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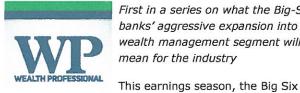
Big Six growth in wealth management points to more consolidation



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First in a series on what the Big-Six banks' aggressive expansion into the wealth management segment will mean for the industry

chartered banks all posted doubledigit growth in their wealth management operations and with expansion of the wealth segment outpacing that of their other business lines, you can expect them

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to continue to expand aggressively. That will make for some challenges for independent advisors and midtier terms in everything from gathering assets to recruiting junior staff.

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"There will definitely be consolidation, you are going to get

fewer and fewer firms around over the longer run and the banks will do very well because they are well capitalized and can buy up all of these dealers," said Daniel Popescu, president of Harbourfront Wealth Management in Vancouver. "The banks know that the independents will have a hard time, and they're just waiting to buy these guys up, but the independent players will always be there as long as they are creative, are good producers and think outside the box."

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Popescu is familiar with the independent, mid-tier and bank channels... and with being the target of an acquisition by one of the major lenders. He was a partner at Wellington West, which he and other partners sold to National Bank in 2011. He then spun-off Harbourfront from National and is now expanding nationally.

Popescu notes that the Big Six are constantly reaching out to mid-tier firms and independents with a pitch that it would be much easier for advisors to come under one of their umbrellas. "The banks will tell you that the independent model is very difficult right now - with compliance, increasing costs, IT and such, it's very difficult for independents to survive - and I would say there's some validity to that."

In a recent letter to members, Investment Industry Association of Canada president Ian Russell made a plea for regulators to support a "collapsing industry," noting that many advisory firms had shuttered or merged with bigger players. Given their recent earnings, Canada's Big Six would strongly object to describing the wealth management segment as 'collapsing. Indeed, the segment is proving to be among their key growth drivers.

In the wealth segment, BMO's earnings doubled in the third quarter, RBC's jumped 51%, CIBC's rose 34%, National Bank saw a 33% gain and Scotia's were up 18%. TD's earnings for the segment slipped, but this was due to the bank's reporting a combined "wealth and insurance" segment. With insurance stripped out, TD too saw double-digit growth.

The big banks have been an acquisition streak for several years - domestically, south of the border and internationally. National Bank picked up HSBC's Canadian advisory arm and Wellington West. Scotia picked up Dundee. In June, RBC said it will consider acquisitions of as much as \$5 billion to expand its wealth-management unit. Consolidation will continue and may accelerate as the banks will push their advantage.

With many of the major targets already acquired, the banks will likely start looking to acquire more of the independent players, said Marc Lamontagne of Ryan Lamontagne in Ottawa

"The banks see wealth management as an area of growth potential, and they've already bought all of the major brokerage firms and quite a few of the independent mutual fund dealer firms -Scotia bought Dynamic Funds," said Lamontagne. "I wouldn't be surprised if you saw more of these companies bought by the banks."

Murray Callaghan who runs the fee-based Callaghan Wealth Management in Campbell River, BC, also sees

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continuing acquisitions, though he doesn't expect it to impact independent operations.

"The bank earnings were good. A rising tide lifts all boats, so I'm not concerned. This is very much a business about relationships, so there will always be room for independent advisors," Callaghan said. Still, he sees more of a squeeze for mid-level operators. "In terms of the mid-sized firms, the big fish will eat the little fish."





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