Fixed income trading	24	33	28	-25.4%	-12.5%	115	118	60	74	-2.33%	97.32%	-18.7%
Equity trading	7	5	4	26.8%	83.4%	36	24	8	8	48.90%	200.34%	-1.0%
Net interest	80	74	46	7.9%	74.7%	201	136	137	220	48.13%	-0.99%	-37.6%
Fees	395	399	310	-0.8%	27.6%	1,374	1,047	901	783	31.19%	16.21%	15.1%
Other	74	87	53	-14.6%	39.3%	241	213	193	178	13.04%	10.43%	8.1%
Operating revenue	1,020	1,076	857	-5.2%	19.0%	3,490	3,002	2,740	2,740	16.24%	9.57%	0.0%
Operating expenses[1]	431	452	391	-4.7%	10.4%	1,599	1,462	1,422	1,348	9.37%	2.84%	5.4%
Operating profit	148	179	108	-17.5%	36.6%	395	319	212	329	23.86%	50.63%	-35.6%
Net profit (loss)	78	90	45	-13.1%	75.1%	237	119	103	132	99.23%	15.56%	-22.1%
Shareholders' equity	1,736	1,713	1,374	1.3%	26.3%	1,666	1,319	1,174	1,025	26.29%	12.36%	14.6%
Regulatory capital	2,244	2,208	1,862	1.6%	20.6%	2,170	1,802	1,623	1,526	20.42%	11.00%	6.4%
Client cash holdings	6,809	6,906	6,084	-1.4%	11.9%	7,380	6,151	4,900	4,389	19.98%	25.53%	11.6%
Productivity[2] ($ thousands)	301	321	280	-6.2%	7.7%	266	253	235	237	4.96%	7.53%	-0.9%
Annual return[3] (%)	**18**	**21**	**13.0**	**-14.2%**	**38.6%**	**14**	**9**	**8.8**	**12.9**	**58.14%**	**2.60%**	**-4.1%**

Retail Full Service

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	30	30	28	0.0%	7.1%	29	27	27	29	7.41%	0.00%	-6.9%
Number of employees	6,187	6,165	6,050	0.4%	2.3%	5,982	5,893	5,827	5,706	1.51%	1.13%	2.1%
Revenue												
Commissions	192	214	186	-10.3%	3.3%	753	719	683	657	4.78%	5.22%	4.1%
Mutual fund only commissions	104	107	107	-2.6%	-2.7%	421	408	426	396	3.20%	-4.29%	7.6%
Investment banking	59	65	64	-8.5%	-7.5%	204	149	150	156	36.75%	-0.89%	-3.5%
New issues equity	30	47	30	-35.7%	1.3%	111	77	65	80	44.46%	17.71%	-18.2%
New issues debt	20	10	18	109.5%	12.5%	60	57	60	54	4.54%	-4.48%	11.2%
Corporate advisory fees	9	8	16	10.3%	-46.5%	33	15	25	22	119.59%	-40.61%	13.7%
Fixed income trading	18	26	22	-29.1%	-17.6%	90	89	44	49	0.71%	104.47%	-10.3%
Equity trading	3	3	3	-12.7%	-2.0%	21	12	2	-2	74.86%	551.47%	185.0%
Net interest	52	47	29	10.4%	79.6%	124	78	83	149	59.06%	-5.52%	-44.4%
Fees	208	211	173	-1.5%	20.0%	734	560	497	433	30.99%	12.66%	14.7%
Other	28	30	22	-9.5%	25.4%	92	85	82	85	8.67%	3.66%	-3.0%
Operating revenue	560	596	505	-6.1%	10.8%	2,018	1,692	1,541	1,525	19.25%	9.82%	1.0%
Operating expenses[1]	240	250	228	-3.9%	5.4%	908	846	829	755	7.29%	2.10%	9.7%
Operating profit	107	125	77	-14.8%	38.4%	327	176	105	188	85.77%	68.08%	-44.3%
Net profit (loss)	60	65	34	-6.7%	77.4%	174	70	31	95	148.82%	124.38%	-67.2%
Shareholders' equity	1,014	987	847	2.8%	19.8%	940	793	716	668	18.58%	10.78%	7.2%
Regulatory capital	1,292	1,263	1,131	2.2%	14.2%	1,213	1,076	972	906	12.77%	10.71%	7.3%
Client cash holdings	5,025	5,160	4,676	-2.6%	7.5%	5,196	4,711	3,521	3,139	10.30%	33.80%	12.2%
Productivity[2] ($ thousands)	362	387	334	-6.5%	8.4%	337	287	264	267	17.53%	8.54%	-1.1%
Annual return[3] (%)	**24**	**26**	**16.1**	**-9.2%**	**48.1%**	**19**	**9**	**4.4**	**14.2**	**105.81%**	**106.51%**	**-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.

Retail Introducers

	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
($ millions unless otherwise noted)	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	61	62	62	-1.6%	-1.6%	62	60	63	65	3.33%	-4.76%	-3.1%
Number of employees	7,361	7,246	6,207	1.6%	18.6%	7,159	5,967	5,818	5,831	19.98%	2.56%	-0.2%
Revenue												
Commissions	164	177	139	-7.3%	18.0%	591	527	557	607	12.11%	-5.41%	-8.2%
Mutual fund only commissions	77	79	57	-2.4%	35.6%	255	224	255	248	14.04%	-12.10%	2.7%
Investment banking	30	23	21	30.7%	42.5%	81	68	50	57	18.73%	35.90%	-12.9%
New issues equity	24	21	20	15.0%	19.2%	68	60	39	50	13.27%	53.63%	-22.4%
New issues debt	2	1	0	NM	NM	3	3	3	3	10.20%	2.74%	-9.2%
Corporate advisory fees	4	1	1	NM	NM	9	5	8	4	89.46%	-37.99%	106.0%
Fixed income trading	6	7	6	-12.0%	5.6%	26	29	16	25	-11.68%	78.22%	-34.9%
Equity trading	4	2	1	95.5%	279.3%	15	12	6	10	22.95%	95.15%	-39.9%
Net interest	28	27	17	3.6%	64.6%	77	58	55	72	33.42%	5.83%	-23.6%
Fees	188	188	137	0.1%	37.1%	640	487	404	349	31.42%	20.58%	15.6%
Other	46	56	32	-17.3%	45.0%	148	128	111	94	15.94%	15.43%	18.0%
Operating revenue	461	480	359	-4.0%	28.4%	1,472	1,309	1,199	1,214	12.45%	9.16%	-1.2%
Operating expenses[1]	191	202	163	-5.7%	17.1%	691	617	593	593	12.06%	4.05%	0.0%
Operating profit	41	54	39	-23.8%	5.2%	68	143	107	141	-52.33%	33.57%	-24.0%
Net profit (loss)	18	25	11	-29.4%	61.4%	63	50	72	37	25.82%	-30.35%	93.2%
Shareholders' equity	721	726	527	-0.7%	36.8%	725	526	458	357	37.92%	14.82%	28.4%
Regulatory capital	952	945	731	0.8%	30.3%	956	726	652	620	31.75%	11.42%	5.1%
Client cash holdings	1,784	1,746	1,408	2.2%	26.7%	2,184	1,440	1,379	1,251	51.65%	4.41%	10.3%
Productivity[2] ($ thousands)	250	265	231	-5.5%	8.2%	206	219	206	208	-6.11%	6.25%	-1.0%
Annual return[3] (%)	**10**	**14**	**8.3**	**-29.0%**	**17.9%**	**9**	**10**	**15.7**	**10.4**	**-13.29%**	**-36.18%**	**5.3%**

Domestic Institutional

	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
($ millions unless otherwise noted)	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	36	37	38	-2.7%	-5.3%	37	41	45	47	-9.76%	-8.89%	-4.3%
Number of employees	1,359	1,352	1,465	0.5%	-7.2%	1360	1,481	1,751	1,981	-8.17%	-15.42%	-11.6%
Revenue												
Commissions	85	86	88	-1.1%	-3.7%	337	384	372	434	-12.29%	3.31%	-14.3%
Investment banking	88	115	70	-23.2%	26.4%	308	412	376	490	-25.20%	9.45%	-23.2%
New issues equity	59	56	45	4.6%	30.1%	194	245	201	324	-20.75%	21.96%	-38.0%
New issues debt	9	6	7	65.1%	34.0%	24	24	23	26	0.90%	2.69%	-11.4%
Corporate advisory fees	21	53	19	-61.6%	8.0%	90	143	152	140	-37.21%	-6.04%	8.8%
Fixed income trading	3	4	5	-31.3%	-46.7%	13	15	-7	28	-14.86%	320.95%	-124.4%
Equity trading	-3	0	-9	NM	-69.5%	14	27	-17	-26	-48.34%	258.32%	35.0%
Net interest	8	7	-1	3.7%	NM	7	3	17	15	117.67%	-81.99%	13.4%
Fees	10	10	24	-0.4%	-60.0%	106	154	120	137	-31.31%	28.67%	-12.8%
Other	10	15	11	-34.5%	-10.5%	45	69	68	62	-34.34%	0.87%	10.4%
Operating revenue	201	236	188	-15.2%	6.7%	830	1,064	929	1,139	-21.99%	14.53%	-18.5%
Operating expenses[1]	110	111	120	-1.5%	-8.5%	455	560	558	573	-18.83%	0.33%	-2.6%
Operating profit	60	95	38	-36.7%	58.3%	239	365	223	365	-34.65%	63.65%	-38.8%
Net profit (loss)	7	41	3	-83.4%	129.6%	0	99	-20	52	-99.53%	595.32%	-138.5%
Shareholders' equity	749	750	746	-0.2%	0.4%	713	822	913	1,377	-13.22%	-9.92%	-33.7%
Regulatory capital	1,037	1,020	994	1.7%	4.3%	991	1,078	1,162	1,963	-8.05%	-7.26%	-40.8%
Client cash holdings	1,103	1,302	1,210	-15.3%	-8.9%	1,318	1,269	1,428	1,467	3.84%	-11.14%	-2.7%
Productivity[2] ($ thousands)	590	700	513	-15.6%	15.0%	610	719	531	575	-15.11%	35.51%	-7.7%
Annual return[3] (%)	**4**	**22**	**1.6**	-83.3%	128.7%	**0**	**12**	**-2.2**	**3.8**	**-99.46%**	**647.87%**	**-6.0%**

[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

($ millions unless otherwise noted)	Quarter-over-Quarter					Annual Year-over-Year						
	Quarters			% Change		Years				% Change		
	Q2 18	Q1 18	Q2 17	Q2/Q1	Q2 18/17	2017	2016	2015	2014	17/16	16/15	15/14
Number of firms	62	64	66	-3.1%	-6.1%	65	66	68	71	-1.52%	-2.94%	-4.2%
Number of employees	2,336	2,306	2,439	1.3%	-4.2%	2,333	2,384	2,701	2,951	-2.14%	-11.74%	-8.5%
Revenue												
Commissions	131	136	141	-3.9%	-7.2%	542	598	579	617	-9.34%	3.33%	-6.1%
Investment banking	185	168	193	10.1%	-4.1%	720	804	755	830	-10.43%	6.52%	-9.0%
New issues equity	76	72	76	5.1%	-0.4%	300	408	315	387	-26.56%	29.46%	-18.5%
New issues debt	39	17	35	133.5%	11.3%	105	88	99	85	18.86%	-11.15%	16.1%
Corporate advisory fees	71	80	82	-11.3%	-14.0%	316	307	341	358	2.90%	-9.86%	-4.8%
Fixed income trading	37	39	54	-4.1%	-30.7%	174	159	237	328	9.66%	-32.99%	-27.6%
Equity trading	196	-15	-50	NM	NM	310	288	69	151	7.61%	317.24%	-54.4%
Net interest	4	4	-5	3.3%	-174.4%	-12	-20	-19	-67	39.71%	-3.32%	71.2%
Fees	41	57	59	-28.0%	-30.0%	229	260	216	242	-11.89%	20.19%	-10.6%
Other	57	59	62	-3.5%	-7.9%	179	176	222	203	1.84%	-20.69%	9.2%
Operating revenue	464	497	493	-6.6%	-5.9%	1,897	2,265	2,059	2,303	-16.23%	10.02%	-10.6%
Operating expenses[1]	245	258	286	-5.1%	-14.4%	1,068	1,135	1,103	1,100	-5.89%	2.88%	0.2%
Operating profit	179	198	167	-9.9%	6.9%	656	957	775	965	-31.49%	23.53%	-19.7%
Net profit (loss)	58	77	62	-24.8%	-6.9%	170	286	208	235	-40.46%	37.53%	-11.7%
Shareholders' equity	3,696	3,687	3,867	0.2%	-4.4%	3,861	3,825	3,779	4,261	0.95%	1.22%	-11.3%
Regulatory capital	6,265	6,339	6,348	-1.2%	-1.3%	6,378	6,310	6,160	6,997	1.07%	2.43%	-12.0%
Client cash holdings	2,276	2,615	2,424	-13.0%	-6.1%	2,528	2,512	2,483	2,453	0.65%	1.16%	1.2%
Productivity[2] ($ thousands)	794	861	809	-7.8%	-1.8%	813	950	762	780	-14.39%	24.64%	-2.3%
Annual return[3] (%)	**6**	**8**	**6.4**	**-25.0%**	**-2.6%**	**4**	**7**	**5.5**	**5.5**	**-37.00%**	**27.20%**	**0.0%**

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[2] Annual revenue per employee.
[3] Annual return is calculated as net profit/shareholder's equity.