

TSE News Releases

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THE TSE: TAKING STOCK

Remarks by
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to the

CANADIAN CLUB OF TORONTO

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Thank you Marilyn, for that generous introduction.

Looking around the room during lunch, it occurred to me that we have a good cross-section of the TSE's stakeholders in this audience. I want to say how much I appreciate seeing so many members of the TSE Board, along with some of our shareholders, TSE listed companies and some friends and former colleagues - all of whom have taken the time to be here -- as well as members of the public and the media who are here today.

Education is a key focus of our business and involving students in what we do is a tradition at the TSE -- one that we share with the Canadian Club.

I understand there are several tables of students here today and I'd like to welcome you as well. I would also like to encourage you to visit the TSE at our interactive visitor centre -- Stock Market Place -- if you haven't already done so.

Last week, William Thorsell, the new CEO of the Royal Ontario Museum spoke here and asked the question - what do you think of when you think of the ROM?

I'd like to begin my remarks by posing the same question about the TSE.

Because though at first blush the ROM and the TSE might seem to be poles apart, in fact we have rather a lot in common.

We both have stakeholders who are a broad cross-section of the community. We must both continue to attract customers, and we are both established institutions - former icons, I suppose - with the keen awareness that we must re-invent ourselves for changing times.

The ROM, stated Mr. Thorsell, is ready to embark on a Renaissance. And I wish him the best of luck. It is a great and exciting challenge - one that the TSE has already embarked upon. Sometimes I feel as though the TSE has been catapulted past the Renaissance, past the Age of Reason and into the next Revolution. This is, of course, the technology,

revolution and it will reshape the image Canadians have of our institution.

Since becoming TSE's president last year, and meeting with so many of our stakeholders across the country, I have been struck by the broad awareness and recognition factor of these three letters - TSE.

People may not always know exactly what we do or how we do it, but they associate TSE with the health of the economy, Canadian business and their own portfolio performance.

I have cousins in a remote area of northern New Brunswick and they know, just as friends and family in Toronto know, what the TSE300 did yesterday. And if it's down... they blame me for it!

Of course, I cannot and do not control the markets. That is one of the main reasons an exchange exists - to provide a fair, efficient and reliable market. And reliability is a key component to which I'll return in a moment.

But if the TSE's profile today is higher than it has ever been, I suspect that its image in the public mind has become blurred and uncertain. If I'm right, that is a tribute to just how rapidly the world is changing.

Because for almost 150 years now, the TSE has been Canada's leading stock exchange. For many Canadians, perhaps for most, it is virtually synonymous with our capital markets.

The TSE used to present three main images to the world. For many people - these images are what they still see today when they think of the TSE.

First there was the trading floor, where men in shirtsleeves and loud jackets signalled and shouted at each other in a language only they understood.

Then there was the handsome building on Bay Street, announcing to everyone that the TSE was an important institution. An institution with a mandate to keep a vital commodity circulating through the economy. It was really rather like a public utility.

And finally there was the image of the TSE as a closed and secretive club. A club for wealthy men, who had mostly been to the same schools and turned to brokerage as a way to fill in the empty hours before the golf course.

Some of these images were more accurate than others, but they all contained a certain amount of truth. The important point, however, is that today all three images are totally out of date.

The TSE's trading floor held its last session over three years ago. The private club mentality and rôle of the public institution have also disappeared as deregulation, technology and globalization have removed the competitive protection formerly awarded to any stock exchange.

The TSE today faces the same competitive forces exchanges all over the world are now challenged with - competition from other exchanges and alternative trading systems.

What's more, exchanges have this competition on a global scale as well as in their own backyard.

The TSE has long operated next to the largest capital market in the world, with some Canadian stocks also listed on the New York Stock Exchange and Nasdaq. In fact, over a 10-year period the interlisting phenomenon is virtually unchanged. Perhaps that is due to the TSE being able to attract more than 95 percent of new Canadian listings. Perhaps it's because the fastest growing sector on the TSE is in new economy companies.

I expect it's all of the above. We have, in other words, experience in successfully dealing with interlisted stocks -- a challenge that other exchanges around the world are only now beginning to see.

And of course we now have a new competitor in Canada. Nasdaq Canada has set up shop in Montreal at the invitation of the Quebec government. We are prepared.

Because for all of these reasons, the TSE has been undergoing a radical transformation.

Let me give you a bit of history. In 1977, the TSE was the first stock exchange in the world to introduce automation with its CATS trading system. We operated a dual system, both a trading floor and automation, until 1997 - only three years ago - when we became the first fully electronic exchange in North America.

In 1999 the TSE played a leading role in the realignment of Canada's stock exchanges. This resulted in the TSE becoming the senior equities market in the country, CDNX the market for junior equities and the Montreal Exchange, our Canadian derivatives market. Realignment has streamlined the trading process and eliminated duplication in Canada for both investors and listed companies.

And in April of this year, TSE became the first exchange in North America to demutualize. We are now TSE Inc., a for-profit, competitive business. We did this because demutualization establishes a more flexible and responsive business ownership structure difficult to achieve in a mutual organization.

It is also recognition that an exchange must be responsive to all its stakeholders - not just to the dealers - but to all its customers, as well as employees, shareholders and the communities it serves.

So the last twelve months in particular have seen dramatic change. As a result of becoming a for-profit company we are changing not only our corporate

structure, but our corporate culture as well.

We are reorganizing internally, making better use of people's expertise as well as bringing in new experts. People like our new CIO, John Cieslak. A person well-positioned to lead the crucial technology overhaul currently underway at the TSE.

And as you may appreciate - he is a very busy man these days because the TSE's top priority is to make sure our technology is sound, state-of-the-art and reliable.

On November 6th, we closed down the CATS terminals, which provided access to the exchange. This was a critical step to the next phase of installing the new trading engine, which we fully expect to be operational next year. I am fully committed, as is my management team, to providing our customers with the reliable, efficient service they deserve. And I am pleased to have the full support of our Board of Directors.

Strategic planning and the execution of those plans are also key to remaining competitive these days. John Carson, who was formerly our head of Regulation, is now senior vice-president of strategy and market development, Adam Conyers, who was formerly our CFO, is now running market services.

So we have a new corporate structure, new management, a new Board of Directors -- replacing the former Board of Governors -- and a new corporate strategy. And if all of the people are not new, the thinking is.

Because the TSE also has a new vision of what we are all about as a business, where we are going and where we must focus our attention and resources if we are to succeed.

And we will succeed even though the TSE, just as other stock exchanges around the world, seems to have become a lightning rod for attention.

One of the many reasons for this is that strong, reliable domestic exchanges still matter in this globalized world. Another is that people are more interested in stock exchanges and investing than ever before.

Technology, led by the Internet has helped to foster much of this interest. Until relatively recently, the ownership of shares was increasingly concentrated in the hands of institutional investors - mostly pension funds and mutual funds. Today, investment in equities is rapidly being democratized.

Demographics, discount brokers and the Internet have all brought the individual investor back into the market - and these investors - you -- are far more sophisticated and informed than ever before.

In fact, 49 percent of all Canadians are now shareholders. That number has more than doubled over the past ten years.

These investors have more information at their fingertips and greater access to technology than ever before.

And with information and access, investors have power. And they - you - are making demands on better and faster systems, demanding more and real-time information and taking a keen interest in your own investments.

This emerging group of investors, added to a long-running bull market, has only reinforced the TSE's high visibility.

When I was at a meeting of International Exchanges in Brisbane recently, the President of the Australian Stock Exchange told me that more people in his country were following the stock markets than Australian Rules Football - their national sport.

With the surge of interest seen here, it wouldn't surprise me if the same MIGHT be true in Canada. Although Hockey Night in Canada is a tough show to beat!

The London Stock Exchange is another example. Who would have dreamed even a few years ago that the dealings of a stock exchange would create such headlines around the world.

Who would have thought that a Swedish conglomerate would make a hostile bid for the London Stock Exchange -- as it did.

You may know that this particular bid was unsuccessful, but the London Stock Exchange remains in the news.

Let me quote from one of last week's Dow Jones articles: "For a public company that hasn't dumped oil into the sea or bankrupted a generation of retirees, the London Stock Exchange has generated more column inches and public fire than just about any other firm in Europe."

Now I raise this because the TSE has also received a great deal of attention. And even though the TSE is in reality no longer a "public institution" as such, the public cares, they are interested and they want satisfaction. The TSE must provide it.

And that's what we are doing.

We are taking stock. We've taken a good hard look at our company - both our strengths and our weaknesses.

We are focussing on what we do best to make sure the foundation is strong. Because even a brilliant strategy will not guarantee a future if you neglect what pays the bills today.

Now let me tell you what I think of when I think of the TSE.

I see in the future a vibrant new economy, high-tech company blending human skills with technology to create a strong, reliable and efficient electronic market.

I see a company in transition, positioning itself in a new competitive marketplace both domestically and globally -- A company with the advantages of strong brand recognition in Canada and international respect for its leadership and innovation in the industry of stock exchanges.

I see a company with a strong and vital workforce with expertise not only in its core equities business, but also in exchange regulation and market data.

I see a company that's proud of the performance of its listed companies who collectively have turned in one of the best performances in the world's markets this year.

An exchange whose daily transactions have almost doubled in the past year to more than 130 thousand transactions a day. An exchange that has set yearly trading records for 8 consecutive years.

I see a company committed to Integrity, Innovation, Fairness and Growth.

And I see the TSE as the leading provider of market services for Canada on a global basis. Through innovation, commitment and service we provide value and growth opportunities to our customers, shareholders and employees.

As for the immediate future? Interestingly, the increasing competition is also creating the need for greater co-operation in the securities industry. There is no question that the latest round of mergers, take-overs and alliances will continue between exchanges for a while still.

The TSE has joined an alliance. We are working closely with the New York Stock Exchange and six other major exchanges to create the Global Equity Market (GEM). GEM will represent over 60 percent of the world's market capitalization and operate in the three main trading time zones. The latest round of meetings was held in Europe just last week and discussions are continuing.

We will also continue to work closely with our colleagues, regulators and competitors to ensure that alternative trading systems and new entities like Nasdaq Canada are integrated into the Canadian landscape. Most importantly, we want to ensure that we are all on a level playing field in this new ballpark we're all creating.

That is how I see the TSE.

Thank you.

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