



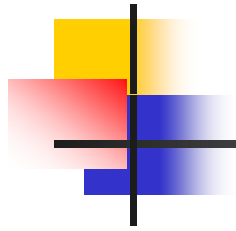
GIC Research Initiative

Summary of GIC Research Findings



Executive Summary

- The GIC market is highly fragmented with processing automation varying widely between organizations
- Most smaller organizations have not as yet automated and integrated their application processes with their DDA, RRSP, RRIF and other systems creating significant more error prone, time intensive and costly processing environment – These organizations are far more likely to focus reengineering efforts on the front end
- It has not been possible to establish a comprehensive GIC distribution network in Canada and discussions between parties have gone nowhere. Only CANNEX has been able to establish a partial solution built from a price distribution base
- Larger organizations have created straight through processing environments from their retail (branch) front office to the back office for most of their transaction. Challenges still remain in dealing effectively with re-registrations, nominations, cashable products and reconciliation

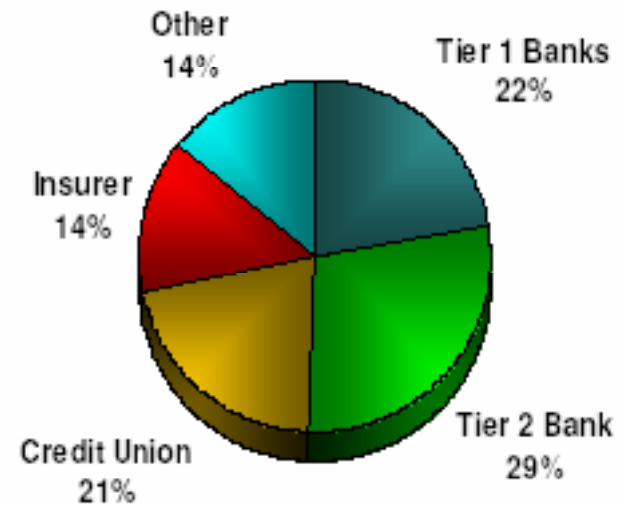


GIC Transaction Services



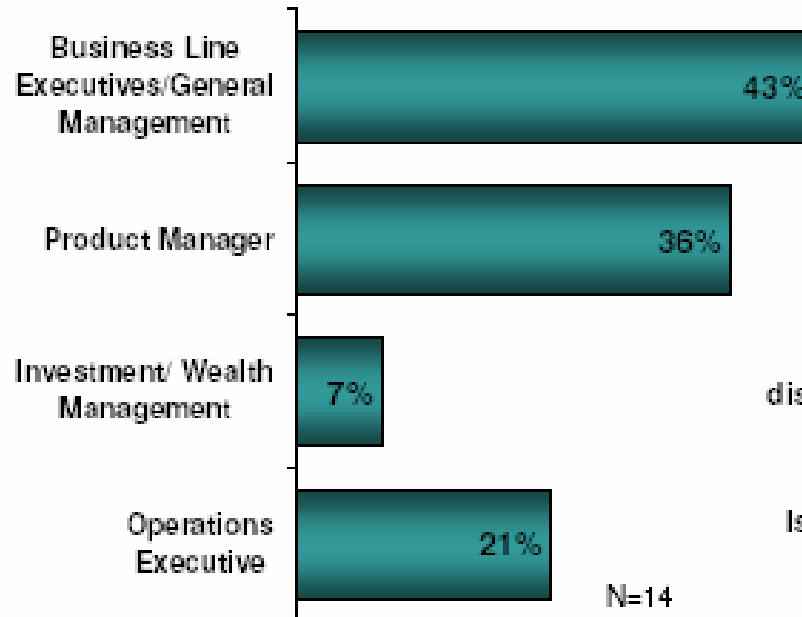
Who We Spoke To

- The Canadian GIC Market Place is made up of hundreds of firms who participate in various ways in the GIC market.
- The market as a whole is worth in excess of \$385 billion dollars. These assets are highly concentrated in seven of the largest financial institutions.
- eClientscope conducted 14 executive interviews from October to December 2006 to ascertain the opportunity for new solutions into the GIC market place.
- Respondents were drawn from a list of 40 of the largest GIC manufacturers and/or distributors in Canada
- 22% of respondents were drawn from tier 1 (big 5) banks, 29% from smaller tier 2 organizations, a further 21% from the Credit Union population 14% from the life insurance industry and other” category



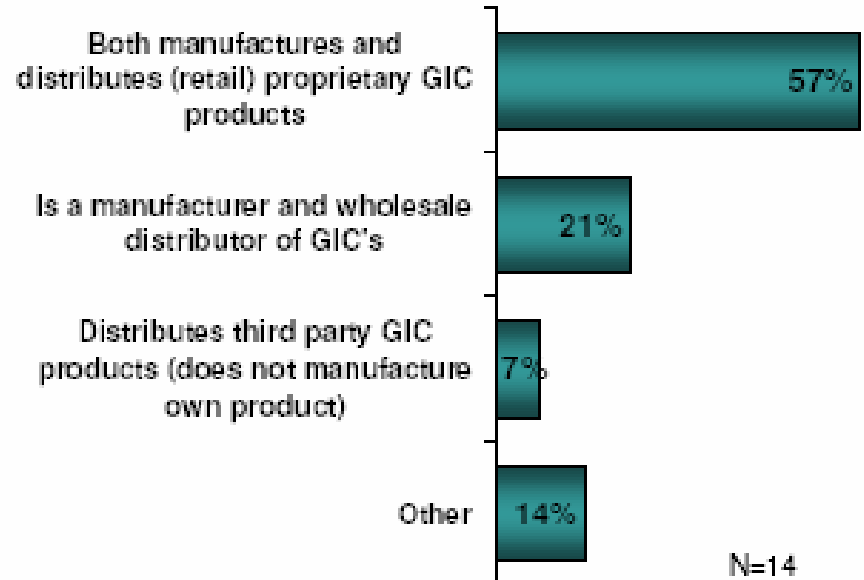
Respondent Demographics

Respondent by Area of Responsibility



Which title best describes your current title/function in your organization?

Respondents by Organizational Profile



Please select one of the following which best describes your firm:

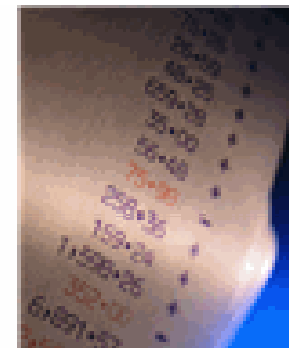


GIC's In Perspective

- GIC's are a commodity product and any new product innovation has a short shelf life
- Today's consumer purchasing a GIC is largely looking for liquidity
- Principal protected notes (investment linked GICs) are being seen as investment products
- High interest savings accounts, like the products offered through ING Direct are an attract alternative for consumers
- Some respondents believed that GIC's will never regain their previous position in consumers investment/savings portfolios while others look ahead to the inevitable retirement of the baby boomers for a resurgence in popularity as consumers take on a reduced risk profile.
- Over the years GIC's have been buried in overall investment products and are in many instances no longer discretely managed and monitored
- Multiplicity of roles in mid size organizations and the complex structure of legal entities in larger ones means no one person has a complete view of GIC's
- Web self service is seen as an opportunity – but GIC purchasers may prefer face to face contact

GIC's in Perspective: Metrics

- Not all respondent agreed to or were able to divulge specific GIC metrics. Of those who did we found the following:
 - Average number of GIC sales annually varies dramatically. From a smaller organization who sells approximately 200 net new GIC annually, to a large distributor who process 120,000 to 192,000 sales annually
 - The average value reported also covers a large range from \$5,000 to \$46,240 for an average new sale of \$26,748
 - The length of time taken to process a GIC ranges widely as well, from highly automated immediate product fulfillment to 10 business days
 - Based on the value of the GIC market at \$385 billion, an average sale of \$26,748 and an average term of 2 years there are 7, 196,800 transactions annually





GIC's in Perspective: Metrics

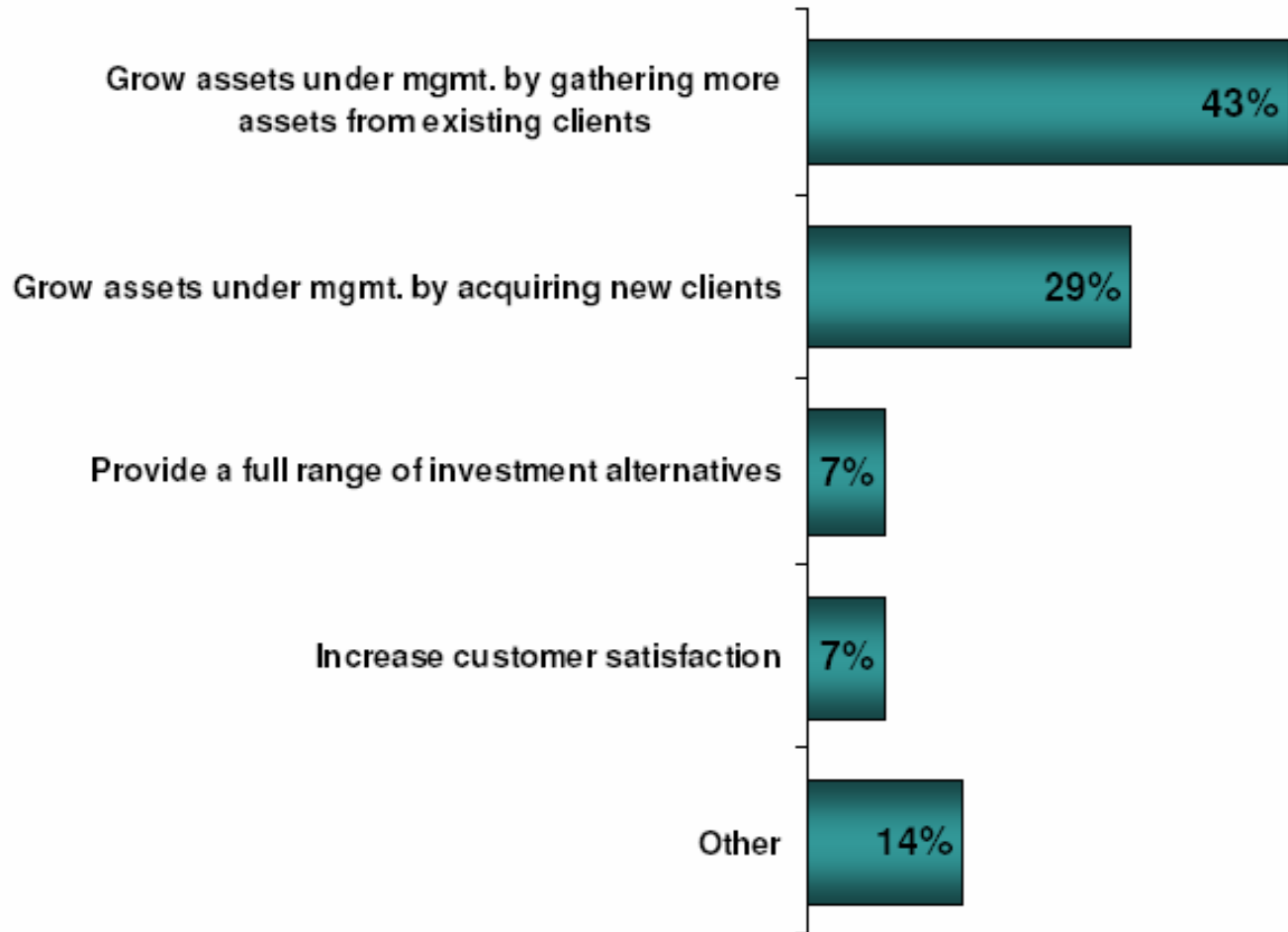
- None of our respondents were able to provide an estimate of cost per transaction
- A number of respondents were unable to provide the number of FTE dedicated to GIC processing. This was due to the fact that in many cases the back office had been merged with other products and discrete metrics were not kept.
- Of those able to respond the figures varied wildly.
 - One small manufacturer distributor reported 2.5 FTE dedicated to GIC's.
 - A very large distributor, with sales volumes in excess of 10,000 transactions/month reported 2.5 while another very large manufacturer/distributor reports a back office staff of 120 (which had been reduced from more than 300 only a few years ago).

Growth and Expense and Cost Control the Most Commonly Sited Business Priorities



What business priorities does your line of business have? (Multiple Select)

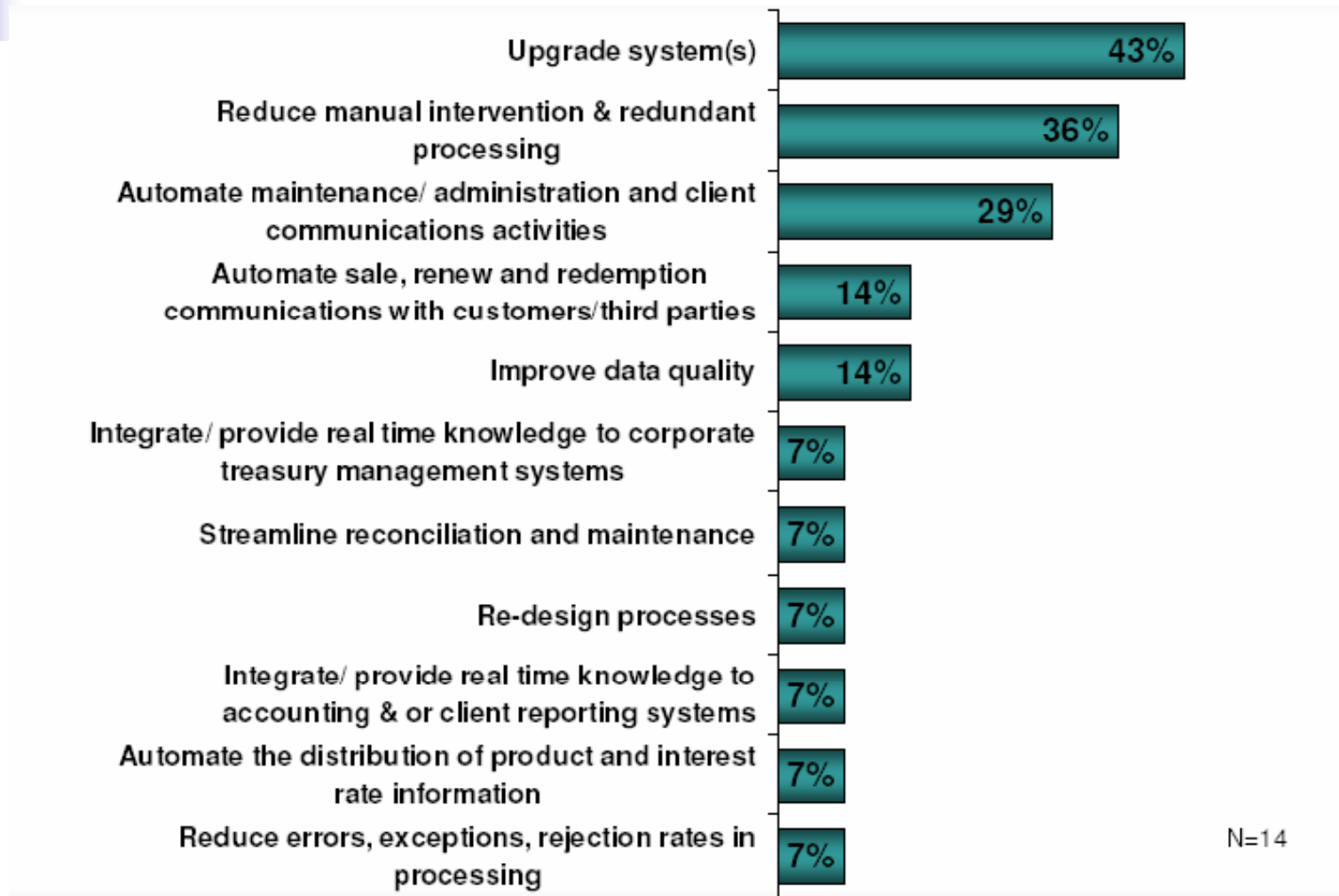
Growing Assets Under Management from Existing Customer is Top Business Priority



N=14

What is your line of business' top business priority? (single select)

Systems Upgrades, Reducing Manual Intervention & Redundant Processing and Automating Maintenance and Administration Key to Resolving Top Business Challenge



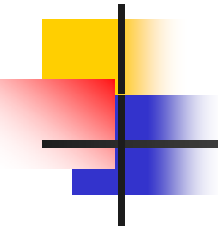
What is the technology or process challenge that results from this business top priority? (Challenges by top priority ,multiple select)

Technology/Process Challenge that Results from Overall Business Priorities

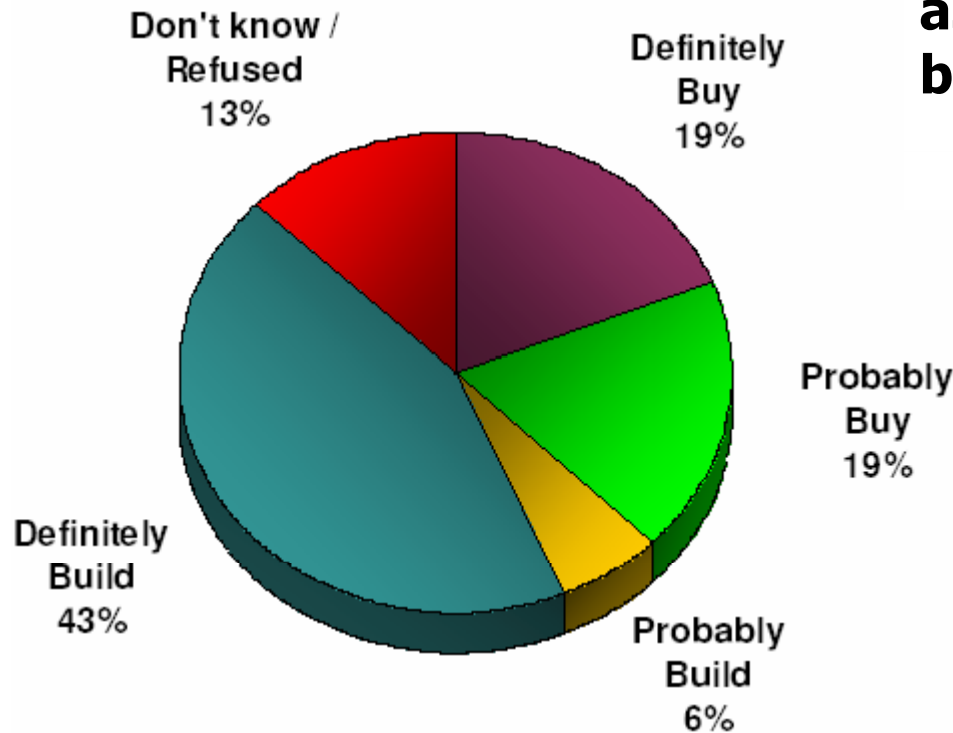


What other technology or process challenges do you encounter in achieving your overall business priorities? (All others, multiple select)

When Considering Resolving Their Current Top Business and IT Challenges Organizations Lean Towards Building Solutions



Would you consider outsourcing as a viable option for any of your business and IT challenges?



- 38% of respondents would consider an outsourced option
- 38% would not
- While a further 15% indicated that they didn't
- know or refused to respond

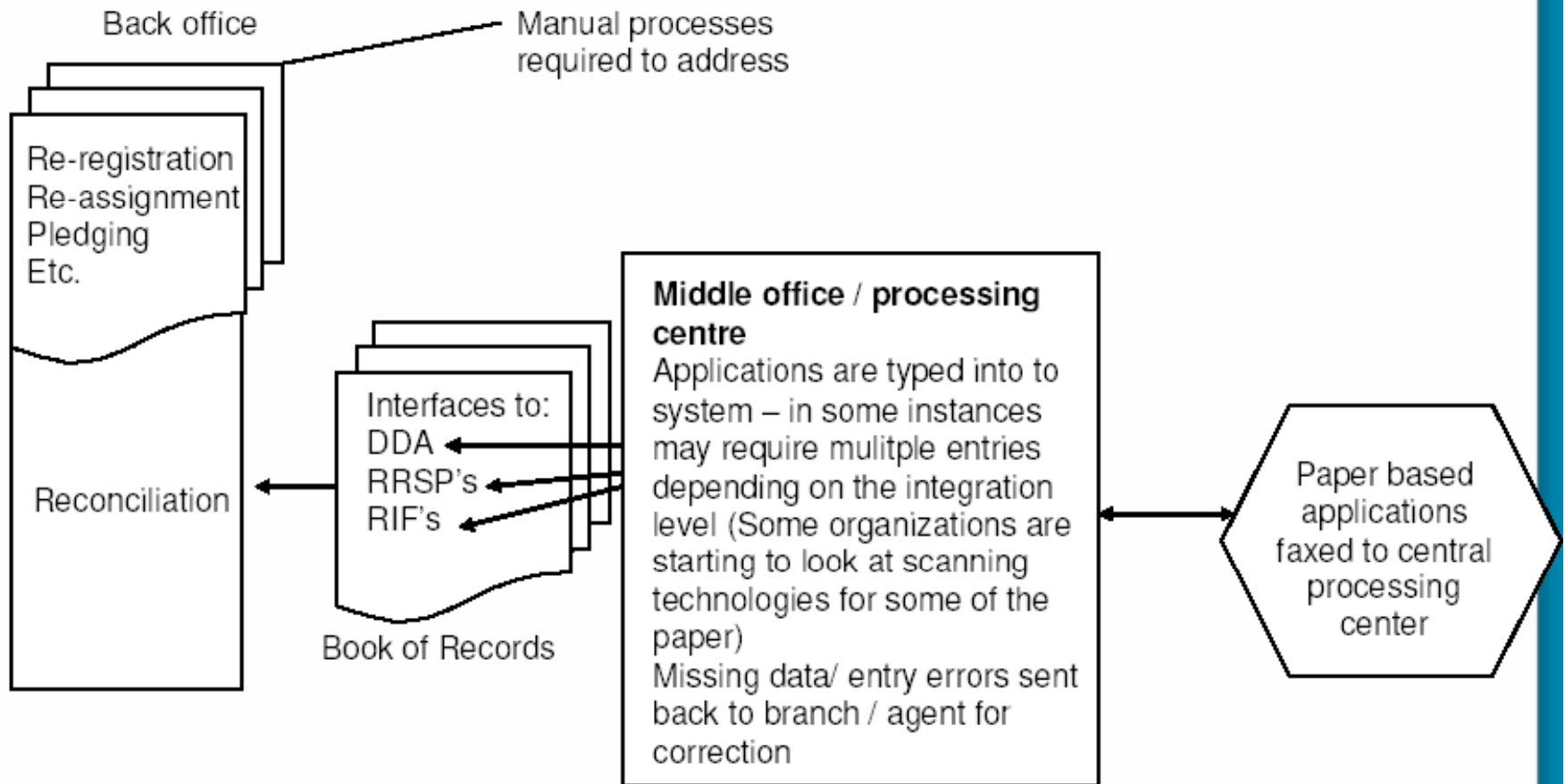
When you consider resolving your current top IT and business challenges are you more inclined towards buying or building solutions?



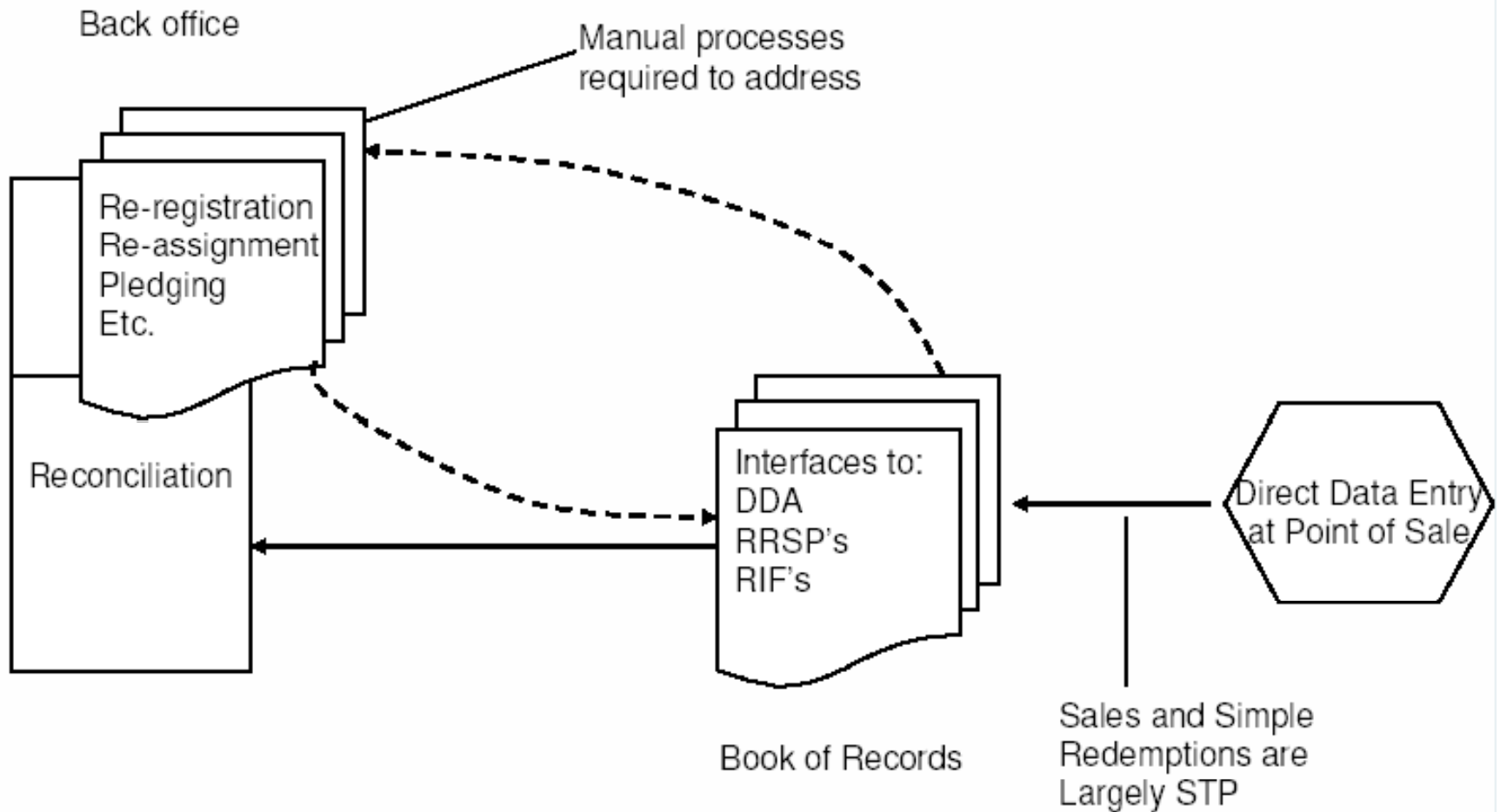
What They Said

- “Outsourcing is currently not seen as an option for this product although we have outsourced RESP and RRIF processing”
- “We would consider outsourcing, but it’s not currently on the table...we currently outsource mortgage processing and network management”
- “We would only consider outsourcing if there was a compelling business case”
- “Our philosophy is that we should buy solutions if we can and build if we must and integrate wherever possible”
- “In order to introduce an outsourced solution you would need other banks, for economies of scale... we would like to keep about 10% proprietary but would not be prepared to pay a premium for that... not sure how substantial the savings would be.”

The GIC Process – Paper Based at the Point of Sale



The GIC Process – “A partial STP Solution”



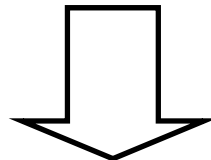
The GIC Process – Organizations don't understand the effectiveness and efficiency of their existing process

Straight Through Processors At Point Of Sale

- Of the organizations we spoke to 42% indicated that they were unaware of any formal measures of process efficiency although they were able to site some specific examples for certain remaining manual process such as re-registrations taking approximately 4 to 6 weeks to complete

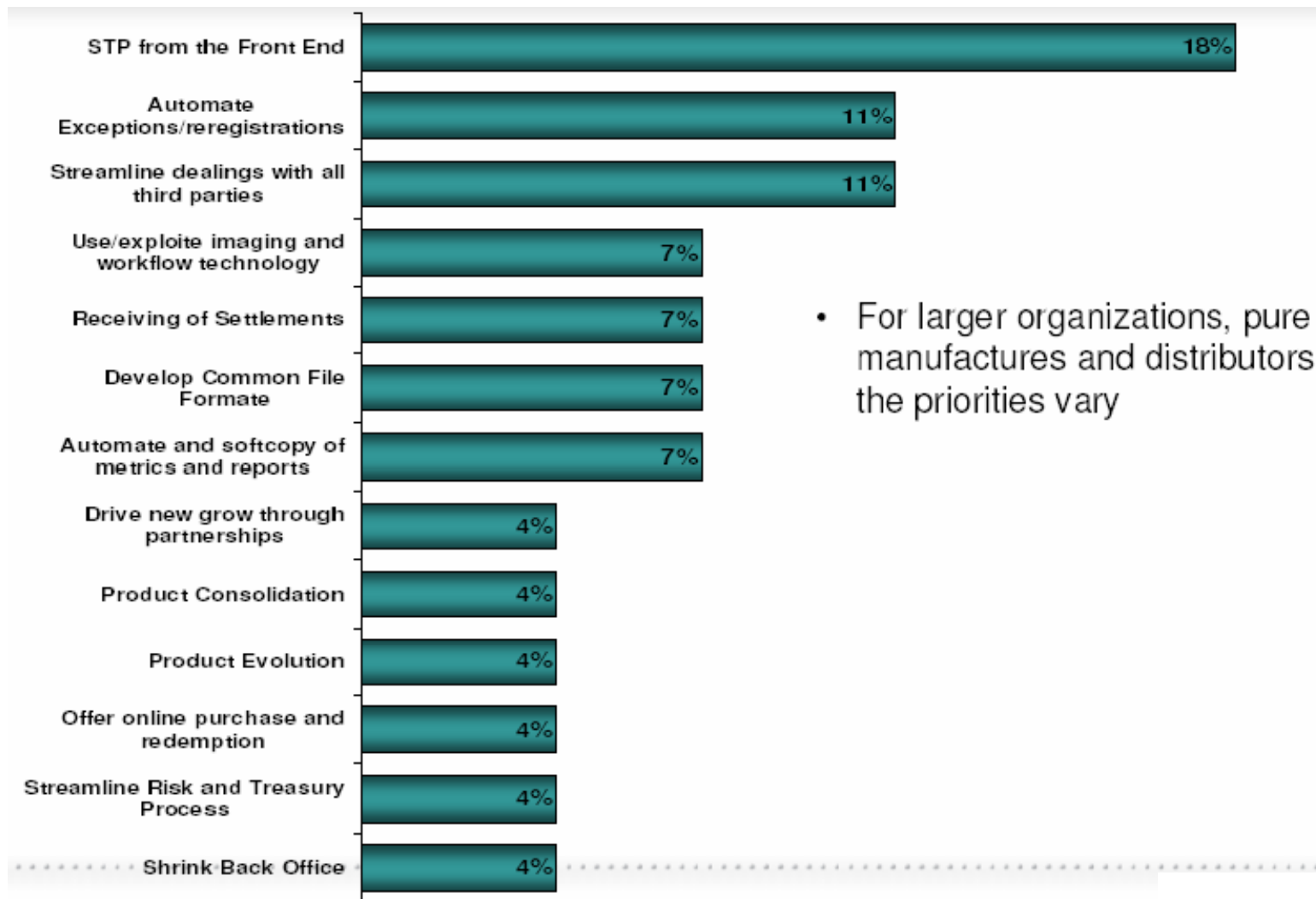
Paper Based at Point of Sale

- The 42% of respondents who reported having manual paper based application processes indicated that 20-40% of new product sales are rejected because of incorrect/incomplete applications
 - Other measures for these organizations include customer turn around and customer satisfaction



- Both STP at the point of sales and paper based organizations indicated that often GIC's are blended with other products and not track or reported on discretely.

For Organizations with Paper Based Applications the Priorities for the Future are Clear

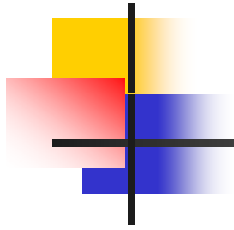


- For larger organizations, pure manufactures and distributors the priorities vary



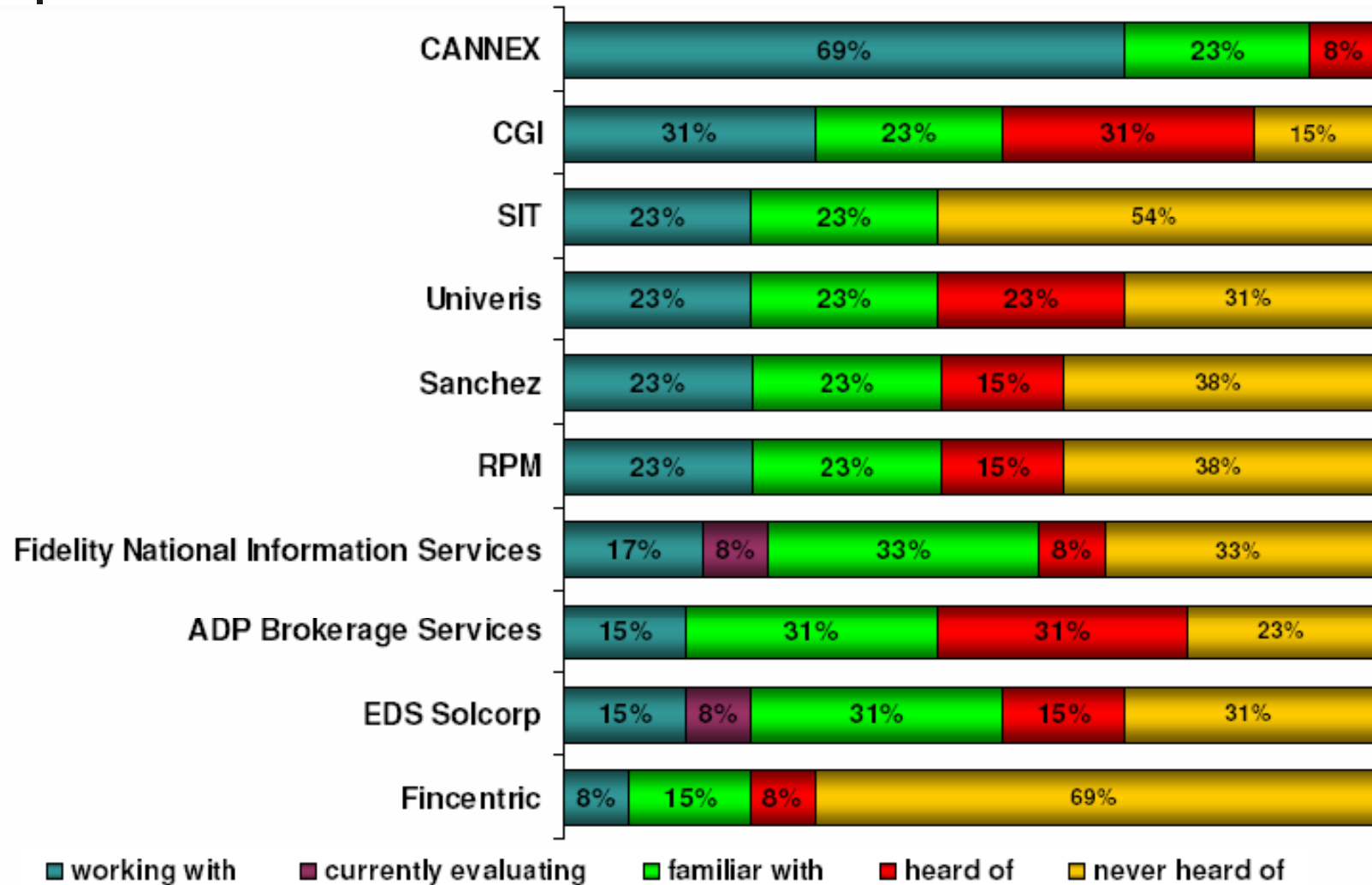
Satisfaction with Current Solution

- No one solution provider is dominating the market
- The majority of organizations are working from either home grown systems today or heavily customized versions of commercial solutions
- All but one organization reported being “somewhat satisfied” with the vendors they are currently working with
- The only dominant “vendor” is clearly CANNEX
- Only major issue is administrative work associated with account set-up, regulation (money laundering), transferable paper, reconciliation with 3rd parties, reassignment, estates, etc.



Vendor Overview

Vendor Familiarity



N=13



Vendor Observations

- **CGI** is well established within the Canadian Credit Union movement providing both ASP utility services and sales of it's core banking and investment plan administration solutions. Clients we interviewed were largely satisfied with CGI's solutions although organizations reported doing "extensive" in-house customization to the solution.
- **SIT** appears to have developed a reputation for bring solutions to market quickly and delivering value to it's growing list of independent financial advisors and brokerage industry clients. One respondent indicated that in their opinion SIT has "a really great solution" for the brokerage market. There have however been some concerns voiced about the applications ability to scale.
- **EDS Solecorp** Of the organizations we spoke to only the two insurers reported currently working with EDS Solecorp – not surprising given their origins in the market. Interesting one non insurance respondent indicated that they are currently evaluating ESD's solutons.
- **Univeris** continues to make inroads into the brokerage and wealth management market. While one of our respondents indicated that they had in effect "kicked the tires" on Univeris's GIC solution they indicated that they were no longer pursuing that option.



Vendor Observations

- **Fincentric** has by some estimates been able to secure approximately 30% of the Canadian Credit Union market with its retail banking application. Fincentric is currently in the process of migrating customers from its old (14 years old to be exact) Ovation front end to the new Wealthview platform. Fincentric enjoys name recognition and familiarity primarily in the Credit Union and Tier 2 space.
- **CANNEX** occupies a unique position in the Canadian investment market as a “toll bridge” between product manufacturers and the broker/dealer network. While CANNEX works extensively with a large portion of the Canadian manufacturers it has struggled to an extent to truly penetrate the broker dealer market with its order gathering system and does not have a settlement process. It seems many independent brokers prefer to deal directly with the issuing organization as opposed to routing these transactions through a 3rd party. Brokers sight concerns with customer privacy as the main impediment for declining this value added service. Its main order routing clients are the brokerage arms of the major banks.