METROPOLITAN ECONOMIC MOVEMENT

RELAUNCH MTL

ENHANCED ACTION PLAN TO STRENGTHEN THE FINANCIAL SERVICES SECTOR

Co-developed by

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Content partner

KPMG

Michel Leblanc

President and CEO

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The COVID-19 pandemic has dealt a devastating blow to the economy. All levels of government have acted quickly to stabilize the economy and, to the extent possible, prevent a vicious cycle of heavy job losses and bankruptcies. Another player has played an extremely important role in this regard: the financial system, which has proven to be the backbone that businesses and individuals need.

Its strength and resilience has been and continues to be decisive. The Bank of Canada maintains very low interest rates and provides liquidity to stabilize the financial system. The regulatory agencies have shown greater flexibility concerning their usual requirements. Besides increasing their provisions for losses, financial institutions have made significant adjustments to support their clienteles, in particular, by accepting deferred loan repayments and acting as a gateway to certain government assistance programs. If it is experiencing the best job rebound among North America's major cities, Montréal owes a debt of gratitude to the Canadian financial system.

That said, the latter must continue to grow even as it is facing such challenges as the need for sustainable finance, cyber risk, financial technologies or fintechs, opening up to international markets, greater competition, and access to talent. As part of Relaunch MTL and its action plan to strengthen the financial services sector, we will address these challenges in depth so that we can turn them into business opportunities by involving all the key actors in Quebec's financial services cluster.

This crisis is likely to last and uncertainty remains high. Ongoing collaboration between the three levels of government and financial institutions is crucial to developing sector-wide approaches that will keep our businesses afloat. For our financial institutions, the time has come to consolidate their role in supporting businesses that want to focus their business model more on digital transformation, going green, inclusion, buying local and internationalization.

Jacques Deforges

Chief Executive Officer

- Finance Montréal

The COVID-19 pandemic has shaken all industries around the world. In Quebec, the finance and insurance sector, although very resilient, has not been spared. Moreover, the new economic situation, which was impossible to predict, has forced the various actors in the sector to rethink their practices so that the financial services industry can continue to play its role supporting the local economy.

The entire financial sector has been mobilized to bring about this profound transformation. Even from afar, Finance Montréal has been there, in particular, by continuing to act as a meeting point for the industry, regardless of sector. Finance Montréal encourages and values dialogue, which in its view, will lead to initiatives that will position Montréal and Quebec as leading financial centres.

More than ever, I believe that one of the keys to the recovery lies in discussions between different industry actors and the ability to build networks in key fields for the future of finance. Important to Finance Montréal and its partners, sustainable finance, fintech, and talent development are key to the financial industry, and represent major growth levers to make the Quebec financial centre a breeding ground for an ambitious and sustainable recovery plan.

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SUMMARY

The financial sector in problem-solving mode

During the 2008 global financial crisis, the financial system was at the heart of the problem.

Now, it is at the heart of the solution, supporting sectors of the real economy.

- Early in the COVID-19 crisis, central banks injected the necessary liquidity to ensure the smooth operation of financial markets and the banking system.
- Widespread declines in interest rates have reduced borrowing costs for consumers and businesses.
- Banks have served as a conduit for several government assistance programs, particularly for SMEs, as they agreed to defer payments on many mortgage and commercial loans for six months.
- Strongly capitalized, banks have absorbed significant loss provisions, but they remain strong.
- The financial sector, be it banks, development capital investment or venture capital funds, is ready for the economic recovery, particularly to support investment by businesses that want to modernize and clean up their over-indebted balance sheets.

Courses of action for the sector

Despite loan losses, financial institutions are weathering the crisis rather well; however, they have their own challenges to meet to ensure their future.

Main challenges for the financial sector

- Move towards sustainable finance, particularly in managing so-called ESG (Environment, Social, Governance) funds.
- Invest more in fintech to reduce their costs and improve their services to better meet customer needs.
- Prepare for an open banking system that will increase competition.
- Guard against cyber risks.
- Attract and develop talent to work in a more technological environment.

Courses of action <u>for</u> the financial sector

- Make Montréal a North American centre of excellence in the field of sustainable finance.
- Attract and develop the talent needed to work in a more technological financial sector.
- Participate in and actively prepare for the development of an open banking system.
- Speed up the implementation of a national digital identity.
- Strengthen cybersecurity expertise for both financial institutions and organizations processing personal data.

Courses of action for the sector

The financial system channels savings to businesses and households in need of financing.

Financial institutions are familiar with both the situation and the needs of their clients.

This study uses their knowledge in this area to suggest courses of action to speed up the economic recovery and prepare businesses for the new realities.

Suggested courses of action by the financial sector to strengthen the rest of the economy

- In addition to becoming more targeted and impactful, government assistance measures for businesses must be well aligned with the services offered by financial institutions.
- Governments need to develop a clear strategy to accelerate the digitization of businesses, training and retraining of the labour force and a transition to a low-carbon, resilient and inclusive economy.
- Financial institutions need to support companies that were profitable before the crisis and want to invest in modernizing their operations and, if necessary, increase their share capital to strengthen their balance sheets.
- Provided they have a solid business plan, financial institutions must support new entrepreneurs and give failed ones a second chance.

Highlights of the priorities outlined during the Strategic Forum on Financial Services (1/2)

On November 6, 2020, the Strategic Forum on Financial Services, organized by the Chamber of Commerce of Metropolitan Montreal and its partners, focused on the issues facing companies in the sector.

The Forum, which attracted nearly 400 participants, was an opportunity to discuss the highlights of the action plan and reflect on the sector's post-COVID future.

A collaborative working session during the Forum enabled participants to prioritize the issues and courses of action. The main findings are as follows:

1) **Pre-COVID challenges**: Of the four pre-COVID challenges for the sector presented in the recovery plan, respondents identified **climate change and inclusion**, as well as **cyber risk**, as the ones that most concern them.

2) **Government assistance programs**: Industry actors are well placed to assess the effectiveness and impact of government assistance programs on their business clients. Respondents identified the **Canada Emergency Wage Subsidy (CEWS)** as the assistance program with the greatest impact, followed by the **Canadian Emergency Business Account (CEBA)** and the **Business Credit Availability Program (BCAP)**. *(Note that the Canada Emergency Response Benefit (CERB) was not included in the response choices, as the CERB is for individuals only.)*

3) **Courses of action for the industry**: Most respondents would like the sector to focus on **positioning Greater Montréal as a North American centre of excellence for sustainable finance**, as well as **attracting and training the talent needed to work in a more technological finance sector.**

Highlights of the priorities outlined during the Strategic Forum on Financial Services (2/2)

The combination of the collaborative session highlights and the action plan that follows resulted in the roadmap proposed by Relaunch MTL for a stronger sector. The various stakeholders can implement the roadmap to ensure the recovery of the sector.

4) **Courses of action for governments**: Forum participants were asked to put themselves in the shoes of governments in order to prioritize their courses of action for the sector. Most respondents would like the government to focus on **revising business assistance measures** so that they are more targeted and impactful, as well as **presenting a clear and long-term vision of the economy** in order to mobilize the efforts of the financial community and encourage investment.

5) **Other reactions**: At the Forum, the speakers also emphasized the importance of: 1) maintaining the sector's accelerated digital shift; 2) making Montréal a global hub for cybersecurity; and 3) ensuring the competitiveness of Canadian financial institutions, through technology, labour and capital, to contribute to a green and inclusive recovery.

Lastly, the participants had the opportunity to share more ideas by answering an open-ended question, which led to the identification of additional courses of action for the recovery.

For companies, these include:

- *"Setting up a working group to standardize social and environmental impact measures for finance, at all levels of the financing and investment chain."*
- *"Developing a communication and education program (...) on consumer data protection, which will be better ensured in an open banking system, so as to build consumer and SME confidence."*

...and for governments:

- *"Encouraging hybrid entrepreneurship to mitigate risk for entrepreneurs who want to start a business."*

INTRODUCTION

Relaunch MTL: An initiative to mobilize key stakeholders in Greater Montréal's economy

The COVID-19 crisis is having a significant impact on society as a whole. The health crisis has led to an unprecedented economic crisis. The impacts of this crisis on Montréal's economy vary greatly from one industry to another. While some sectors are experiencing significant losses and have to reinvent their business models, others are in a period of growth and have to deal with a scarce workforce. Businesses and industries are facing enormous challenges, but there are many opportunities to be seized, and the shift to a lower-carbon economy remains a priority.

The current crisis is mobilizing all Montréal actors. The governments of Quebec and Canada, as well as the Communauté métropolitaine de Montréal (CMM) and its 82 municipalities, are making considerable efforts to shore up their economies on a sustainable basis.

As part of this dynamic, the Chamber of Commerce of Metropolitan Montreal and some 20 partners started the Relaunch MTL movement, supported by the Government of Canada, the Government of Quebec, the Communauté métropolitaine de Montréal and Ville de Montréal, in association with Investissement Quebec and in collaboration with the Palais des congrès de Montréal. The goal of this movement is to mobilize all the actors in Greater Montréal's economic ecosystem to revive the city's major strategic sectors.

Thanks to data and intelligence collected in real time, each sector will be diagnosed according to the issues it faces.

The movement's objective is to gain a detailed understanding of the issues facing these sectors, to find solutions and to help decision-making by businesses and the levels of government. All this will work toward a common goal: the successful revival of Montréal's economy.

Ten sector action plans and a plan for downtown Montréal should come out of this movement. These plans will be fine-tuned in a series of virtual events designed to spark reflection and trigger actions to attain the sustainable revival of the city's economy and businesses.

This document represents the recovery plan for the financial sector

This action plan to revive the financial sector was developed as part of Relaunch MTL. The analyses, findings and courses of action are the result of a rigorous and accelerated initiative, taking the effects of the current crisis into account. They are mainly based on:

- a sustained contribution from Finance Montréal: studies, data, diagnostics, briefs, initiatives carried out on the sidelines of the crisis;
- a literature review of the consequences of COVID-19, both locally and internationally, and the measures to address them;
- the search for secondary data and additional information;
- interviews with key actors in the community (see list in the Appendix)
- KPMG's analytical framework and sector expertise.

This plan proposes short-term priority courses of action to governments and industry actors together with other courses of action that will be part of a longer-term sustainable recovery. This is a metropolitan plan that covers the territory bounded by the Montréal Census Metropolitan Area (CMA).

It is understood that the courses of action will be fine-tuned at the Strategic Forum on November 6, 2020, by way of a collaborative session with members of the ecosystem.

TEN SECTORS OF INTEREST

- Retail
- Construction and infrastructure
- Creative industries
- Life sciences and health technologies
- Financial services
- IT
- Cleantech
- Tourism
- Air transport and aerospace
- Transportation and logistics

Greater Montréal: solid economic performance before COVID-19

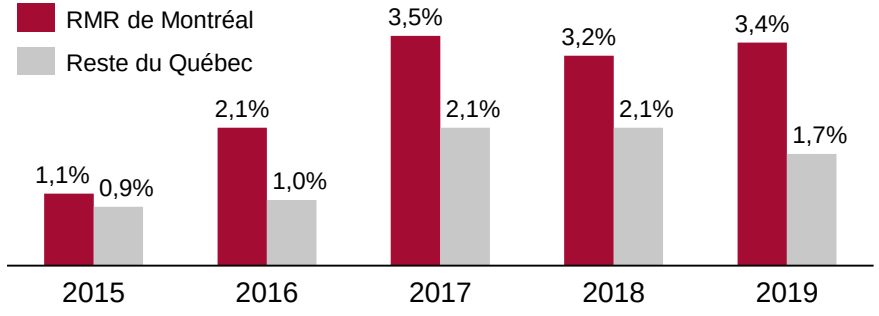
A true economic driver for the province, Greater Montréal was at the heart of Quebec's economic growth in the years leading up to COVID-19.

- Between 2016 and 2019, the growth rates recorded in the Montréal CMA were significantly higher than those in the rest of Quebec. In 2019 the city's GDP even grew at twice the rate of the rest of Quebec (3.4% vs. 1.7%), surpassing the growth rates of the other major Canadian CMAs.

The economy of Greater Montréal benefitted in particular by:

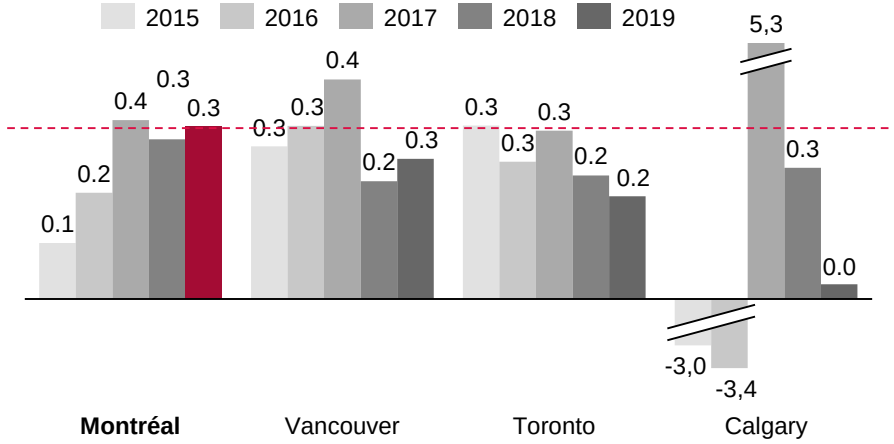
- the presence of a critical mass of businesses and jobs in several promising sectors, making Montréal a dynamic and innovative city (sectors that are all targeted by action plans for the recovery)
- massive investments in infrastructure - including the Turcot Interchange, the Samuel-de-Champlain Bridge and the Réseau express métropolitain (REM)
- a rapidly growing real estate sector - not only on the Island of Montréal, but also on the South Shore

Annual Real GDP Growth, Montréal CMA and Rest of Quebec
2015 to 2019, %



Sources: Conference Board of Canada; KPMG Analysis.

Annual Real GDP Growth, Selected CMAs
2015 to 2019, %



Unprecedented impact and impressive rebound

Employment in the Montréal CMA fell by 18.0 points from February to April 2020, only to rebound in May and the months that followed.

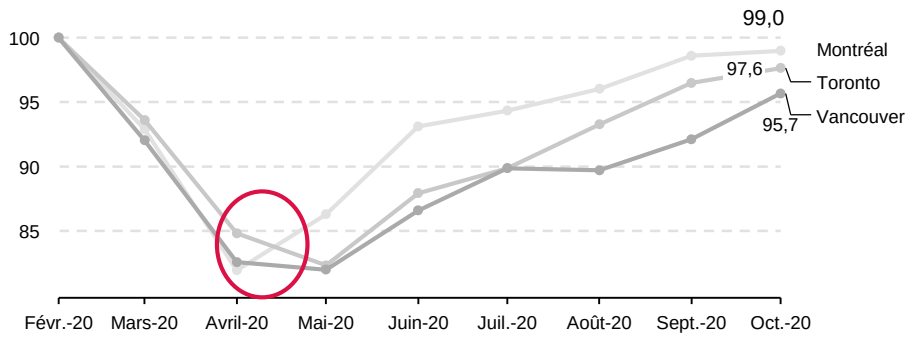
- In October, employment remained 1.0% below February's level, but a decline is possible with October's partial containment.

Montréal's rebound is the strongest of the 20 largest North American cities.

- Government's vigorous response–especially unprecedented household income support–has limited job losses, with personal disposable income even increasing.
- The way we have managed the health crisis has also allowed us to reopen some businesses more quickly than our southern neighbours.

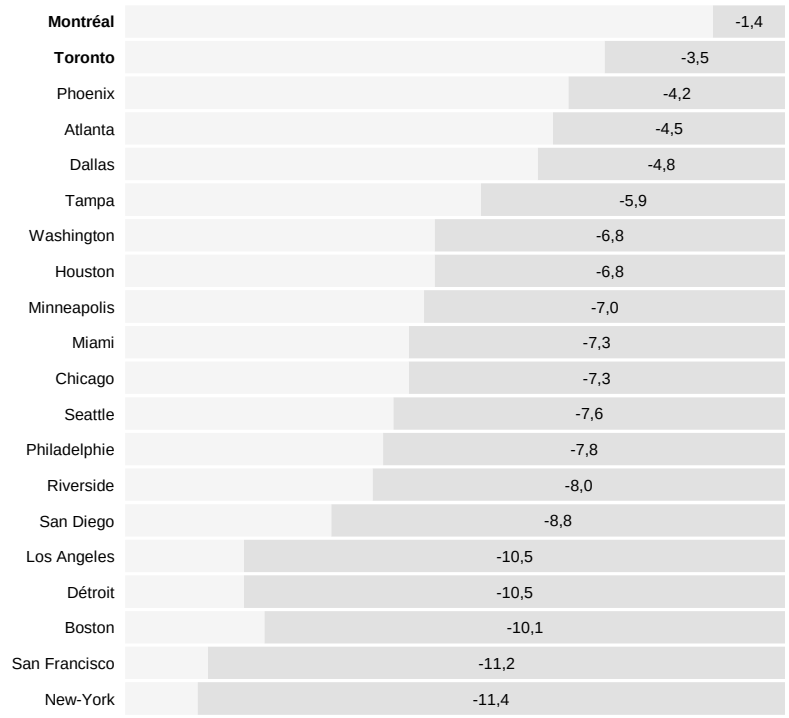
Changes in Employment, Selected Census Metropolitan Areas

February 2020 to September 2020, February 2020 =100



Changes in Employment in the 20 Largest cities in Canada and the United States

February to September 2020, %



Source: Statistics Canada (Table 14-10-0295-01); Metro Recovery Index (Brookings), 2020.

Household and business confidence remains shaken, some health measures are still in place and the economy's productive capacity has been reduced.

The downtown area remains hard hit

With a longer confinement period than elsewhere in Quebec, Greater Montréal was hard hit by the COVID-19 crisis. **However, downtown Montréal, where many employees work and where the financial sector's head offices are located, has been–and still is–among the most affected**.

- Since so many of the jobs can be done remotely, the downtown area has been deserted by its many workers. A gradual return is under way, with offices being allowed to return to a maximum capacity of 25%. At the end of September, it was estimated that just over one third of employers had reached or surpassed the 20% mark.
- There are no international tourists because the Canadian borders have been closed. The occupancy rate for hotels in downtown Montréal fell by 83% between the summer of 2020 and the summer of 2019, while the occupancy rate outside downtown Montréal fell by 25%.
- Shows, festivals and other events in the downtown area were almost all cancelled from mid-March to early August, while the activities of theatres, concert halls and museums were put on hold. Despite a relaxation of sanitary measures in August and September, when Greater Montréal went back into the red zone on October 1, the ban on gatherings, both indoor and outdoor, was reimposed.

Change in number of jobs, selected sectors
Quebec, selected periods, seasonally adjusted

	Change February to April 2020	Change February to September 2020
Accommodation and food services	-36%	-10%
Information, culture and recreation	-36%	-11 %
The economy as a whole	**-23%**	**0%**

Sources: Les bureaux du centre-ville de Montréal toujours presque vides (2020).*La Presse*; Bleak summer seen for Montréal hotels, but outlook is better in regions like Charlevoix. 2020. *Montreal Gazette*; Statistics Canada (Table 14-10-0022-01); KPMG Analysis.

The accommodation and food service sectors, as well as the information, culture and recreation sectors, are still the ones most affected by the crisis.

A recovery that varies in speed and intensity depending on the sector and location

Most businesses in the metropolitan region will go through four return-to-growth phases.

- Although the initial response phase to the crisis is behind us, some companies operating in the most affected sectors are still navigating the resilience phase, while others have begun a transition to the recovery phase aimed at bringing their activities back to pre-crisis levels.

Not all companies and economic sectors will go through the different return to growth phases at the same speed, and some may face setbacks during the second wave. The extent of the changes needed to adapt business models to the new reality will vary by sector.

Most companies have begun to reflect on the new reality that will emerge in the coming months and even years. Current concerns revolve around the permanent effects of COVID-19 on corporate strategies or business models.

The 4 return to growth phases

SHORT TERM		LONG TERM	
Reaction *Responding to the crisis*	**Resilience** *Managing in the face of uncertainty*	**Recovery** *Identifying opportunities*	**New reality** *Adapting to the new reality*
All organizations are affected at the same time because professional and personal lives are disrupted. Volatility and uncertainty permeate society as we try to limit the damage to lives and livelihoods during this unprecedented storm.	Controls are relaxed as the spread of the virus is contained. Consumer demand is on the way back, but curbed by wage losses, investment losses and fears of a recession.	Anxiety passes, hiring and investment improves and consumer insecurity cautiously lessens. For many organizations, the path to recovery will depend on their ability to limit damage early in the response stage, the duration and severity of the recession, industry demand after COVID-19, and their willingness to adapt.	Some lasting changes will remain after recovery as many of the behaviours acquired in the wake of the crisis become part of the new normal.

Source: KPMG. (July 2020). Business implications of COVID-19.

An action plan structured around five components

This action plan is structured as follows:

1. **The situation before COVID-19**
2. **Impacts of the crisis on the sector**
3. **Sector business opportunities**
4. **The financial sector's contribution to the economic recovery**
5. **Courses of action for relaunching the sector**

1

THE SITUATION BEFORE COVID-19

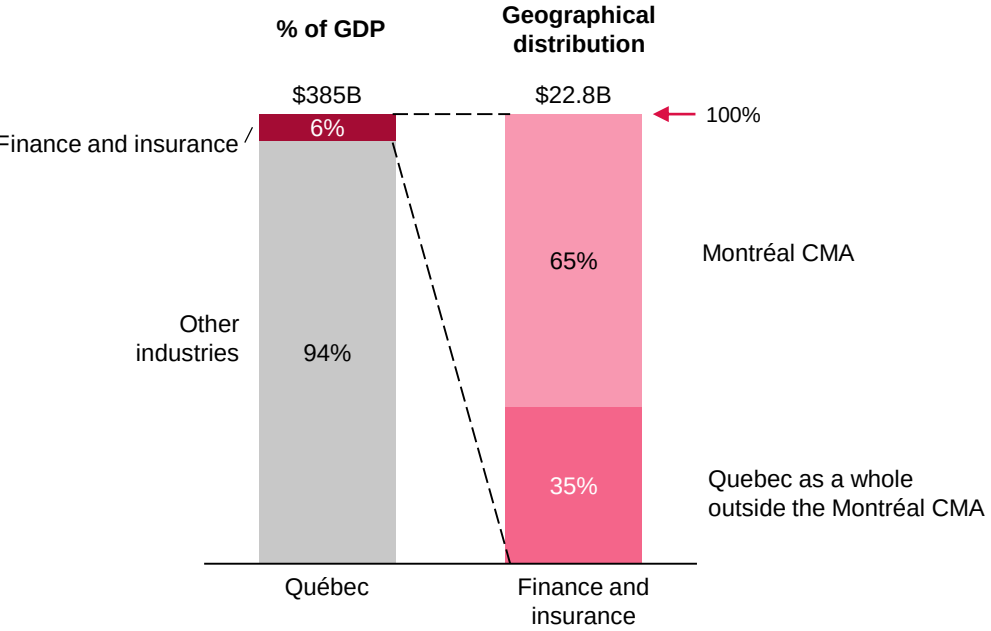
- The sector's strategic importance for the Greater Montréal economy
- The main development issues before COVID-19

A major contributor to Montréal's GDP

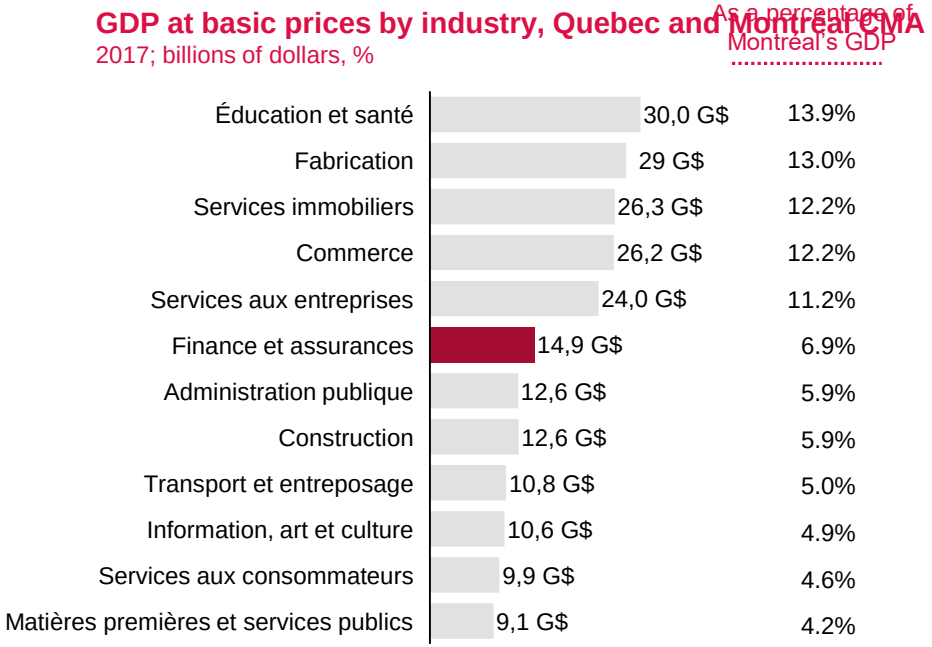
The finance and insurance sector is important to Montréal's economy.

- Quebec's finance and insurance sector is highly concentrated in the Montréal CMAs (for financial intermediaries) and Quebec City (for insurers). Overall, the metropolis accounts for 65% of the sector's GDP. In particular, Montréal benefits from the presence of the head offices of large banks and investment funds.
- In 2017, the sector accounted for 6.9% of GDP, contributing $14.9 billion to the Montréal economy, making it the 6th most important sector of the city's economy.

GDP at basic prices by industry, Quebec and Montréal CMA
2017; $B, %



GDP at basic prices by industry, Quebec and Montréal CMA
2017; billions of dollars, %



Sources: Statistics Canada, ISQ, *PIB et indice de concentration géographique (ICG) de l'industrie finance et assurances.* (2017); KPMGAnalysis.

A major employer for the city

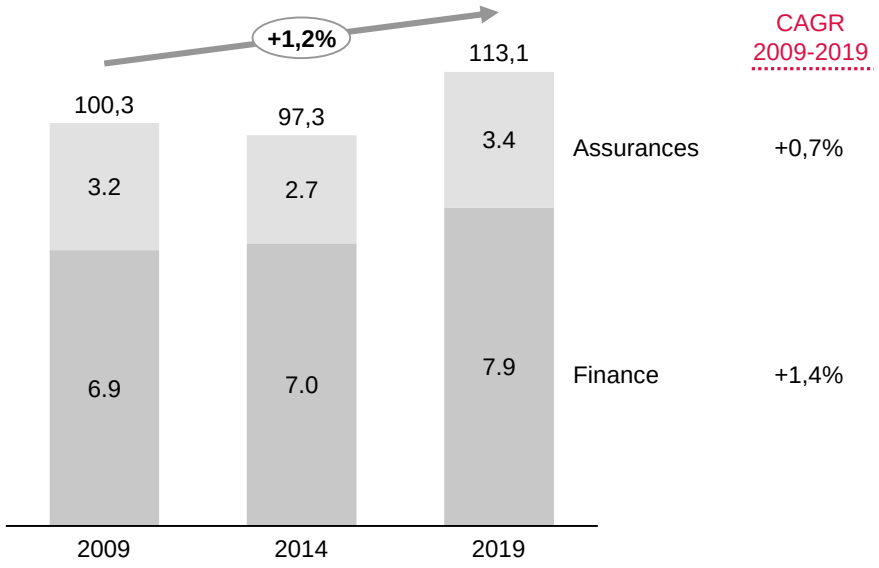
Financial services employ more than 113,000 people, representing 5.1% of metropolitan Montréal jobs.

- Finance accounts for 3.6% of jobs while the corresponding figure for insurance is 1.5%.

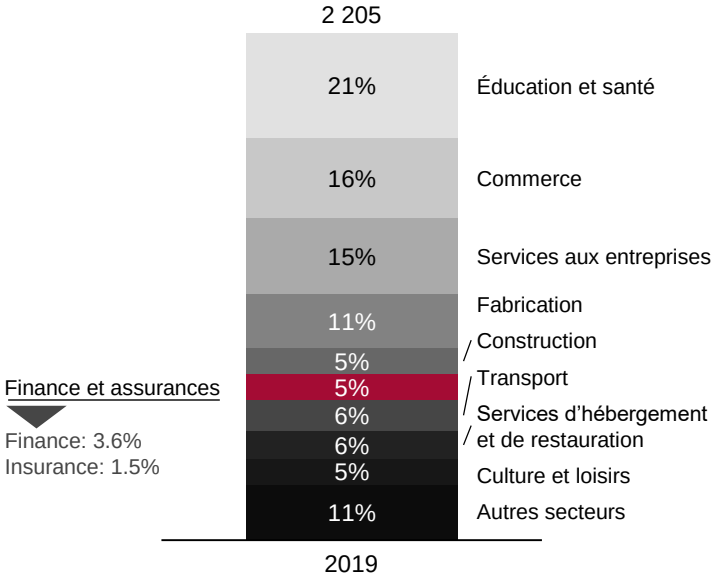
Over the past 10 years, employment in the sector has grown at an annual rate of 1.2%, representing 13,000 new jobs.

- Growth was more marked for finance (1.4%) than for insurance (0.7%).

Finance and Insurance Jobs, Montréal CMA
2009, 2014, 2019; thousands of jobs



Distribution of employment by industry, Montréal CMA
2019; % of total jobs, thousands of jobs

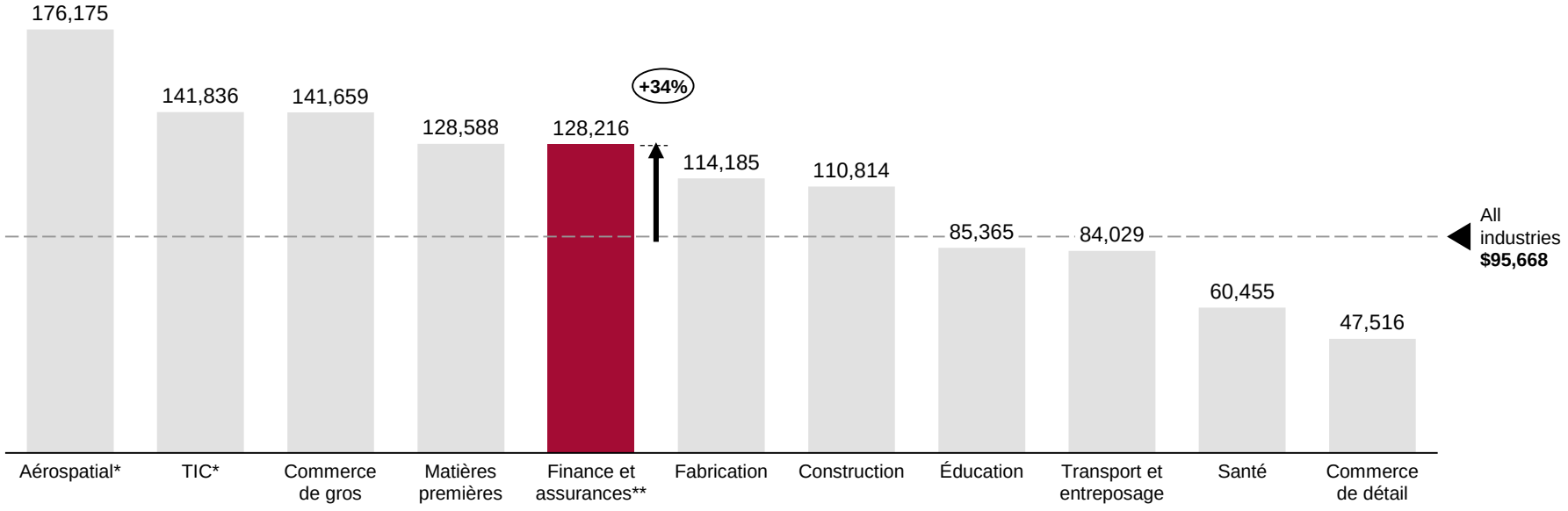


Source: Statistics Canada (*Labour Force Survey*); KPMG analysis.

The financial services sector contributes to the increase in the Quebec economy's per capita productivity

With a GDP per job of $128,000, the sector's productivity per job is 34% higher than the Quebec average. It is one of the most productive sectors of the Quebec economy and thus contributes to raising the overall productivity level of the Quebec economy, which nevertheless generally lags behind the rest of Canada and other industrialized countries.

GDP per job for selected sectors, Quebec
2018 unless otherwise indicated; in $/job



Sources: Statistics Canada; ISQ, *Gross Domestic Product at Basic Prices by Industry*. (2018); KPMG Analysis.

*2016 data
**2017 data

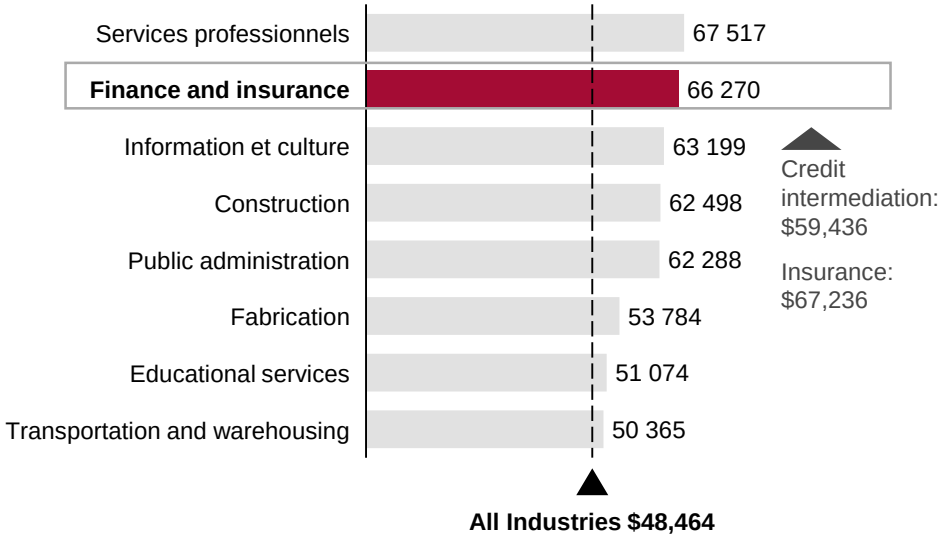
High value-added jobs

Wages are nearly 40% higher in financial services than the average for Quebec industries, a level that can be explained by the skills required.

Half of employees in the finance and insurance sector have a university degree, much higher than the corresponding average for industries in the Montréal CMA, which is 37%.

- Montréal has a large pool of qualified workers, thanks to the city's many universities and colleges and a favourable business environment. More than 31,000 university students are enrolled in programs related to finance, investment banking and computer science.
- Montréal is home to the 10th largest CFA(Chartered Financial Analysts) association in the world.

Annual earnings by industry, Quebec
2018, in $



Graduation rate, Montréal CMA
2018, %

	Finance and insurance	All industries
No certificate, diploma or degree	1%	7%
High school diploma or equivalency certificate	15%	18%
Trade certificate or diploma from a trade school, college, CEGEP or other non-university institution	26%	33%
University certificate or diploma below bachelor's level	7%	5%
University certificate, diploma or degree at the bachelor's level or higher	**50%**	**37%**

Sources: Statistics Canada *Gross Domestic Product at Basic Prices.* (2019); Statistics Canada, *Labour Force Survey*; Montréal International; KPMG Analysis

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Financial services have a major impact on society

Growth Driver	Major Strategic Buyer	Lever of Influence	Major Social Donor
Source of capital for businesses and individuals • For business start-ups, operations and growth, as well as consumer credit **Risk management** • Derivatives help to manage corporate risks • Insurance protects businesses and individuals **Savings management** • Management of individual and group savings with a view to long-term returns	**Purchaser of goods and services for other industries** • Major consumer of information and telecommunications technologies – In 2017, the finance and insurance sector spent $4.4 billion on ICT in Quebec. • Demand for several professional services (legal, accounting, consulting, advertising, communication) – In 2017, the finance and insurance sector spent $538.8 million on professional services in Quebec.	**A sector with international influence** • Promotes conferences and events that bring together world-class experts • Facilitates international networking • Montréal's visibility with several potential foreign investors	**Contributor to charitable activities** • Among the major donors; long tradition of community involvement. – In 2016, the insurance industry donated more than $6.5 million to community organizations and not-for-profit organizations – Donations to more than 2,000 organizations active in Quebec

Sources: Statistics Canada *Average weekly earnings by industry, annual*. (2019); Statistics Canada. *Labour Force Survey*; *Rapport RCGT sur l'assurance au Québec*.

Montréal's financial services sector is well positioned in three niches

Montréal's advantages in its three specialties

Pension funds	• More than 250 pension funds, including two world-class ones: the Caisse de dépôt et placement du Québec and PSP Investments.
	  • With $333 billion in assets, the Caisse is one of the world's major institutional investors, particularly in real estate, private equity and infrastructure.
	  • It supports Quebec companies in their transformation towards a green, global and digital economy.

Fintech	• A thriving community gathered around the FinTech Station, a space dedicated to start-ups and offering support services. • Large financial institutions willing to partner with and invest in fintech and able to develop new in-house products. • A FinTech Forum, the largest conference of its kind in Canada. • Chairs and research centres in fintech, artificial intelligence and finance. • A deep pool of ICT talent, many of whom are also trained in financial services.
Sustainable finance	• Early interest in sustainable finance. • Ranks 1st in North America for sustainable finance according to the Global Green Finance Index 2020. • A relatively well-developed and balanced responsible investment ecosystem, with actors and organizations positioned in most ecosystem components. • Several Montréal universities are involved in responsible investment training and research.

Sources: Montréal International, *A North American fintech hub*; Jacques Nadeau. (2020, January). Qu'attendre du prochain président de la Caisse de dépôt.*Le Devoir*; Deloitte. *Étude sur l'investissement responsable.* 2016; KPMG Analysis.

Doing more to strengthen the financial centre

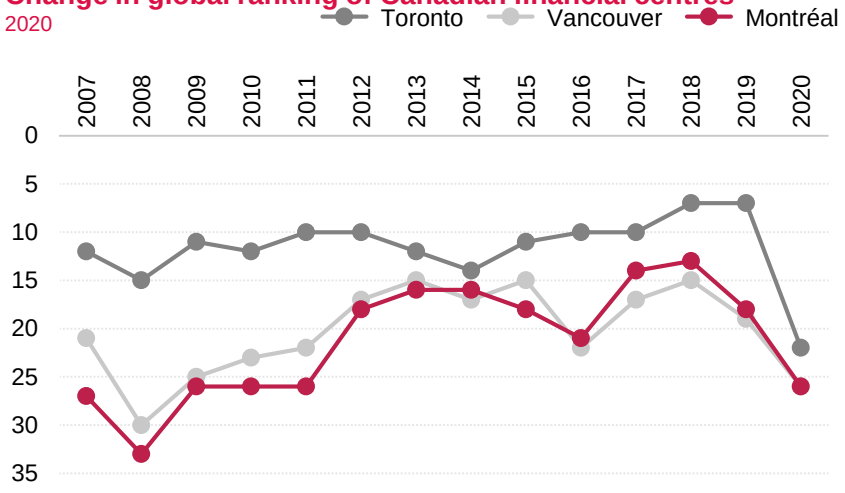
Montréal's world ranking as a financial centre has declined in recent years.

- According to the Global Financial Centres Index, Montréal's ranking fell 12 places to 26th since 2017. Still, at nearly 695 points, Montréal's rating remained stable between 2017 and 2020.
- Montréal has fallen slightly in terms of human capital and reputation. Toronto and Vancouver also lost ground, while secondary centres in China and Europe improved their rating.

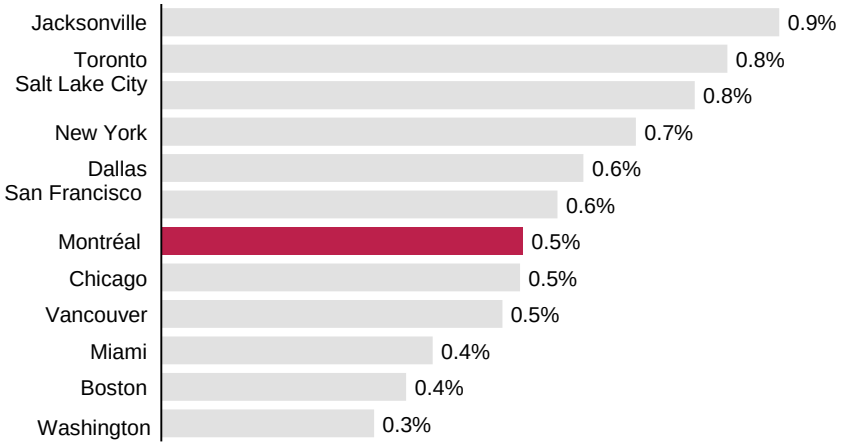
Some financial activities are mobile and Montréal could gain a larger share of them.

- Some activities have to be carried out locally, but others are more mobile. Major financial centres (Toronto or New York) offer a significant concentration of these activities. However, other smaller cities (Boston, Salt Lake City or Jacksonville) are managing to develop a financial sector that exceeds their natural potential.
- With 5.3% of jobs in finance and insurance, Montréal can increase the share of activities not destined for Montréal or replace the services it imports.

Change in global ranking of Canadian financial centres
2020



Proportion of finance and insurance jobs in relation to total jobs, Selected CMAs
2017



Sources: U.S. Census and Labour Force Survey. *Finance and Insurance: Summary Statistics for the U.S., States*; Global Financial Centres Index, (2020); KPMG Analysis.

1

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A sector facing five major challenges

CLIMATE CHANGE AND INCLUSION - Sustainable finance plays a key role in the transition to an inclusive, low-carbon economy. The sector needs to transform its practices and product offering.

CYBER RISK - Cloud computing, teleworking and online transactions make it more difficult to protect intangible assets.

FINTECHS - They are changing the service offering and imposing new business models.

THE OPEN BANKING SYSTEM - The open banking system favours the arrival of new actors. Canada has been slow to position itself.

TALENT - Recruiting qualified IT and finance professionals is a challenge.

Climate change and social inclusion

Sustainable finance is at a nascent stage. Its full integration will take several years.

Sustainable finance plays a key role in the transition to an inclusive, low-carbon economy. The sector needs to transform its practices and product offering.

Sustainable finance, which takes into account ESG (Environment, Social, Governance) factors, is a major global trend.

- It transforms investment management and bank lending.
- The pandemic, the inclusion of minorities and the rights of Indigenous peoples accentuate the social dimension.
- The promotion of diversity is the hot issue in governance.
- The fight against climate change remains a priority.

US$30 trillion in sustainable investment assets worldwide, a **34%** increase in two years

55% of CEOs believe that their organization must look beyond purely financial growth to achieve sustainable success

81% of millennials want to know more about responsible investment

According to a climate risk survey conducted by the Bank of Canada, risk management experts at financial institutions:

Fear a **decline in the value of** assets and damage to their reputation

Lament the **confusion of** targets and **disclosure** frameworks.

Note the **vulnerability of** insurers, pension funds and banks

Sources Bank of Canada. *Financial System Survey* (2019); CorporateKnights, *Sustainable solutions investments*(2020); KPMG, *ESG Report* (2019); KPMG Analysis.

Cyber risk

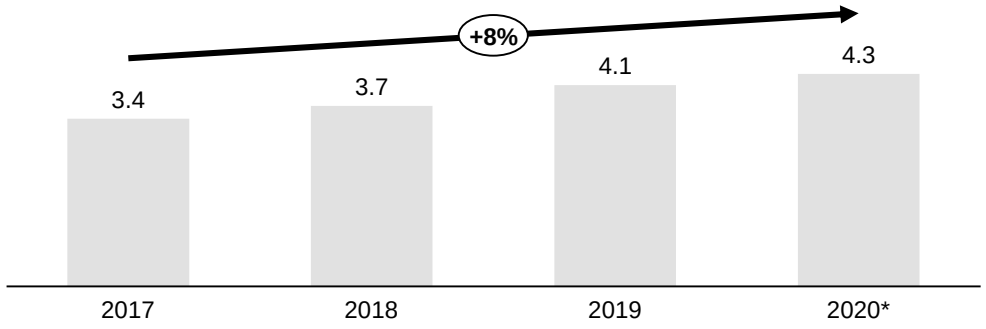
A cross-cutting cybersecurity strategy in the financial ecosystem is needed.

Cloud computing, teleworking and online transactions make it more difficult to protect intangible assets.

The digital transformation is not without risks.

- Of all sectors, finance is the one most affected by malicious cyber incidents.
- Financial sector actors are vulnerable because they possess large amounts of personal data.
- Cyber incidents cripple operations, damage the reputation of organizations and the confidence of their customers. More than 80% of Canadians would think twice before dealing again with a company that failed to protect their data.
- Pandemic containment measures and migration to telework are forcing organizations to build resilient technology infrastructures.

Global cybersecurity spending from 2017 to 2020
Billions, $US



In a connected world,
cyber incidents have made consumers aware
of the importance of protecting personal information.

Sources Bank of Canada. *The Cyber Incident Landscape.* (2019); KPMG, *Cyber SecuritySurvey.* (2020); KPMG Analysis.

Fintechs

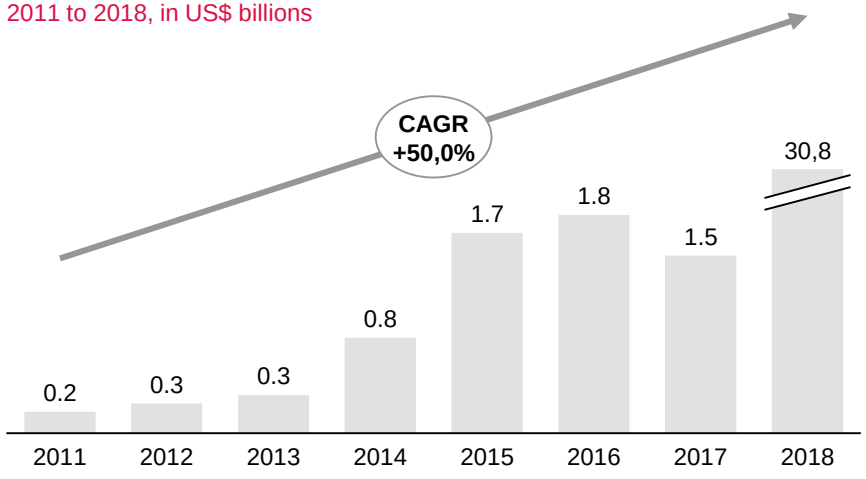
The preference for online services has become a need during the pandemic. A turning point?

They are changing the service offering and imposing new business models.

- Consumers appreciate the speed, ease of use and affordability of digital products and services.
- Fintechs are young companies that use technology to offer innovative financial products and services that are reinventing the customer experience.
- Recognizing the need to innovate, financial institutions are also developing technology solutions internally to reduce costs, counter competitive threats and attract customers with changing needs. This requires significant investment.
- Well-established financial institutions have often been pitted against start-up companies seeking to compete with them. Over the years, they have increased their collaboration.
- Fintechs are also Big Tech, web technology giants whose business models, centred on data analysis and network externalities, are seeking to establish themselves in the financial sector.

- According to McKinsey Panorama, nearly 80% of the world's financial institutions have entered into partnerships involving fintechs, a reality that has pushed global investment in fintech venture capital to US$30.8 billion in 2018, up from US$1.8 billion in 2011, an increase of 50% per year (CAGR).

Global venture capital investment in fintechs
2011 to 2018, in US$ billions



Sources: Finance et investissement. *Les tendances mondiales relatives à la fintech.*(2019); McKinsey & Company. *Synergy and disruption: Ten trends shaping fintech.* (2018); KPMG Analysis.

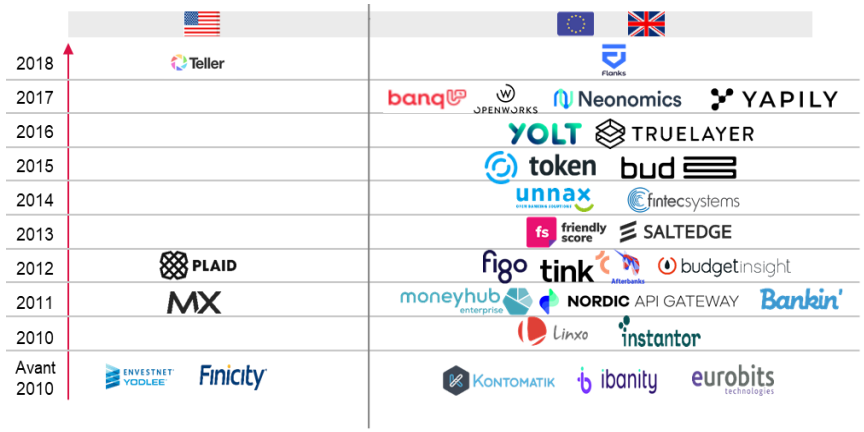
Open banking system

The European Community, the United Kingdom and Australia have imposed an operational framework on banks that gives third parties access to the financial data of their consenting customers.

The open banking system favours the arrival of new actors. Canada has been slow to position itself.

- The accumulation of data is an asset for financial institutions. The inability of fintechs to access data limits the deployment of innovative services.
- Data sharing by customers is already a widespread practice and promotes disintermediation in the industry.
- Screen scraping, the predominant sharing mechanism is not a viable solution, as it entails security and liability risks for financial institutions.
- The federal government is still reflecting on the matter and its decision has been slow in coming. In January 2019, the advisory committee it created said Canada was at risk of falling behind other countries.
- The Canadian constitutional context complicates the implementation of a strategy. To the extent that opening the banking system will allow new firms to offer financial services to consumers, they may be subject to provincial jurisdiction.

- The different approaches to opening up the banking system have an impact on the market's transformation:
  - In the United States, the opening is driven by industry, which sets the conditions. The lack of harmonization has led to market consolidation.
  - In Europe, there are more actors since the opening is dictated by the authorities.



Sources: Pauline Brunel. *États-Unis vs. Europe: deux visions de l'Open Banking.* (2020); Government of Canada. *Consumer-directed finance: the future of financial services.* January 2020; KPMG Analysis

Talent

The emergence of technologies such as blockchain and artificial intelligence is changing the nature of jobs.

Recruiting qualified IT and finance professionals is a challenge

- The offer of products and services in the future will be based on the ability to add value to data and to provide user-friendly, customized and low-cost digital solutions.
- Meeting this challenge will require a workforce with expertise in cybersecurity, data science, artificial intelligence, risk management and sustainable finance.
- Low value-added clerical jobs are being eliminated by technology. Front-line staff working with clients must be trained to deliver more complex services using technology.

- Recruitment difficulties are a hindrance to the sector's growth:
  - Ability to attract AI talent to finance;
  - Sector's image is less appealing than Big Tech and other sectors;
  - Skilled labour expensive for small businesses;
  - Difficult to attract financial institutions to Montréal that can qualify as International Finance Centres (IFC).

Source: KPMG. *Impact de l'intelligence artificielle sur le secteur des services financiers*. (2017); KPMG Analysis.

2

IMPACTS OF THE CRISIS ON THE SECTOR

A shock to the financial system

Thanks to strong capitalization, strengthened risk management, and liquidity injections by the Bank of Canada, the Canadian financial system is much stronger than it was during the 2008-2009 financial crisis.

At the beginning of the crisis in March, the world's **capital markets all froze** in a panic.

All central banks injected **significant liquidity** to restore confidence in the markets.

The Bank of Canada followed suit with **massive bond purchases** to flatten the entire yield curve.

These purchases **compressed the yield premium** on provincial and corporate bonds.

The markets are functioning normally for bond or equity issues. Banks have the capital and liquidity to lend to businesses at low interest rates.

> "Canada's financial system has shown its resilience. It continues to work as a shock absorber, helping Canadian households and businesses deal with the economic impact of the pandemic."
>
> *Tiff Macklem, Governor, Bank of Canada*
>
> *October 8, 2020*

Source: Bank of Canada. *From COVID to climate: the importance of risk management* (2020); KPMG Analysis.

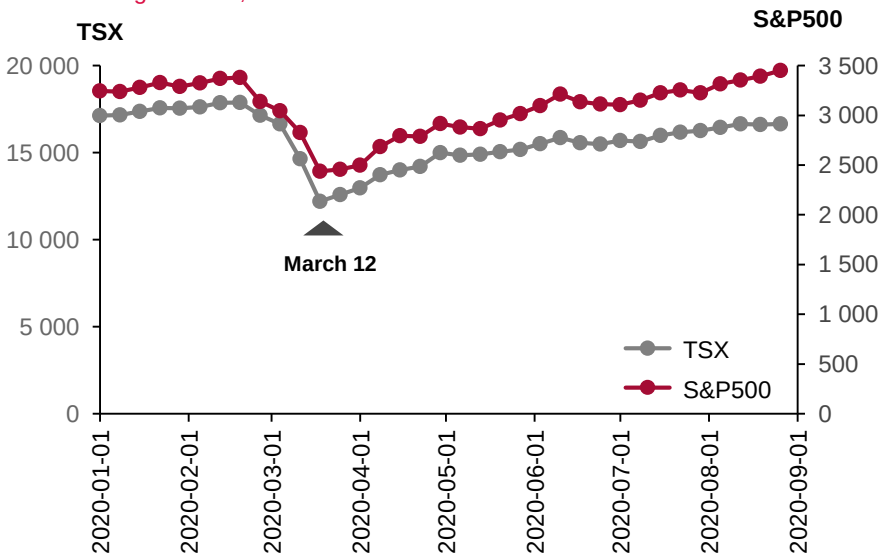
Banks set aside $16.4 billion for credit losses

Canadian banks can absorb this shock and some of these provisions could be reversed next year, depending on the size and duration of the second wave.

- Provisions - more than half of which are for loans that are still performing - reduced profits to $12.8 billion in their second and third quarters.
- The Tier 1 capital ratio remains strong at 11.8% on average.
- Regulators lowered the minimum required ratio from 11% to 10%, freeing up an additional $300 billion in lending capacity.
- This relaxation is a provision of a countercyclical regulatory mechanism provided by the Office of the Superintendent of Financial Institutions and the Autorité des marchés financiers (for Desjardins).
- Low interest rates further squeeze the net interest margin of deposit-taking institutions and increase the liabilities of pension funds and life insurers, a recurring challenge since the previous recession.
- The assistance programs temporarily inflated deposits and reduced the cost of funds for banks.

- As a result of low interest rates, the stock market correction is being erased in the United States, but not yet in Canada.

Weekly performance of the S&P 500 and TSX indices January 2020 to August 2020, Indices



Sources: Yahoo Finance. *S&P 500* (2020); Yahoo Finance. *S&P/TSX Composite index.* (2020); Canadian Bankers Association, KPMG Analysis

The gateway to some assistance programs

Close to their clients, deposit-taking institutions have been an effective conduit.

Canada Emergency Business Account (CEBA)	• As part of the Canada Emergency Business Account (CEBA), the banks and Desjardins have granted SMEs and not-for-profits interest-free loans of $40,000, 25% of which will be forgiven if the loan is repaid before the end of 2022.
	  • 70% of Canadian SMEs have taken advantage of these loans, including 155,000 in Quebec. These loans total $30 billion, including $6.2 billion in Quebec.
	  • An additional $20,000 loan was added in October, half of which will be forgivable for businesses still affected by the pandemic.

Concerted temporary action program for businesses (CTAPB)	• The banks and Desjardins have granted loans of at least $50,000. Eighty percent of this amount is guaranteed by Investissement Quebec under the Concerted Temporary action Program for Businesses (CTAPB), to cover COVID-related expenses. Out of a $2.5 billion budget, loans granted to date total $1 billion.
Business Credit Availability Program (BCAP)	• Two other federal programs available through the banks have received very little attention due to design problems and possibly the reluctance of businesses to take on more debt. Although granted by financial institutions, loans are 80% guaranteed by the government. The Speech from the Throne has promised improvements. • Export Development Canada's Business Credit Availability Program (BCAP) finances operating lines of credits and term loans of up to $6.25 million for exporting and non-exporting SMEs. BDC's Co-Lending Program provides loans between $1 million and $12.5 million to finance operating cash flows.
Canada Emergency Wage Subsidy (CEWS)	• The popular Canada Emergency Wage Subsidy (CEWS) is now extended until the summer of 2021, but the subsidy is reduced from 85% to 65%. This program is administered by the Canada Revenue Agency without the assistance of financial institutions.
Canada Emergency Rent Subsidy (CERC)	• After the first rent program failed, this new program announced at the beginning of October targets commercial tenants (and not-for-profits) by subsidizing up to 65% of eligible expenses. An additional 25% subsidy will be given to businesses that had to shut down to comply with the decisions of public health authorities.

Source: *Chaire en fiscalité et en finances publique.*

Six-month payment deferrals

Financial institutions granted payment deferrals on commercial loans and insurance premiums, facilitated by temporary regulatory relief.

- Granted on a case-by-case basis, the relief is for a maximum period of six months. The Canadian Bankers Association reports that its members have granted 74,000 payment deferrals on commercial loans totalling $3 billion. Account managers have relaxed certain loan agreements and advised their clients.
- Banks have mainly favoured their good customers and risk-taking is more limited than before the crisis.
- Most payment deferrals have been granted to consumers on their mortgages or credit cards, which has helped (along with CERB) to support demand and reassure households that have temporarily lost or fear losing their jobs.
- The six major banks provided 86,000 payment deferrals to Canadian businesses, mostly SMEs, totalling $2.6 billion. Grace periods ended in September or October, depending on when they were granted. Regulatory relief to ensure that the loans concerned are not considered to be in default will not be extended.
- In the hotel business, bankers will be particularly patient, as they do not want to find themselves owners of large unsaleable hotels.

Sources: Government of Canada. *Canada Emergency Response Benefit.* (2020),Canadian Bankers Association, KPMG Analysis.

3

THE SECTOR'S CONTRIBUTION TO THE RECOVERY

Answering the call for help from customers

Support to businesses changes over time, depending on the development of the crisis, but also on their sector of activity, their particular situation and the type of services offered by the institutions.

- The first **reaction of** many panic-stricken companies was to draw down their bank credit lines. When markets calmed down following the Bank of Canada's intervention, they sometimes repaid amounts they did not need, but still kept a high level of liquidity.
- In the **resilience** phase, when the governments of Quebec and Canada launched their emergency programs for SMEs, they often used the banks and Desjardins Group as effective conduits.
- For the **recovery**, businesses will need long-term financing, sometimes in the form of equity capital, and advice to prepare for the **new reality**.

Capital markets in demand

Record corporate bond issuance

- From March1 to September 11, large Canadian corporations borrowed **$67.8 billion** in the Canadian bond market.
- Generally riskier borrowers issued **$51.6 billion in the U.S. market.**
- This represents a **total increase of 25%** over last year in both markets.
- Several of these issues were used to **extend debt maturity**.

Share issues were more modest, comparable to last year's level

- During the first three quarters, **362** companies listed on the TSX issued shares, raising **$22 billion** , benefiting primarily the manufacturing, communications and information technology sectors.
- Of note is **Nuvei's $1 billion IPO in September**.

Source Casgrain & Company, National Bank Financial, KPMG Analysis

Intelligent and patient capital for the recovery

Several sources of smart and patient capital are available for the recovery, both to modernize businesses and restore balance sheet health.

The Caisse de dépôt et placement du Québec (CDPQ) released $4 billion in liquidities to support businesses in temporary difficulty due to the crisis, whether or not they are part of their portfolio. These businesses had to be profitable before the crisis, have promising growth prospects and seek financing of $5 million or more.

In partnership with the Quebec government, National Bank launched the National Bank SME Growth Fund, equally financed, on the one hand, by the Quebec government and on the other by the bank and private investors related to the institution. Its venture and development capital investments will take the form of equity or quasi-equity and are especially aimed at speeding up the digital transformation of SMEs.

Desjardins

In keeping with its mandate, long-time business equity investor Desjardins Capital has remained active, particularly in the regions. The new GoodSpark Fund has $150 million available for local projects, including entrepreneurship.

The Fonds de solidarité FTQ has granted more than one-third of its customers a six-month loan payment deferral, but only a small number are requesting a second moratorium. It helps companies review their business models and analyze their balance sheets and plans to reinvest, if necessary in collaboration with its co-shareholders such as Investissement Quebec and the CDPQ, to finance investment and innovation. At the beginning of the pandemic, the Fonds saw a $3 billion outflow from some investors, but net contributions have since resumed.

Sources: CDPQ. *The Caisse contributes to the collective effort in the context of COVID-19.* 2020; NBC, *National Bank launches a venture capital and development fund. 2020; Desjardins,GoodSpark Fund.* 2020; FTQ, *COVID-19 - Mesures d'atténuation.* 2020; KPMG Analysis.

Financing for technology

Investissement Quebec has $2.4 billion for its new Productivity Innovation program, which covers the manufacturing sector's entire value chain.

Term loans with deferral of **principal repayments for up to 48 months** are available to finance investments in technology, as well as technical advice.

For the recapitalization of large companies, Investissement Quebec, with the government's consent, will be able to draw from the **$1 billion** Quebec Enterprise Growth Fund created in the last budget to help businesses headquartered in Quebec. The **minimum** investment **will be $50 million**.

Venture capital has been very active in Quebec since the pandemic, **with 47 transactions** in **the second quarter** for a total of **$502 million** , which – as usual – mainly benefited companies in the ICT and life sciences sectors.

Most of this capital came, directly or indirectly, from **public sector institutions** and cooperatives or unions.

Sources: Investissement Quebec. *2019-2020 Quebec budget highlights*; Helene Baril (2020, September 25). Investissement Québec veut pousser les entrepreneurs à innover. *La Presse*; Réseau Capital. *Aperçu du marché [...] au premier trimestre 2020*. August 2020; KPMG Analysis.

The AMF has supported Quebec's financial system

Like Canadian regulators, the Autorité des marchés financiers has adopted measures to mitigate the impact of COVID-19 on the institutions and activities it regulates.

- In conjunction with other members of the Canadian Securities Administrators (CSA), the AMF has given reporting issuers additional time for filing their continuous disclosure documents.
- Following the ones announced by the Office of the Superintendent of Financial Institutions, the AMF implemented various temporary relief measures on capital and liquidity adequacy requirements. It also postponed work on the implementation of IFRS 17 for insurers.
- Other measures have provided for fee payment deferrals, validity period extensions for expired certificates and payment relief making it possible to deal with the new conditions arising from containment and social distancing measures.
- The AMF mobilized resources to help companies and firms with their crisis management plans. It has also been present on social media to disseminate relevant information and ensure consumer protection, particularly with regard to fraud prevention.
- In addition to granting certain regulatory and administrative relief measures, the AMF issued a series of news releases to market participants to support them during the pandemic.

These measures reflect the AMF's determination to offer relief to financial institutions so that they can provide support to consumers and businesses experiencing difficulties during this period.

Sources: AMF. (2020). *Measures to support Quebec's financial system*; KPMG Analysis.

Financiers' observations on the real economy

Main findings

> Most companies are weathering the crisis relatively well, better than expected at the beginning of the summer: either their activities have benefited from the crisis, or they have not been affected, or the drop in sales has been offset by a reduction in costs.

> Six months after the start of the pandemic, the sectors in trouble have been identified: mainly aerospace, air transport, restaurants, hotels, tourism, performing arts and entertainment.

> The situation of retail businesses varies depending on their location, the nature of the business and their ability to sell online. Some chains are renegotiating their leases under the *Companies' Creditors Arrangement Act*, but they will survive the crisis.

> The second wave increases the risks for vulnerable sectors.

> Commercial real estate is also affected in varying degrees, but institutional owners can absorb the shock.

> Getting their finances in order is the number one priority of Canadian SMEs. According to the latest BDC survey, taking advantage of technology ranks second.

> Many of the hardest-hit companies are facing bankruptcy in the coming year. Financial institutions are reluctant to rescue those that were already fragile or poorly managed before the crisis.

Sources BDC. *The Response: How Entrepreneurs Are Adapting to the Pandemic*.(October 2020). Interviews; KPMG Analysis.

4

BUSINESS OPPORTUNITIES

Sustainable finance needs a unified framework and AI

Sustainable finance is becoming one of the biggest issues facing the financial world. In a few years, finance will either be or not be sustainable.

Looking for a single framework..

- The greatest impediment to implementation is **the inability to compare several companies** with each other with regards to their performance in terms of the environment, social behaviour and governance. Information is defined, measured and disclosed in a manner that defies comparison.
- Portfolio managers and credit managers are faced with a **proliferation of measurement, disclosure and voluntary commitment frameworks**.
- While there are a number of commendable initiatives underway to unify these frameworks, they face significant obstacles: different political philosophies, varying degrees of progress in different countries and different economic structures.
- Two practices that are difficult to reconcile may well emerge: a top-down regulatory approach based on the European model and a voluntary bottom up approach based on an American model.

AI, in the absence of a single or complementary framework

- Artificial intelligence (AI), including **deep learning and natural language processing, allows for the analysis of unstructured information**, as is currently the case with ESG intelligence.
- AI's contribution would benefit financial institutions.
- AI's contribution would be of great public interest in enabling **sustainable finance to exert more effective pressure on corporate behaviour** to reduce their carbon footprint, treat all stakeholders with more consideration and **adopt best governance practices such as the inclusion of women and minorities**.

Source: KPMG Analysis

Montréal could gain a significant competitive edge by pooling its sustainable finance expertise and AI strengths.

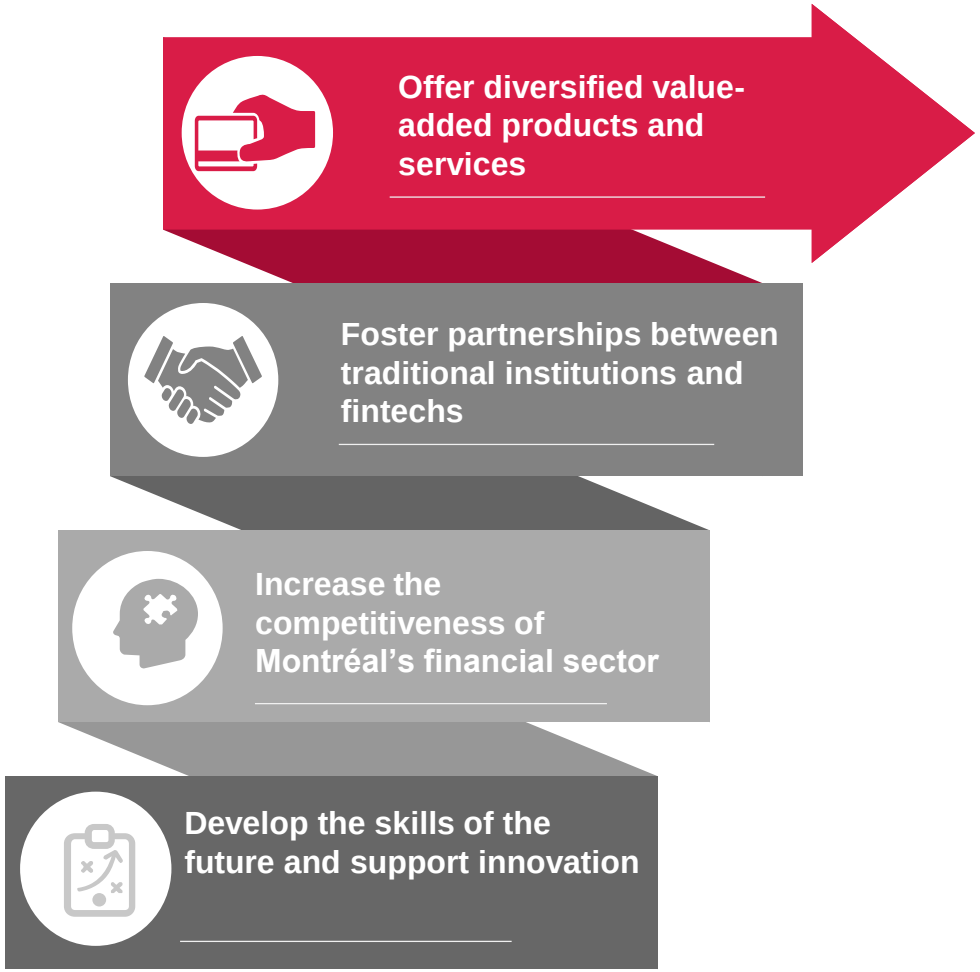
The open banking system relies on technology

It currently exists, but in a disorganized manner. Ecosystem stakeholders must determine a framework for the future. Uncertainty and inaction pose a risk to competitiveness.

The open banking system is an opportunity for Montréal as a financial centre.

- Many consumers continue to use the services of traditional financial institutions.
- Customers will be able to benefit from the competition and innovation offered by an open banking system.
- Fintechs (and Big Techs) will be able to access customer data that enables them to offer new products and services.
- More diverse customers demand personalized services, making service management more complex.
- The combination of traditional financial institutions and fintechs makes it possible to propose diversified strategies.
- The open banking system allows the full potential of technologies such as artificial intelligence to be exploited.
- New businesses can take advantage of the regulatory sandbox offered by the Autorité des marchés financiers.

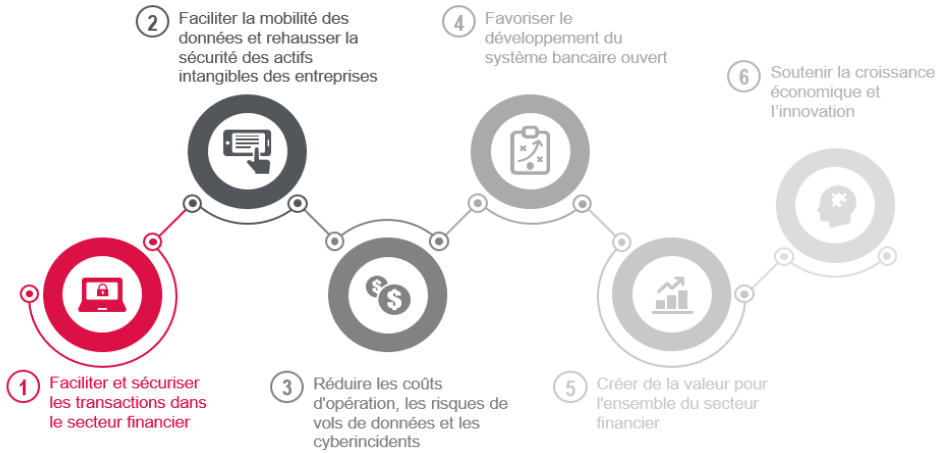
BUSINESS OPPORTUNITIES



Digital identity, a necessary step

The pandemic has accentuated the need for a digital identity.

- The digital transformation is giving rise to new forms of fraud, identity theft or misuse of personal data affecting the financial system.
- The difficulties of asserting one's identity in a digital world limit the adoption of new financial services.
- The implementation of a secure digital identity system is essential to take full advantage of the digital transformation.
- A robust digital identity allows for lower costs, reduced fraud and better control over personal data.



Source: DIACC

Potential savings estimate
2018, in $C per year

Potential Savings	Areas Involved
$6.1B	Facilitating the identification of individuals to access services
$4.5B	Improving identity verification processes for SMEs
$482M	Making it easier for citizens to access government services
$100M	Reducing the costs of fraud handling for financial institutions

- Governments want to dematerialize public and private services.
  - By helping to fund Canada's Digital Identity Laboratory, the Quebec government has confirmed its commitment to supporting innovation in digital identity.
  - As natural trusted parties, financial institutions are part of this movement and collaborate, in particular, through the "Verified.Me" initiative.
  - The Digital Identification and Authentication Council of Canada (DIACC) and TechnoMontréal are working together to speed up the development of digital identity.
  - The DIACC has published the *Pan-Canadian Trust Framework* defining how to implement digital identity in Canada.

Cybersecurity, a priority for our institutions and an opportunity for our businesses

Greater Montréal is positioning itself as a leader in the development of cybersecurity.

Cybersecurity ensures the availability and confidentiality of information, criteria that make it possible to align the security and profitability of organizations, whether in the financial or non-financial sector.

- Cybersecurity is a strategic issue for any company, large or small.
- This is a fast-growing field.

Many experts in cybersecurity

Montréal is ready to meet this challenge with close to 3,000 cybersecurity specialists in the IT sector and another 2,000 in related disciplines such as criminology and compliance.

A new generation in universities

The six universities are cultivating talent in various programs related to cybersecurity, including the *Chaire de recherche en prévention de la cybercriminalité* at Université de Montréal.

Quebec Cybersecurity Innovation Program

Grants for cybersecurity companies to encourage innovation and networking with researchers.

A pool of AI talent

A vibrant ecosystem and talent pool in artificial intelligence that brings added value in cybersecurity.

Sources: Prompt Innov. *Quebec Cybersecurity Innovation Program (PIQC)* (2020); Montréal International. *Greater Montréal's Surging Cybersecurity Sector*. 2019; KPMG Analysis.

5

COURSES OF ACTION FOR RELAUNCHING THE SECTOR

The courses of action and their context

The financial sector working for the real economy

This role offers a privileged horizontal view of the situation of businesses in all sectors.

Financial institutions are directly involved in managing the crisis facing their clients.

The sector must reconcile competing interests: its own in order to minimize its losses, the interests of its clients, whose business it want to keep and those of the governments, which it sometimes represents. It must also comply with the instructions of its regulators.

Financiers are unanimous in saying that the entire ecosystem is working closely together to manage the crisis. On the essential points, they share the same analysis that underpins the following recommendations.

FINANCIAL SECTOR COURSES OF ACTION

The financial sector is solidly capitalized and has all the necessary liquidity. The impactful courses of action for its development have a medium- and long-term horizon, although action must be taken now.

Some initiatives are necessary to remain on the leading edge, while others could strengthen competitive advantages.

COURSES OF ACTION SUGGESTED BY THE FINANCIAL SECTOR

The suggestions from the financial sector have a short to medium-term horizon and focus on the recovery phase and the new realities of the economy.

The courses of action presented below are supported by the Chamber and Finance Montréal. They target industry and governments.

COURSES OF ACTION

TARGET: INDUSTRY - FINANCIAL INSTITUTIONS - FINANCE MONTRÉAL - EDUCATIONAL INSTITUTIONS

1. Position Greater Montréal as a North American centre of excellence for sustainable finance

A. Create a major annual event on sustainable finance.

B. Attract and develop responsible investment talent.

C. Provide for the next generation of specialized entrepreneurs

D. Mobilize Montréal-based AI expertise for the analysis of difficult-to-compare ESG information.

2. Strengthen national efforts around cybersecurity, and thus avoid assigning the task to just one organization (e.g. Cybereco)

A. Identify the needs of financial institutions and other businesses in the real economy and provide cybersecurity training.

B. Emphasize R&D, notably through the Quebec Cybersecurity Innovation Program (QCIP).

3. Attract and develop the talent needed to work in a more technological finance environment

Training

A. Review the training offered to help adapt programs to the changing needs of the industry.

B. Promote hybrid profiles in quantitative finance and data science.

C. Foster partnerships between financial institutions and universities in leading-edge areas such as data science and artificial intelligence.

D. Follow up on Finance Montréal’s ongoing study on responsible investment labour, in cooperation with the academic community.

COURSES OF ACTION

TARGET: INDUSTRY - FINANCIAL INSTITUTIONS - FINANCE MONTRÉAL - EDUCATIONAL INSTITUTIONS

3. Attract and develop the talent needed to work in a more technological finance environment (cont'd)

Attraction

A. Ensure collaboration among industry actors to enhance the attractiveness of the sector to young people, particularly the next generation of technologically trained workers.

B. Support the ethical data use in artificial intelligence and the development of products and services.

C. Adjust existing incentives to attract new jobs and strengthen the ecosystem.

D. Reinforce the strategy for attracting foreign students.

4. Take a position on Canada's desired framework for an open banking system

A. Foster collaboration between industry and government in developing a data protection framework that provides the confidence needed to maintain a robust financial sector, while respecting provincial jurisdiction in the financial sector.

5. Accelerate the implementation of a national digital identity

A. Maintain our position as Canada's leader in digital identity innovation.

B. Participate in the Digital ID & Authentication Council of Canada (DIACC) alpha trials to accelerate the widespread adoption of digital identification in Quebec and Canada.

COURSES OF ACTION

TARGET: GOVERNMENTS

6. Review business support measures so that they are more targeted and impactful

A. Work with the financial sector to identify the best ways to sustain government assistance to sectors that will take time to recover and ensure that this assistance is impactful for their future.

B. Develop a partnership solution to help the aerospace sector and airlines, as financial institutions alone cannot ensure the future of this highly strategic sector of the economy.

C. Ensure general assistance accessible to all sectors, impactful in the long term, targeted on specific value-creating activities such as workforce training, digitization, online sales, process automation and R&D.

D. Any business assistance, whether from governments or financial institutions, must be conditional on changes in the company so that it is better positioned to face future challenges.

7. Present a clear and long-term vision of the economy in order to mobilize the efforts of the financial community and encourage investment. In particular, strong leadership is expected in order to:

A. Accelerate the digitization of businesses, an area in which Quebec is lagging far behind, by aligning government programs with the financing offered by the financial sector.

B. Train and requalify the workforce to use new technologies and to reposition itself in growth sectors.

C. The transition to a low-carbon, resilient and inclusive economy, both to limit the damage of the next crisis and to take advantage of new business opportunities.

COURSES OF ACTION

TARGET: FINANCIAL INSTITUTIONS - GOVERNMENTS

8. Counter the risk of walking dead zombie companies

A. Promote initiatives to clean up the balance sheets of indebted companies through equity or mezzanine investments or through mergers and acquisitions.

B. Ensure that companies have access to technical support to help them review their business model and plan the modernization of their processes.

C. Accept that we cannot save all companies, especially those that were already fragile or in decline before the crisis.

9. Encourage risk-taking in the creation of new businesses

A. Provide financial support and advice to entrepreneurs starting a business, especially in promising areas.

B. Give a second chance to failed entrepreneurs who have learned from their mistakes and present a solid plan.

10. Maintain cooperation and synergies within the Montréal financial ecosystem

A. Notwithstanding healthy competition, maintain the current collaboration between private and public financial institutions in order to offer a complete range of services adapted to the specific needs of each company.

APPENDICES

- BIBLIOGRAPHY
- LIST OF PERSONS CONSULTED

Detailed bibliography of sources used (1/6)

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List of organizations consulted

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National Bank	Stephane Achard	Executive VP, Commercial Banking and Insurance
National Bank	Laurent Ferreira	Executive VP, Financial Markets
Royal Bank	Jean-François Prince	Regional VP, Business Financial Services
BDC	Pierre Cléroux	VP, Research and Chief Economist
CDPQ	Sébastien Adam	Senior Director, Strategy
Desjardins	Marie-Claude Boisvert	Executive VP, Business Services
Finance Montréal, Quebec's financial cluster	Jacques Deforges (and colleagues)	CEO
Fonds de solidarité FTQ	Alain Denis	Senior VP, Investments - Venture Capital
Industrial Alliance	Clément Gignac	Senior VP and Chief Economist
Investissement Québec	Alexandre Sieber	Senior Executive VP, Corporate Financing
Réseau Capital	Guillaume Caudron	President and CEO

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