

SOUTH FINANCIAL GROUP INC

Form 425

June 18, 2010

Filed by The Toronto-Dominion Bank  
Pursuant to Rule 425 under the Securities Act of 1933  
and deemed filed pursuant to Rule 14a-12 under the  
Securities Exchange Act of 1934

Subject Company: The South Financial Group, Inc.  
Commission File No.: 0-15083

This filing, which includes (i) presentations made available to investors of The Toronto-Dominion Bank and on the website of The Toronto-Dominion Bank on June 17, 2010 and (ii) communications sent to employees of The Toronto-Dominion Bank on June 16, 2010 and June 17, 2010, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and comparable safe harbour provisions of applicable Canadian legislation, including, but not limited to, statements relating to anticipated financial and operating results, the companies' plans, objectives, expectations and intentions, cost savings and other statements, including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, and other similar expressions. These statements are based upon the current beliefs and expectations of our management and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: the ability to obtain the approval of the transaction by The South Financial Group, Inc. shareholders; the ability to realize the expected synergies resulting from the transaction in the amounts or in the timeframe anticipated; the ability to integrate The South Financial Group, Inc.'s businesses into those of The Toronto-Dominion Bank in a timely and cost-efficient manner; and the ability to obtain governmental approvals of the transaction or to satisfy other conditions to the transaction on the proposed terms and timeframe. Additional factors that could cause The Toronto-Dominion Bank's and The South Financial Group, Inc.'s results to differ materially from those described in the forward-looking statements can be found in the 2009 Annual Report on Form 40-F for The Toronto-Dominion Bank and the 2009 Annual Report on Form 10-K of The South Financial Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's Internet site (<http://www.sec.gov>).

The proposed merger transaction involving The Toronto-Dominion Bank and The South Financial Group, Inc. will be submitted to The South Financial Group, Inc.'s shareholders for their consideration. The Toronto-Dominion Bank and The South Financial Group, Inc. have filed with the SEC a Registration Statement on Form F-4 containing a preliminary proxy statement/prospectus and each of the companies plans to file with the SEC other documents regarding the proposed transaction. **Shareholders are encouraged to read the preliminary proxy statement/prospectus regarding the proposed transaction and the definitive proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC because they contain important information.** Shareholders may obtain a free copy of the preliminary proxy statement/prospectus, and will be able to obtain a free copy of the definitive proxy statement/prospectus when it becomes available, as well as other filings containing information about The Toronto-Dominion Bank and The South Financial Group, Inc., without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the definitive proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the definitive proxy statement/prospectus can also be obtained, when available, without charge, by directing a request to TD Bank Financial Group, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations, 1-866-756-8936, or to The South Financial Group, Inc., Investor Relations, 104 South Main Street, Poinsett Plaza, 6th Floor, Greenville, South Carolina 29601, 1-888-592-3001.

The Toronto-Dominion Bank, The South Financial Group, Inc., their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank's directors and executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2009, which was filed with the Securities and Exchange Commission on December 03, 2009, its notice of annual meeting and proxy circular for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on February 25, 2010, and the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010. Information regarding The

Edgar Filing: SOUTH FINANCIAL GROUP INC - Form 425

South Financial Group, Inc.'s directors and executive officers is available in The South Financial Group, Inc.'s proxy statement for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on April 07, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010, and other relevant materials to be filed with the SEC when they become available.

---

**THE FOLLOWING IS A PRESENTATION MADE AVAILABLE TO INVESTORS OF THE  
TORONTO-DOMINION BANK AND ON THE WEBSITE OF THE TORONTO-DOMINION BANK ON  
JUNE 17, 2010.**

---





























































































**THE FOLLOWING IS A PRESENTATION MADE AVAILABLE TO INVESTORS OF THE  
TORONTO-DOMINION BANK AND ON THE WEBSITE OF THE TORONTO-DOMINION BANK ON  
JUNE 17, 2010.**

---





























































































**THE FOLLOWING IS A COMMUNICATION SENT TO EMPLOYEES OF THE TORONTO-DOMINION BANK ON JUNE 17, 2010.**

**1. TD cooks up burger joint plan for new U.S. outlets** The Globe and Mail

Toronto-Dominion Bank (TD-T73.21-0.27-0.37%) has a plan to keep costs in check as it expands across the eastern United States by turning old burger joints and chicken outlets into bank branches. (Bharat Masrani, Group Head, U.S. Personal and Commercial Banking, TD quoted) [See full story](#)

**2. TD Bank sees \$1.6 bln profit from US unit in 3 yrs** Reuters (also in The National Post)

Toronto-Dominion Bank (TD.TO) is targeting \$1.6 billion in annual earnings from its U.S. retail bank in three years, more than double last year's levels, it said in an investor presentation on Wednesday. (TD mentioned) [See full story](#)

**3. Flaherty says financial reform should focus on capital and leverage** Reuters

The focus of the financial sector reform push by the Group of 20 wealthy and emerging countries should be on bank capital and leverage standards, Canadian Finance Minister Jim Flaherty said on Wednesday. [See full story](#)

**4. Canadian banks still at risk in a global downturn** The National Post

Despite their recent stellar performance, Canada's banks could face serious challenges that will affect their results if the global economy deteriorates [See full story](#)

**5. Taxman may forgive TFSA rule breakers** The Globe and Mail

The Canada Revenue Agency is quietly willing to consider providing relief for people who accidentally contributed too much to their Tax-Free Savings Accounts and now face penalties that could amount to hundreds of dollars. (Kelly Hechler, Corporate and Public Affairs, TD quoted) [See full story](#)

**6. 81-406 : la mise en oeuvre commence [81-406: Implementation begins]** Finance et Investissement

Les Autorités canadiennes en valeurs mobilières (ACVM) ont annoncé jeudi comment elles planifiaient de mettre en place le nouveau régime d'information au moment de la souscription de fonds. [The Canadian Securities Administrators (CSA) announced on Thursday how they planned to implement the new disclosure regime when subscribing to funds.] [See full story](#)

**7. Rate hike not a given: Carney; Home sales slump** The National Post

Bay Street economists are betting the Bank of Canada will raise interest rates again in July even though the central bank governor reinforced yesterday that more hikes are no sure bet as government austerity threatens global growth. (Eric Lascelles, Chief Economist and Rates Strategist, TD Securities quoted) In a speech in Charlottetown, Mark Carney said &... [See full story](#)

**8. Morgan Stanley ramps up e-trading** The Globe and Mail (Streetwise)

[See full story](#)

**9. UK to restructure financial services regulation** Investment Executive

The UK's new chancellor of the exchequer, George Osborne, announced plans to abolish the Financial Services Authority, and restructure regulation in response to the financial crisis. [See full story](#)

**10. End Is Seen to Free Checking** The Wall Street Journal

Bank of America Corp. and other banks are preparing new fees on basic banking services as they try to replace revenue lost to regulatory rules, in a push that is expected to spell an end to free checking accounts for many Americans. [See full story](#)

**11. Steadyhand championne des familles de fonds communs [Steadyhand is champion family of mutual**

**funds]** La Presse

Les familles de fonds communs de placement les mieux gérées au Canada sont des secrets bien gardés. C'est ce qui ressort d'un nouveau palmarès dévoilé aujourd'hui par Morningstar Canada qui a scruté 27 familles de fonds, pour leur attribuer une «note de gérance». [The best managed families of mutual funds in Canada are well-kept secrets. This is the case according to a new ranking released today by Morningstar Canada, who had scrutinized over 27 families of funds in order to give them a Stewardship award ] (TD mentioned) [See full story](#)

**12. Ex-clients back trader in appeal to set up one-man firm** The Chronicle-Herald (Halifax)

Former investment clients came to praise Frederick Thomas Saturley, not bury him, at a hearing Wednesday appealing a Nova Scotia Securities Commission decision preventing him from setting up a wealth management business. (TD mentioned) [See full story](#)

**13. Seniors and Stocks** The Globe and Mail

Why not just put all your money in GICs? Patricia Lovett-Reid explains in this Let's Talk Investing video (Patricia Lovett-Reid, SVP, TD Waterhouse interviewed) [See full story](#)

**Looking for TD's view on articles about the bank or the financial industry? Visit [TD News & Views](#) for background on some stories of the moment that may come up in your discussions with customers, colleagues and friends.**

**Vous cherchez des opinions et des articles de la TD au sujet du secteur bancaire ou financier? Visitez [Nouvelles et Opinions de la TD](#) pour y trouver de l'information sur certains sujets d'actualité qui peuvent être évoqués dans vos discussions avec des clients, des collègues et des amis.**

**Full Stories**

**1. TD cooks up burger joint plan for new U.S. outlets**

The Globe and Mail

06/17/2010

GRANT ROBERTSON

**Toronto-Dominion Bank** (TD-T73.21-0.27-0.37%) has a plan to keep costs in check as it expands across the eastern United States by turning old burger joints and chicken outlets into bank branches.

Embarking on a major push south of the border, **TD** told analysts Wednesday it is looking to more than double U.S. profits to \$1.6-billion (U.S.) over the next three years. During that time, Canada's second-largest bank will also open 200 new U.S. branches.

Rather than build from scratch, though, **TD** is looking to renovate, since fast food restaurants come with a few key ingredients the bank finds attractive.

The parking is there, the access is there, [and] most of these fast food restaurants already have a drive-through, so it's a perfect fit for us, said Fred Graziano, head of **TD**'s retail banking division.

The plan is us thinking a little bit outside the box, he told an investor presentation in New York.

**TD** is betting big on the U.S., where it has expanded aggressively in the past several years, amassing a network of nearly 1,200 branches in 15 states, roughly the same number it has in Canada.

The bank told analysts that it plans to boost profit from its U.S. operations through acquisitions, new branch expansion and fewer loan losses. Most of its new branches will come in key markets such as Florida and New



England, where **TD** has a significant presence.

Boosting its U.S. profit to \$1.6-billion would be a significant jump from the \$781-million profit the U.S. operations reported on Oct. 31, at the end of the last fiscal year.

However, **Bharat Masrani**, **TD**'s head of U.S. consumer banking, said the bank expects to benefit from an improving economy and lower loan losses in the years ahead. Loan losses are projected to return to more normal levels of about \$300-million as customers are better able to keep up with payments.

We are extremely well-positioned along the Eastern Seaboard, and have a strong platform from which to accelerate our growth, Mr. Masrani told analysts.

**TD**'s retail footprint covers much of the coast from Maine to Florida. In May, the bank bought South Financial Group Inc. for about \$192-million in cash and stock, giving it branches in Florida and the Carolinas.

In April, it acquired three Florida banks placed in receivership by U.S. regulators. The purchase of Riverside National Bank of Florida, First Federal Bank of North Florida and AmericanFirst Bank, gave **TD** 69 new U.S. branches, and a platform from which it hopes to build.

Prior to the deals, **TD** had about 30 locations in Florida, which the bank told analysts is among the most deposit-rich states in the U.S., and one of the wealthiest. Florida is the latest frontier in **TD**'s \$15-billion string of U.S. acquisitions over the past five years that has seen it expand branches from Boston to New York.

The struggling banks **TD** bought in Florida were purchased through deals struck with the U.S. Federal Deposit Insurance Corp. Under the deal, the bank paid face value for the assets, but the FDIC agreed to pick up at least half of the losses from future failed loans, if they occur.

[Return to Top](#)

## **2. TD Bank sees \$1.6 bln profit from US unit in 3 yrs**

Reuters (also in The National Post)

06/17/2010

CAMERON FRENCH

**Toronto-Dominion Bank** (TD.TO) is targeting \$1.6 billion in annual earnings from its U.S. retail bank in three years, more than double last year's levels, it said in an investor presentation on Wednesday.

According to figures on the bank's website to be used in a presentation in New York, the profit growth will be driven by acquisitions, organic growth and lower loan losses.

Adjusted earnings from **TD Bank**'s U.S. unit, totaled \$781 million in 2009.

**TD**, Canada's No. 2 bank, entered the U.S. sector in 2005, when it bought 51 percent of east coast banker Banknorth.

**TD** has since made more acquisitions and has more than 1,200 branches in 15 eastern states.

**TD**'s shares were down 10 Canadian cents at C\$73.38 on Wednesday on the Toronto Stock Exchange.

[Return to Top](#)

### **3. Flaherty says financial reform should focus on capital and leverage**

Reuters

06/17/2010

The focus of the financial sector reform push by the Group of 20 wealthy and emerging countries should be on bank capital and leverage standards, Canadian Finance Minister Jim Flaherty said on Wednesday.

The fundamental point on financial sector reform is getting standards right on quality and quantity of capital and caps on leverage. And we've been working hard on that subject as a group aiming toward that common goal, he said.

That's the key, because this crisis arose out of excessive risk-taking, so we need to address that big issue. That's the main issue, we shouldn't be distracted by side issues, he told reporters in Ottawa.

[Return to Top](#)

### **4. Canadian banks still at risk in a global downturn**

The National Post

06/17/2010

JOHN GREENWOOD

Despite their recent stellar performance, Canada's banks could face serious challenges that will affect their results if the global economy deteriorates.

While global growth will most likely stay on track in coming months, investors should be aware that downside risk could be meaningful if concerns around European sovereign debt and other issues fail to get resolved, said Murray Leith, an analyst at Odlum Brown Ltd.

In a note to clients Mr. Leith said Canadian bank stocks have enjoyed a remarkable recovery with the S&P/TSX Diversified Bank Index more than doubling since the dark days of the financial crisis last year.

But the banks are now fully priced, especially compared to their global peers.

Given the premium level of valuation, there is not a lot of room for error, he said.

Mr. Leith continues to rate the stocks as a Buy but he said he has modestly lowered his price targets based on the assumption that global economic growth will slow somewhat in coming quarters but will not fall off track.

In the wake of the crisis both the banks themselves and their regulators have taken credit for the relatively small losses experienced by the sector, but according to Mr. Leith, luck also played a role, as the Canadian economy was helped significantly by resurgent commodity prices in the immediate aftermath of the meltdown.

He said the banks now face several major risks that could come into play if the economic picture turns negative, including high consumer debt levels, the potential for a correction in an already frothy housing market, and the possibility of economic troubles in China.

While we do not foresee imminent danger from any of these four factors, they are risks that could potentially undermine bank share prices at some point in the future, he said.

[Return to Top](#)

## 5. Taxman may forgive TFSA rule breakers

The Globe and Mail

06/17/2010

ROB CARRICK

The Canada Revenue Agency is quietly willing to consider providing relief for people who accidentally contributed too much to their Tax-Free Savings Accounts and now face penalties that could amount to hundreds of dollars. Just over 70,000 people have received CRA notices telling them they owe penalty taxes because of overcontributions to their TFSAs. In large part, these cases involve simple misunderstandings of the limits on how much can be contributed to a plan each year.

Rule One: The most you can put in a TFSA annually is \$5,000.

Rule Two: In any calendar year, this limit applies even if you take money out of your account. Oblivious to these points, many people shunted money in and out of their TFSAs like they were savings accounts.

For example, someone might have put \$5,000 in a TFSA early in 2009, taken out \$4,000 at some point, then replaced it within a month or two rather than doing the right thing and waiting until the next year. The \$4,000 repayment is considered an overcontribution in this case, and it's subject to a penalty of 1 per cent a month.

That's the letter of the law, anyway. In practice, CRA is saying that relief may be available for people who mistakenly overcontributed to a TFSA.

Because we are reviewing each and every [situation] on a case-by-case basis, it's correct to say that relief may be provided, CRA spokeswoman Caitlin Workman said Wednesday. Each case will be looked at with the facts at hand, so I'm a little wary of issuing a blanket statement. If it was truly an error that's what we tend to look at.

People also got themselves into difficulties with CRA by withdrawing money from a tax-free account and then putting it in a TFSA at another financial institution. It's perfectly fine to do what's called a direct transfer of a TFSA from one firm to another, just as people commonly do with registered retirement savings plans. The problem lies in first withdrawing cash from a TFSA and then moving it to a new account in the same year.

The TFSA overcontribution mix-up is ironic when you consider that these accounts are so often described as being both simple and flexible. In the federal budget announcing the debut of these plans on Jan. 1, 2009, TFSAs were described as offering full flexibility to withdraw and re-contribute. Elsewhere, the budget documents said the TFSA will also provide seniors with a savings vehicle to meet any ongoing savings needs.

Thousands hit with TFSA tax penalties. More than 70,000 Canadians misunderstood rules, contributed more than allowed. The big banks also have a role in the confusion, given that they held about 75 per cent of the \$15.8-billion in TFSA assets at the end of last year. How is that tens of thousands of bank clients were breaking the overcontribution rules?

As a new type of registered plan that is still in its early days, there's clearly been some confusion about the rules, which is regrettable ... , **Kelly Hechler, a spokeswoman for Toronto-Dominion Bank** said in an e-mail. Although we informed and tested sales staff on the rules, including overcontribution, clearly all parties could have done a better job of explaining the rules in promoting this valuable tax savings vehicle.

**Ms. Hechler** said that for customers who mistakenly overcontributed to their TFSAs, **TD** is explaining how to apply

---

for taxpayer relief. The bank is also taking steps to make sure that customers are aware of contribution rules in future. Royal Bank of Canada said it has encouraged clients to consider the TFSA as an investment account for short- and long-term goals, not as a savings account.

Our internal and external communications materials have been clear about the withdrawal rules and TFSA contribution room, the bank said in an e-mailed statement.

TFSA confusion leads to costly penalties for 70,000

Investors who miss the fine print on tax-free savings accounts can easily end up with an over-contribution TFSA overcontribution penalties must be paid by June 30 or further charges will apply. If you're fighting a formal assessment saying you must pay a penalty, try an RC4288 Request for Taxpayer Relief form. It's worth noting that the legislation for TFSAs specifically mentions that these charges can be waived or cancelled if found to be due to a reasonable error.

That's important because in a lot of areas, CRA doesn't have the discretion to waive penalties, said Ryan Keey, a chartered account who writes for a tax information service published by Thomson Reuters.

Mr. Keey said his wife's sister has received notice of a TFSA overcontribution penalty. He suggested she pay the penalty to avoid any further charges, and then write a letter making a case to have it refunded.

[Return to Top](#)

## **6. 81-406 : la mise en oeuvre commence [81-406: Implementation begins]**

Finance et Investissement

06/17/2010

Les Autorités canadiennes en valeurs mobilières (ACVM) ont annoncé jeudi comment elles planifiaient de mettre en place le nouveau régime d'information au moment de la souscription de fonds.

L'aperçu du fonds se veut l'élément central du nouveau régime d'information. Rédigé en langage simple et ne faisant pas plus de deux pages, ce document expose les avantages, les risques et les coûts éventuels d'un placement dans un fonds. Selon les modifications proposées, les investisseurs recevraient l'aperçu du fonds lorsqu'ils achèteraient pour la première fois des parts.

L'ACVM avoue toutefois que, bien qu'ils appuient la mise en place de l'aperçu du fonds, les intervenants interrogés dans l'industrie s'inquiètent de la transmission du document au moment de la souscription.

« Une mise en place progressive du programme nous permettra d'introduire l'aperçu du fonds tandis que nous explorons toutes les options qui s'offrent en matière de transmission d'information au moment de la souscription de titres de fonds d'investissement comparables. », explique Jean St-Gelais, président des ACVM et président-directeur général de l'Autorité des marchés financiers (AFM) du Québec.

La mise en oeuvre sera faite en trois étapes. Les ACVM publieront d'ici décembre 2010 des dispositions prévoyant l'obligation pour les sociétés de gestion d'afficher l'aperçu du fonds sur leur site Web et de le transmettre aux investisseurs qui le demandent. Ces dispositions devraient entrer en vigueur au début de 2011.

Les ACVM souhaitent ensuite publier une proposition, aux fins de consultation, visant à remplacer l'envoi du

---

prospectus simplifié par celui de l'aperçu du fonds.

[Return to Top](#)

### **7. Rate hike not a given: Carney; Home sales slump**

The National Post

06/17/2010

PAUL VIEIRA

Bay Street economists are betting the Bank of Canada will raise interest rates again in July even though the central bank governor reinforced yesterday that more hikes are no sure bet as government austerity threatens global growth. In a speech in Charlottetown, Mark Carney said considerable uncertainties remain in the global economy, and that the paring back of debt among households, banks and countries had barely begun, and will ... temper the pace of global growth.

The central bank raised its key interest rate by 25 basis points on June 1, based on stronger-than-anticipated domestic growth. Prior to yesterday's speech, the betting among economists and traders was for Mr. Carney to increase rates again on July 20.

Mr. Carney, however, appeared to dampen expectations yesterday, arguing any further removal of stimulus from the strongest Group of Seven economy over the next two years had to be balanced against global developments.

In light of the scale and volatility of these conflicting forces, Mr. Carney said, it should be evident that no particular path for monetary policy is preordained.

Still, economists said they believed there is enough justification to raise rates again in July and beyond. Certainly all is not perfectly normal in the world, but for now the [worries] are just risks as opposed to the base case, said Eric Lascelles, chief Canadian strategist at TD Securities.

Traders were of the same mindset, as they still priced in a 85% to 90% chance of a July rate hike after the speech concluded.

There's been very little impact from Carney's remarks on market expectations, said Mark Chandler, head of fixed-income and currency strategy at RBC Capital Markets.

The underlying message of Mr. Carney's speech is still more consistent with further quarter-point hikes at each of the next few meetings than any other course of action, Avery Shenfeld, chief economist at CIBC World Markets, said. However, he suggested the central bank might opt to pause later this year once growth in Canada slows down. Still, Mr. Carney comes down quite positively on Canadian growth, and thinks that while recent months have exaggerated the strength of the outlook, recent headlines are too dire, Mr. Shenfeld added.

Still, figures showed yesterday that one of the key drivers to date for the Canadian economy, the housing market, has slowed. Canadian existing home sales fell a seasonally adjusted 9.5% in May, and are now down from year-ago levels after producing eye-popping gains of more than 60% in late 2009.

But it is concern abroad, especially in Europe, which has the Bank of Canada hedging its bets. For instance, the Financial Times reported Spain's banks borrowed record amounts from the European Central Bank last month.

---

Plus, there were rumours later denied that Spain was in talks with the United States, International Monetary Fund and the European Union to get access to additional funds through a line of credit. This helped pull the euro down from a two-week high.

Mr. Carney said recent financial tensions in Europe are likely to result in higher borrowing costs and more rapid tightening of fiscal policy in advanced economies ... Without countervailing policies, this could lead to a more protracted recovery.

Those policies include efforts among Group of 20 economies whose leaders meet in Toronto next weekend to address the unwinding of global trade imbalances to ensure sustainable and balanced growth, credible plans to get budget deficits to more manageable levels, liberalized exchange-rate policies, especially in emerging Asian economies, and financial reforms that would require banks to hold more capital and limit leverage.

[Return to Top](#)

### **8. Morgan Stanley ramps up e-trading**

The Globe and Mail (Streetwise)

06/17/2010

ANDREW WILLIS

Electronic trading got more competitive on Wednesday, as Morgan Stanley ramped up the services it offers to Canadian investors.

The Wall Street firm wants to boost its share in the fastest growing segment of equity markets, as both the traditional institutional crowd and the new breed of high frequency traders embrace computer-driven buying and selling.

Morgan Stanley rolled out specialized Canadian coverage that it brands as Interlisted SORT, a bundle of services that include algorithmic, high speed order routing systems that find clients the best price for stocks on any exchange, and direct market access.

Entrenched global competitors in this field include Credit Suisse, one of the strongest electronic players in Canada, and specialized firms such as ITG Canada. In addition, the bank-owned Canadian houses such as CIBC World Markets are building electronic muscle on equity desks.

Electronic trading is growing at a double-digit pace in Canada, yet it accounts for half the volume of buying and selling seen in the U.S. market. The universal expectation on the Street is for greater reliance on the machines, due to lower costs and great efficiency.

Morgan Stanley global co-head of electronic trading Andrew Sivlerman said Wednesday that his firm is fully committed to servicing the Canadian marketplace and we plan to continually enhance our industry-leading electronic trading platform.

As the Canadian market becomes more fragmented and electronic, financial institutions require the necessary technology and services to find the best liquidity at the best price, said Mr. Silverman in a press release.

[Return to Top](#)

### **9. UK to restructure financial services regulation**

Investment Executive

06/17/2010

The UK's new chancellor of the exchequer, George Osborne, announced plans to abolish the Financial Services

---

Authority, and restructure regulation in response to the financial crisis.

In a speech at The Lord Mayor's Dinner for Bankers & Merchants of the City of London, Osborne said that his government will abolish the FSA, giving prudential regulation to the Bank of England, and setting up a new conduct regulator.

Osborne plans to create a new prudential regulator, which will operate as a subsidiary of the Bank of England, to carry out the prudential regulation of financial firms, including banks, investment banks, building societies and insurance companies. It will also create an independent Financial Policy Committee at the Bank, which will have the tools and the responsibility to look across the economy at the macro issues that may threaten economic and financial stability. The government will create a new Consumer Protection and Markets Authority to regulate the conduct of authorized financial firms providing services to consumers. It will also be responsible for regulating the conduct of firms in the UK's retail and wholesale financial services business.

It also plans to create a single agency to take on the work of tackling serious economic crime that is currently dispersed across a number of government departments and agencies.

The regulatory restructuring process will be completed in 2012, he said, adding that he has asked Hector Sants to remain at the FSA to oversee the transition and become the first new deputy governor and chief executive of the new prudential regulator.

Additionally, Osborne said that he will introduce a bank levy and demand further restraint on pay and bonuses at the country's banks. It is also establishing an independent commission on the banking industry to look at the structure of banking in the UK, the state of competition in the industry, and how customers and taxpayers can be sure of getting the best deal.

FSA welcomes proposed changes

In response to the announcement, the FSA released a statement from its chair, Lord Adair Turner, welcoming the proposed changes. The FSA now has the clarity of direction and timescale as well as the leadership that we need to meet the challenges ahead, he said.

The crisis demonstrated the need for new regulatory approaches and more intense supervision, and the FSA has already implemented major change, Turner said.

On retail customer protection, the FSA has recognized the need for a shift in our past approach, moving to the more interventionist approach which we set out in our recently published Retail Conduct Strategy. The new Consumer Protection and Markets Authority will have a strong focus on this challenge, while also maintaining strong focus on conduct issues in wholesale products, he added.

He noted that the crisis also demonstrated, the need to bridge the gap between macro-prudential policy and the supervision of individual firms. And, he said, The chancellor's proposals for prudential regulation will enable us to do that, while building on the major changes we have made over the last few years. The timescale will enable us to manage the transition in a smooth and orderly way.

Turner noted that there are important issues still to be resolved such as the arrangements for its enforcement activities and for markets activities that relate to exchanges, clearing infrastructure and prudential issues. We look forward to working closely with the government in considering the relative merits of different possible arrangements for these. But the overall future shape of financial regulation is now much clearer and we are in a strong position to create a future regulatory system which builds on the FSA's achievements over the last few years of major change, Turner concluded.

---

[Return to Top](#)

## **10. End Is Seen to Free Checking**

The Wall Street Journal

06/17/2010

ROBIN SIDEL And DAN FITZPATRICK

Bank of America Corp. and other banks are preparing new fees on basic banking services as they try to replace revenue lost to regulatory rules, in a push that is expected to spell an end to free checking accounts for many Americans.

Free checking accounts, which have been widely available for more than a decade, have been a boon to middle-class consumers and attracted low-income customers to the banking system for the first time.

Customers will likely be required to pay new monthly maintenance fees on the most basic accounts that don't generate a lot of activity. To avoid a fee, customers will have to maintain certain account balances or frequently use other banking services, such as credit and debit cards, automated teller machines and online accounts.

If you put \$1,000 in a checking account and don't do anything with it, it will be hard to get that for free, says Sherief Meleis, a managing director at Novantas LLC, a consulting firm that advises banks.

Some consumer advocates warn the new fees will whack consumers who now manage their bank accounts to avoid such charges. Just because you made a lot of money on overdraft fees doesn't mean you deserve the income and doesn't mean you need the income, said Ed Mierzwinski, director of the consumer program for the U.S. Public Interest Research Group, a liberal lobbying group, in Washington.

The transformation of checking accounts comes at a time when banks are bouncing back from the steepest financial losses in a generation and are facing new regulations. To accelerate that recovery and recoup losses from new banking rules, financial institutions are increasingly leaning on customers who don't now generate enough revenue for the bank.

More than half of all checking accounts are currently unprofitable, according to a report issued last month by Celent, a unit of Marsh & McLennan Cos. It costs most banks between \$250 and \$300 a year to maintain one of the roughly 200 million checking accounts, according to industry estimates.

The situation is especially critical for Charlotte, N.C.-based Bank of America, which stands to lose more revenue than most other big banks because it is in the process of dismantling its checking-overdraft program in the face of new restrictions. Starting this summer, banks must receive customer permission before they can charge for overdrafts. But Bank of America has decided to drop most of its program altogether. The nation's largest bank, as measured by assets, said largely because of recent changes to its overdraft policy, it will forgo \$600 million in revenue this year.

To generate new revenue, Bank of America is quietly testing new pricing models throughout the U.S., with most changes expected in early 2011. Executives have ruled out a flat monthly fee for all customers and are developing a tiered structure that encourages customers to increase banking activity or use other services to avoid future charges. Bank of America customers who only want a low-volume checking account will likely be asked to pay for it. Fees will likely be waived for customers who keep their balances high, use bank credit cards or tap its investment

---



advisers. Bank executives declined to discuss specifics of the plan saying it is still being formulated.

Customers will have a choice, Bank of America Chief Accounting Officer Neil Cotty told analysts in April, of bringing more relationships to us or paying a maintenance fee.

Banks say they stand to lose billions of dollars in revenue from separate new restrictions on credit cards and overdraft transactions that were announced earlier this year. They could lose even more from legislation winding its way through Congress. The Senate version of the financial industry overhaul bill, currently being reconciled with the House version, contains an amendment that could limit fees banks charge to merchants for debit-card transactions. Financial institutions warn that such a measure would trigger higher fees on basic banking products, as well as the loss of rewards programs that are tied to debit-card use. U.S. banks collected \$9.4 billion in banking fees in the first quarter, representing 16.5% of all noninterest income, according to the Federal Deposit Insurance Corporation. The new regulations could reduce the industry's service fee revenues by as much as 20%, according to Sandler O'Neill + Partners, an investment firm that specializes in the banking industry. Bank of America's service charges are 12% of revenues, excluding securities gains, and a 20% drop in such fees would mean a loss of \$2.2 billion for the bank, according to Sandler O'Neill.

It isn't clear if new fees under consideration would completely make up for revenue that will be lost as a result of regulation. But banks aren't waiting to find out. We're not sitting around to get caught off guard, Ed Barham, chief executive of Stellar One Corp., recently told investors. The Charlottesville, Va.-based bank, he said, is driving other sources of revenue, of fee income at the retail side especially.

Fifth Third Bancorp, a large regional bank based in Cincinnati, dropped its free checking account late last year and now offers packages that bundle checking with other services, such as fraud alerts, debit rewards or brokerage discounts for fees of up to \$15 a month. The fee can only be waived with a certain type of checking account. TCF Financial Corp., a Wayzata, Minn., bank that used totally free checking as its slogan, eliminated its free checking account earlier this year and replaced it with an account that charges a monthly \$9.95 maintenance fee. The bank will waive the fee if a customer keeps a certain minimum balance or has direct deposit.

Banks typically didn't charge for checking in the 1970s, but began imposing fees in the early 1980s to offset higher interest rates they were paying on savings accounts. That changed in 1986 when TCF began promoting a free checking account. By the late 1990s, most banks had followed suit.

The offers of free checking without any minimum balance requirements attracted a new wave of low-income customers, who previously went to check-cashing stores. Some consumer advocates have warned that the elimination of free checking could drive some of those customers out of the banking system.

From the banks' perspective, though, many of those customers aren't profitable. The recent report from Celent suggested that banks can look beyond checking accounts to impose other fees. The report warned, however, that banks need to be careful not to alienate good customers.

[Return to Top](#)

**11. Steadyhand championne des familles de fonds communs [Steadyhand is champion family of mutual funds]**

La Presse

---

06/17/2010

STEPHANIE GRAMMOND

Les familles de fonds communs de placement les mieux gérées au Canada sont des secrets bien gardés. C'est ce qui ressort d'un nouveau palmarès dévoilé aujourd'hui par Morningstar Canada qui a scruté 27 familles de fonds, pour leur attribuer une «note de gérance».

Le top 10 est dominé par des petites firmes comme Mawer (2,7 milliards de dollars d'actifs), Chou (850 millions) ou encore Leith Wheeler (340 millions) qui occupent respectivement les deuxième, troisième et cinquième rangs.

«Les petites familles ont tendance à avoir une culture d'entreprise très forte, à être plus transparentes, à prélever des frais inférieurs», explique David O'Leary, directeur de l'analyse des fonds communs chez Morningstar.

La palme revient Steadyhand qui gère à peine 100 millions d'actifs, à l'intérieur de cinq fonds. La firme a été fondée en 2007 par Tom Bradley, ex-patron de la famille Phillips Hager & North, acquise par la Banque Royale. Steadyhand est une firme à contre-courant, qui distribue ses fonds directement aux investisseurs, ce qui permet d'éliminer les commissions versées aux courtiers et de réduire les frais annuels.

D'ailleurs, plusieurs familles qui figurent en haut du classement misent sur ce modèle d'affaires, notamment Beutel Goodman, Leith Wheeler et McLean Budden.

Par contre, certaines grandes firmes obtiennent aussi une bonne note. C'est le cas de Capital International, puissante firme américaine présente au Canada depuis 2000, qui se classe au quatrième rang. Invesco Trimark et Manuvie font aussi bonne figure, avec la neuvième et la dixième positions.

On ne peut pas en dire autant des familles des six grandes banques qui gèrent presque la moitié des 600 milliards d'actifs de l'industrie des fonds au Canada. La famille de la Banque TD est celle qui s'en tire le mieux, avec le septième rang.

En décernant ses notes, Morningstar a voulu identifier les sociétés qui font du bon travail en alignant leurs intérêts sur ceux des détenteurs de parts. Les notes dépendent de trois grands critères.

Premièrement, est-ce que les frais de gestion sont raisonnables? À ce chapitre, le Groupe Investors et Sprout obtiennent le pire score.

Deuxièmement, est-ce que les gestionnaires investissent leur propre argent dans leurs fonds? Cela est moins fréquent dans les banques, en particulier à la Scotia et à la Banque Royale.

Troisièmement, est-ce que la culture d'entreprise est orientée vers l'accumulation d'actifs (ex: en lançant des fonds à la mode) ou sur l'investissement (ex: avec des gestionnaires qui restent longtemps en poste)? À cet égard, la Banque Nationale arrive au dernier rang, principalement à cause de l'intégration ardue de la famille Altamira.

Soulignons que deux autres grandes familles québécoises, Desjardins et Industrielle-Alliance/Clarington, n'ont pas été analysées par Morningstar. Mais la firme espère les intégrer dans son palmarès qui sera révisé annuellement.

**FONDS COMMUNS : LES FAMILLES CHAMPIONNES**

FAMILLE NOTE (sur 8)

Steadyhand 8

---

Mawer 7,5  
Beutel Goodman 7,5  
Capital International 7,5  
Chou 7,5  
Leith Wheeler 6,5  
TD 6,5  
McLean Budden 6  
Invesco Trimark 6  
Manuvie 6

[Return to Top](#)

## **12. Ex-clients back trader in appeal to set up one-man firm**

The Chronicle-Herald (Halifax)

06/17/2010

BRUCE ERNSKINE

Former investment clients came to praise Frederick Thomas Saturley, not bury him, at a hearing Wednesday appealing a Nova Scotia Securities Commission decision preventing him from setting up a wealth management business.

I think it's wonderful and it's overwhelming, an emotional Saturley said during a break in proceedings before a commission panel.

The panel consists of retired judge David Gruchy and John Morash, a retired Nova Scotia Utility and Review Board member.

The Halifax hearing room was filled with Saturley's former clients, who lost \$35 million because of an alleged accounting glitch that occurred in 2008 when he was working for CIBC World Markets Inc. in Halifax.

From a client perspective, he's probably the best investment adviser in Canada, said a former client who declined to be identified.

I want him back to make me some money, said another.

Others called him an ethical and upstanding man whose treatment has been appalling.

CIBC, which has reportedly paid investors \$25 million of the lost money, terminated Saturley for conducting discretionary trades related to five accounts after he reported the accounting errors that led to the losses.

The Investment Industry Regulatory Organization of Canada subsequently cleared him of any regulatory breaches, but the fact that the commission's enforcement branch has a file about him has prevented him from

---

finding work with another investment company.

In April, the commission's executive director, William Slattery, turned down Saturley's attempt to establish his own one-man business, TurnPointe Wealth Management Inc., on the grounds that he lacked discretionary trading and compliance officer experience and hadn't provided a satisfactory disaster-recovery plan if he wasn't able to fulfil his duties to his clients.

Much of Wednesday's proceeding was taken up with Saturley detailing his 17 years' experience in the securities industry and his plans for his new venture, which he said would have compliance and disaster-recovery backing from TD Bank. He has a master of business administration in finance, as well as degrees in psychology and criminology. Saturley, who at one point managed \$123 million in assets, hasn't worked since CIBC terminated him. He is suing CIBC for wrongful dismissal.

He testified that he has tried unsuccessfully to find out why the securities commission has maintained an open file on him, even though the national industry regulator cleared him.

I don't know what they're investigating and they won't tell me, Saturley told the panel under questioning from his lawyer, George MacDonald.

MacDonald is also acting for former Saturley clients attempting to certify a class action against CIBC Wood Gundy, a retail division of CIBC World Markets.

CIBC disciplined Saturley in 2004 for exercising time discretion while placing an order for a client. The same year the Investment Dealers Association of Canada ordered him to pay a \$10,000 penalty and rewrite an ethics exam for making trades in 1996-97 without the permission of a couple who were clients while he was a broker with Nesbitt Burns.

Securities commission staff recommended against allowing Saturley to set up his own business, arguing that he had demonstrated a trend of non-compliance with discretionary trading requirements.

Edward Gores, who is defending at the hearing the decision that the commission's executive director reached, would not comment on the commission's file on Saturley.

The hearing is set to conclude today. Both sides will make written submissions for the panel's consideration.

[Return to Top](#)

### **13. Seniors and Stocks**

The Globe and Mail

06/17/2010

ROB CARRICK

<http://www.theglobeandmail.com/globe-investor/investment-ideas/features/lets-talk-investing/seniors-and-stocks/article1564546/>

[Return to Top](#)

Looking for TD's view on articles about the bank or the financial industry? Visit [TD News & Views](#) for

---

**background on some stories of the moment that may come up in your discussions with customers, colleagues and friends.**

**Vous cherchez des opinions et des articles de la TD au sujet du secteur bancaire ou financier? Visitez Nouvelles et Opinions de la TD pour y trouver de l'information sur certains sujets d'actualité qui peuvent être évoqués dans vos discussions avec des clients, des collègues et des amis.**

**The terms of our contract allow the Daily Media Roundup to be used exclusively by TD Bank Financial Group employees; please do not distribute outside TDBFG. Contact Samson Yuen with any questions.**

**Les modalités de notre contrat permettent l'utilisation exclusive du Survol quotidien des médias par les employés du Groupe Financier Banque TD; veuillez ne pas faire circuler à l'extérieur du GFBTD. Veuillez communiquer avec Samson Yuen pour toute question.**

The information presented may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and comparable safe harbour provisions of applicable Canadian legislation, including, but not limited to, statements relating to anticipated financial and operating results, the companies' plans, objectives, expectations and intentions, cost savings and other statements, including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, and other similar expressions. Such statements are based upon the beliefs and expectations of our management and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: the ability to obtain the approval of the transaction by The South Financial Group, Inc. shareholders; the ability to realize the expected synergies resulting from the transaction in the amounts or in the timeframe anticipated; the ability to integrate The South Financial Group, Inc.'s businesses into those of The Toronto-Dominion Bank in a timely and cost-efficient manner; and the ability to obtain governmental approvals of the transaction or to satisfy other conditions to the transaction on the proposed terms and timeframe. Additional factors that could cause The Toronto-Dominion Bank's and The South Financial Group, Inc.'s results to differ materially from those described in the forward-looking statements can be found in the 2009 Annual Report on Form 40-F for The Toronto-Dominion Bank and the 2009 Annual Report on Form 10-K of The South Financial Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's Internet site (<http://www.sec.gov>).

The proposed merger transaction involving The Toronto-Dominion Bank and The South Financial Group, Inc. will be submitted to The South Financial Group, Inc.'s shareholders for their consideration. The Toronto-Dominion Bank and The South Financial Group, Inc. have filed with the SEC a Registration Statement on Form F-4 containing a preliminary proxy statement/prospectus and each of the companies plans to file with the SEC other documents regarding the proposed transaction. Shareholders are encouraged to read the preliminary proxy statement/prospectus regarding the proposed transaction and the definitive proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC because they contain important information. Shareholders may obtain a free copy of the preliminary proxy statement/prospectus, and will be able to obtain a free copy of the definitive proxy statement/prospectus when it becomes available, as well as other filings containing information about The Toronto-Dominion Bank and The South Financial Group, Inc., without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the definitive proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the definitive proxy statement/prospectus can also be obtained, when available, without charge, by directing a request to The Toronto-Dominion Bank, 15<sup>th</sup> Floor, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations, 1-866-486-4826, or to The South Financial Group, Inc., Investor Relations, 104 South Main Street, Poinsett Plaza, 6<sup>th</sup> Floor, Greenville, South Carolina 29601, 1-888-592-3001.

The Toronto-Dominion Bank, The South Financial Group, Inc., their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank's directors and executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2009, which was filed with the Securities and Exchange Commission on December 03, 2009, its notice of annual meeting and proxy circular for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on February 25, 2010, and the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010. Information regarding The

South Financial Group, Inc.'s directors and executive officers is available in The South Financial Group, Inc.'s proxy statement for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on April 07, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010, and other relevant materials to be filed with the SEC when they become available.

Les renseignements présentés peuvent contenir des énoncés prospectifs au sens de la loi Private Securities Litigation Reform Act of 1995 et des dispositions d'exonération comparables des lois canadiennes applicables, y compris, mais sans s'y limiter, des énoncés relatifs à des résultats financiers et d'exploitation prévus, aux plans, aux objectifs, aux attentes et aux intentions, aux économies de coûts et à d'autres énoncés des sociétés, qui comprennent des termes et expressions comme « anticiper », « croire », « planifier », « estimer », « prévoir », « avoir l'intention de » et « pouvoir », ainsi que des verbes au futur ou au conditionnel et d'autres expressions similaires. Ces énoncés sont

---

fondés sur les croyances et les attentes actuelles de notre direction et comportent un certain nombre de risques et d'incertitudes importants. Les résultats réels peuvent différer considérablement des résultats avancés dans les présents énoncés prospectifs. Les facteurs suivants, entre autres choses, pourraient entraîner de tels écarts importants ou y contribuer : la capacité d'obtenir l'approbation de la transaction par les actionnaires de The South Financial Group, Inc., la capacité de réaliser les synergies prévues découlant de la transaction selon les montants ou l'échéancier prévus, la capacité d'intégrer les activités de The South Financial Group, Inc. à celles de La Banque Toronto-Dominion en temps opportun et de manière rentable, et la capacité d'obtenir les approbations gouvernementales de la transaction ou de remplir d'autres conditions liées à la transaction selon les modalités et l'échéancier proposés. D'autres facteurs qui pourraient faire en sorte que les résultats de La Banque Toronto-Dominion et de The South Financial Group, Inc. diffèrent considérablement de ceux décrits dans les énoncés prospectifs se trouvent dans le rapport annuel de 2009, dans le formulaire 40-F, pour La Banque Toronto-Dominion, et dans le rapport annuel de 2009, dans le formulaire 10-K de South Financial déposé auprès de la Securities and Exchange Commission (SEC) et disponible sur le site Internet de la SEC (<http://www.sec.gov>).

La proposition de fusion entre La Banque Toronto-Dominion et The South Financial Group, Inc. sera présentée aux actionnaires de The South Financial Group, Inc. afin qu'ils l'examinent. La Banque Toronto-Dominion et The South Financial Group, Inc. ont déposé, auprès de la SEC, une déclaration d'enregistrement dans le formulaire F-4 qui contient une circulaire de sollicitation de procurations ou un prospectus provisoire, et chacune des sociétés prévoit déposer d'autres documents relatifs à la transaction proposée auprès de la SEC. Les actionnaires sont invités à lire la circulaire de sollicitation de procurations ou le prospectus provisoire lié à la transaction de fusion proposée, ainsi que la circulaire de sollicitation de procurations ou le prospectus définitifs, lorsqu'il sera disponible, ainsi que d'autres documents déposés auprès de la SEC, car ils contiendront des renseignements importants. Les actionnaires peuvent obtenir un exemplaire gratuit de la circulaire de sollicitation de procurations ou du prospectus provisoire, et pourront obtenir un exemplaire gratuit de la circulaire de sollicitation de procurations ou du prospectus définitif, lorsqu'il sera disponible, ainsi que d'autres documents ayant fait l'objet d'un dépôt qui contiennent de l'information sur La Banque Toronto-Dominion et The South Financial Group, Inc., et ce, sans frais, sur le site Internet de la SEC (<http://www.sec.gov>). Des exemplaires de la circulaire de sollicitation de procurations ou du prospectus définitif et des documents déposés auprès de la SEC qui seront intégrés par renvoi dans la circulaire de sollicitation de procurations ou le prospectus définitif peuvent aussi être obtenus, lorsqu'ils seront disponibles, sans frais, en soumettant une demande à The Toronto-Dominion Bank, 15th floor, 66 Wellington Street West, Toronto (Ontario) M5K 1A2, à l'attention de : Relations avec les investisseurs, 1-866-486-4826, ou à The South Financial Group, Inc. Investor Relations, 104 South Main Street Poinsett Plaza, 6th Floor, Greenville, South Carolina 29601, 1-888-592-3001.

La Banque Toronto-Dominion, The South Financial Group, Inc., leurs administrateurs et leurs dirigeants respectifs et d'autres personnes peuvent être réputés être des participants à la sollicitation de procurations relativement à la transaction de fusion proposée. L'information concernant les administrateurs et les dirigeants de La Banque Toronto-Dominion est disponible dans son rapport annuel, dans le formulaire 40-F, pour l'exercice terminé le 31 octobre 2009, qui a été déposé auprès de la SEC le 3 décembre 2009, et dans son avis de convocation à son assemblée annuelle et dans sa circulaire de procuration de 2010, qui a été déposée auprès de la SEC le 25 février 2010 et dans la déclaration d'enregistrement du formulaire F-4 susmentionnée, qui a été déposée auprès de la SEC le 10 juin 2010. L'information concernant les administrateurs et les dirigeants de The South Financial Group, Inc. est disponible dans la circulaire de sollicitation de procurations de The South Financial Group, Inc. de son assemblée annuelle de 2010, qui a été déposée auprès de la SEC le 7 avril 2010. D'autres renseignements sur les participants à la sollicitation de procurations et une description de leurs intérêts directs et indirects, par titres détenus ou autres, est inclus dans la circulaire d'information/le prospectus susmentionné, dans le formulaire F-4, qui a été déposé auprès de la SEC le 10 juin 2010, et d'autres documents pertinents qui seront déposés auprès de la SEC lorsqu'ils seront disponibles.

**THE FOLLOWING IS A COMMUNICATION SENT TO EMPLOYEES OF THE TORONTO DOMINION BANK ON JUNE 17, 2010.**

**1. Shareholder vote on South Financial-TD Bank merger expected in August** Greenville Online

First, TD Bank is a strong partner, he said, adding it is one of three banks in the United States with an AAA rating. Also, their culture is similar to ours. They have a passion for customer service. They believe in local delivery. (TD mentioned) [See full story](#)

**2. Canada's financial hub is preparing for G20 lockdown** The National Post

All five major banks will be reducing hours or shutting a total of 51 branches that are inside or close to the summit meeting in downtown Toronto. Plans are also underway to reduce staff on trading floors and corporate offices and move some operations to remote locations or allow employees to work from home. (Wojtek Dabrowski, Corporate and Public affairs, TD mentioned) [See full story](#)

**3. Who's to blame for costly errors in tax-free accounts?** The Toronto Star

A federal effort to encourage Canadians to save more in a special account has led to frustration and anger among those who didn't understand the complex rules. Thousands of people received letters from the Canada Revenue Agency this month, saying they owed extra tax of 1 per cent a month on over-contributions made to a TFSA (tax-free savings account). They have until June 30 to pay the tax or risk penalties. (Barbara Timmins, Corporate and Public Affairs, TD, mentioned) [See full story](#)

**4. Account transfer error causes woman frustration** CTV.ca

Major banks have a pretty good reputation in Canada, but a Calgary woman has learned you can't just assume they'll do what they say they'll do. The bank made a huge mistake on her file then told her she had to fix it or suffer the consequences. That's when she called CTV's consumer specialist Lea Williams-Doherty. (TD mentioned) [See full story](#)

**5. Regulator plan foes to widen: Alberta** The National Post

Alberta Finance Minister Ted Morton predicted other provinces may join his province and Quebec in opposing a plan by Canada's federal government to create a national securities regulator. [See full story](#)

**6. Shorting banks: risky, crazy bet or prescient move?** The Globe and Mail

Canadian banks are lauded as the world's best. Unlike their competitors in other countries, they survived the crash of 2008 practically unscathed and are serial profit makers. But not all investors are buying the idea that Canadian banks are so great. Some money managers - most notably Spratt Asset Management LP, are selling the banks short, a tactic that will allow them to profit if their stock prices tank. (TD mentioned) [See full story](#)

**7. Flaherty backs insurance industry in fight against accounting changes** The Globe and Mail

Canada's finance minister and its banking and insurance regulator are urging the International Accounting Standards Board to back away from new rules that would damage this country's life insurers, according to sources. [See full story](#)

**8. HST in British Columbia and Ontario gets support from top Canadian economists** The Canadian Press

Some of Canada's top economists are encouraging people in British Columbia and Ontario to support the harmonized sales tax, which takes effect in both provinces July 1. (Don Drummond mentioned) [See full story](#)

**9. Administrators for Lehman Aim to Return \$22 Billion** The Wall Street Journal

Lehman Brothers Holdings Inc.'s European administrators, PricewaterhouseCoopers LLP, will unveil on Wednesday a proposal to expedite the return of as much as \$22 billion of assets to the failed bank's unsecured creditors. [See full story](#)

**10. Tax-free rollovers have many pluses; BMO urges Ottawa to loosen strings on rollover rules** The National Post

What if you could get someone else to kick in cash to your child's registered education savings plan (RESP)? And what if that person, say a grandparent, got favourable tax treatment for doing so? Bank of Montreal, in a plea to Canada's finance ministers meeting in Prince Edward Island this week, has come up with a new idea that would permit tax-free rollovers from a



RRSP or a RRIF. [See full story](#)

**11. Estate issues a key concern for many holders of TFSAs** Investment Executive

Only an estimated 25% of Canadians have Tax Free Savings Accounts and most are over 65. While many Canadians still seem enthusiastic about the benefits that a tax free savings account can provide, a number of polls suggest that the participation rate among eligible Canadians is stuck at around 25%. [See full story](#)

**12. Millions sits dormant in Windsor banks** The Windsor Star

There's about \$2.1 million of unclaimed money in dormant Windsor and Essex County bank accounts. (TD mentioned) [See full story](#)

**Looking for TD's view on articles about the bank or the financial industry? Visit [TD News & Views](#) for background on some stories of the moment that may come up in your discussions with customers, colleagues and friends.**

**Vous cherchez des opinions et des articles de la TD au sujet du secteur bancaire ou financier? Visitez [Nouvelles et Opinions de la TD](#) pour y trouver de l'information sur certains sujets d'actualité qui peuvent être évoqués dans vos discussions avec des clients, des collègues et des amis.**

**Full Stories**

**1. Shareholder vote on South Financial-TD Bank merger expected in August**

Greenville Online

06/16/2010

JENNY MUNRO

The preliminary proxy on the merger of The South Financial Group with **TD Bank Financial Group** has been filed with the Securities Exchange Commission, with a final proxy expected to be filed between the first week in July and the first week in August.

South Financial shareholders will vote about 20 days after the final proxy is filed and mailed to them, said William Crawford, chief legal and risk officer with the Greenville-based bank holding company. That will put the vote likely between the first week and last week of August.

The only difference in the preliminary proxy, which can be found at [www.sec.gov](http://www.sec.gov), and the final proxy will be the dates, he said.

H. Lynn Harton, president and chief executive officer of South Financial, said the proxy outlines and emphasizes why South Financial's management thinks the merger with Canada-based **TD Bank** is the best outcome.

He gave four reasons he believes shareholders should vote in favor of the merger.

First, **TD Bank** is a strong partner, he said, adding it is one of three banks in the United States with an AAA rating. Also, their culture is similar to ours. They have a passion for customer service. They believe in local delivery.

He also said it is important for shareholders that they're executing on a growth strategy. **TD** expressed interest in South Financial, the parent company of Carolina First, because of plans to grow its presence in the Southeast.

Finally, this was the one company that was willing to look beyond our problems and see the potential, Harton said.

---

**TD** signed a definitive agreement with South Financial for **TD** to acquire all outstanding common shares of the company for approximately \$61 million in cash or **TD** common stock. Common shareholders of South Financial will have the right to elect to receive either 28 cents in cash, or .004 shares of **TD** common stock, for each outstanding South Financial common share.

The information presented may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and comparable safe harbour provisions of applicable Canadian legislation, including, but not limited to, statements relating to anticipated financial and operating results, the companies' plans, objectives, expectations and intentions, cost savings and other statements, including words such as anticipate, believe, plan, estimate, expect, intend, will, should, may, and other similar expressions. Such statements are based upon the beliefs and expectations of our management and involve a number of significant risks and uncertainties. Actual results may differ materially from the results anticipated in these forward-looking statements. The following factors, among others, could cause or contribute to such material differences: the ability to obtain the approval of the transaction by The South Financial Group, Inc. shareholders; the ability to realize the expected synergies resulting from the transaction in the amounts or in the timeframe anticipated; the ability to integrate The South Financial Group, Inc.'s businesses into those of The Toronto-Dominion Bank in a timely and cost-efficient manner; and the ability to obtain governmental approvals of the transaction or to satisfy other conditions to the transaction on the proposed terms and timeframe. Additional factors that could cause The Toronto-Dominion Bank's and The South Financial Group, Inc.'s results to differ materially from those described in the forward-looking statements can be found in the 2009 Annual Report on Form 40-F for The Toronto-Dominion Bank and the 2009 Annual Report on Form 10-K of The South Financial Group, Inc. filed with the Securities and Exchange Commission and available at the Securities and Exchange Commission's Internet site (<http://www.sec.gov>).

The proposed merger transaction involving The Toronto-Dominion Bank and The South Financial Group, Inc. will be submitted to The South Financial Group, Inc.'s shareholders for their consideration. The Toronto-Dominion Bank and The South Financial Group, Inc. have filed with the SEC a Registration Statement on Form F-4 containing a preliminary proxy statement/prospectus and each of the companies plans to file with the SEC other documents regarding the proposed transaction. Shareholders are encouraged to read the preliminary proxy statement/prospectus regarding the proposed transaction and the definitive proxy statement/prospectus when it becomes available, as well as other documents filed with the SEC because they contain important information.

Shareholders may obtain a free copy of the preliminary proxy statement/prospectus, and will be able to obtain a free copy of the definitive proxy statement/prospectus when it becomes available, as well as other filings containing information about The Toronto-Dominion Bank and The South Financial Group, Inc., without charge, at the SEC's Internet site (<http://www.sec.gov>). Copies of the definitive proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the definitive proxy statement/prospectus can also be obtained, when available, without charge, by directing a request to The Toronto-Dominion Bank, 15 th Floor, 66 Wellington Street West, Toronto, ON M5K 1A2, Attention: Investor Relations, 1-866-486-4826, or to The South Financial Group, Inc., Investor Relations, 104 South Main Street, Poinsett Plaza, 6 th Floor, Greenville, South Carolina 29601, 1-888-592-3001.

The Toronto-Dominion Bank, The South Financial Group, Inc., their respective directors and executive officers and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding The Toronto-Dominion Bank's directors and executive officers is available in its Annual Report on Form 40-F for the year ended October 31, 2009, which was filed with the Securities and Exchange Commission on December 03, 2009, its notice of annual meeting and proxy circular for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on February 25, 2010, and the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010. Information regarding The South Financial Group, Inc.'s directors and executive officers is available in The South Financial Group, Inc.'s proxy statement for its 2010 annual meeting, which was filed with the Securities and Exchange Commission on April 07, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the above-referenced Registration Statement on Form F-4, which was filed with the SEC on June 10, 2010, and other relevant materials to be filed with the SEC when they become available.



## 2. Canada's financial hub is preparing for G20 lockdown

The National Post

06/16/2010

JAMESON BERKOW

All five major banks will be reducing hours or shutting a total of 51 branches that are inside or close to the summit meeting in downtown Toronto. Plans are also underway to reduce staff on trading floors and corporate offices and move some operations to remote locations or allow employees to work from home.

Most banks will be implementing so-called business continuity plans previously put to the test during the SARS outbreak and the Ontario power blackout in 2003 and now being put through their paces once again. Although the summit takes place on the June 26-27 weekend, many banks will be limiting operations in the days leading up to it. Banks are keeping details of their plans largely under wraps. Many bank employees who generally work downtown still don't know if they are going to be coming into work or if they will be at a remote site setup. Much will depend on the intensity of the protests and the level of street disruptions.

The Bank of Montreal, in addition to closing nine downtown locations, intends to shift part of its trading operations to an alternate location outside of the secure zone, which encloses most of the financial district.

Trading will probably split operations, moving half of its staff to an alternate location to reduce demand on the main trading floor, Ralph Marranca, a spokesman for BMO said. At the peak of the summit disruption, BMO could have as many as 40% of its downtown staff working from home, he added, though plans are still in flux.

**Toronto-Dominion Bank** will modify hours at 22 branches, for five business days leading up to the summit.

Like many companies expecting to be impacted by the summit, we have pretty robust plans in place, said **Wojtek Dabrowski, a spokesman for TD**. In order to make sure everything runs safely and smoothly we're closing eight branches in the downtown core.

Decisions about further closures or reductions in hours, including trading and other operations will be made on an ongoing basis, Mr. Dabrowski said.

For Royal Bank of Canada, the summit will be a real-life test of its continuity strategy.

This is an actual event taking place in Toronto so we are putting our customized business continuity plans in place, Don Blair, a RBC spokesman said.

RBC's strategy, which also involves closing eight of its downtown branches from June 24 until June 27, will have as many employees as possible who work downtown either work from home or from alternative RBC locations in the Greater Toronto Area. According to Mr. Blair, RBC is planning to maintain normal trading operations for its investment services, Mr. Blair said.

An RBC branch in Ottawa was firebombed last month. The group that claimed responsibility for the attack, FFFC-Ottawa, has said it planned to protest at the Toronto event as well.

The Canadian Imperial Bank of Commerce will be closing six downtown locations, including its flagship Commerce Court branch, for all or part of the summit duration.

Aside from closing six downtown locations, Bank of Nova Scotia is not planning any specific mitigation strategy to deal with the G20 disruption. Though the bank will be implementing business continuity plans as required, said, Joe Konecny a bank spokesman.

The Toronto Stock Exchange (TSX), which maintains a corporate headquarters one block from the secure zone, is expecting

approximately 25% of its staff to work from home. Though it does not anticipate any impact on its trading operations which occur off-site, according to TSX spokeswoman Carolyn Quick.

[Return to Top](#)

### **3. Who's to blame for costly errors in tax-free accounts?**

The Toronto Star

06/16/2010

ELLEN ROSEMAN

A federal effort to encourage Canadians to save more in a special account has led to frustration and anger among those who didn't understand the complex rules.

Thousands of people received letters from the Canada Revenue Agency this month, saying they owed extra tax of 1 per cent a month on over-contributions made to a TFSA (tax-free savings account). They have until June 30 to pay the tax or risk penalties.

I've heard from dozens of readers since my Saturday column about the TFSA confusion. Most are facing tax bills that far exceed their tax-free income.

The \$5,000 annual limit for contributions was widely known. However, some people failed to realize that a TFSA was not a regular savings account, allowing easy transfers in and out. They had to wait until the next year to replace money that had been withdrawn.

The rules on excess contributions were explained at the government's website, [www.tfsa.gc.ca](http://www.tfsa.gc.ca). But not everyone checked the rules before opening an account.

Withdrawals from a TFSA in a given year are not added back to an individual's contribution room until the following year, says a federal finance official.

Without such a rule, it would be very difficult to verify whether a given contribution is within the individual's TFSA limit.

Many people told me they had relied on their financial institutions to give the whole story about TFSAs, but received only partial information.

One reader opened an account at her bank's encouragement last year. She moved in \$21,000 from her chequing account, thinking she could escape tax on the interest earned on the first \$5,000.

She ended up with a massive tax bill of \$1,240 for her excess contributions in 2009. Now she's asking why the bank didn't warn her that she was over the limit.

Another reader, also pitched to open a TFSA, used it to save for wedding expenses. She received a \$200 tax bill and after calling her bank, was told the withdrawal rules were not clearly known until a few months ago.

ING Direct was one of the first banks to attract TFSA contributions with an ad campaign that started before the Jan. 1, 2009, launch date.

The government was quite slow out of the gate on getting financial institutions the forms and information required to service TFSAs, says ING spokeswoman Lisa Naccarato.

This could explain some of the lack of information when TFSAs first became available.

---

Some readers received tax bills after transferring TFSA's from one financial institution to another. You can do transfers without penalty, but only if you ask a financial institution to move investments directly from one account to another.

If you close an account with \$5,000 at one bank and deposit \$5,000 at a different bank in the same year, you'll be taxed for making an excess contribution.

The main message that Canadians need to know is that TFSA's are registered products and there are rules associated with transferring funds, Naccarato says. They need to view them as similar to RRSP's, where a specific process is followed for transfers.

In my last column, I mentioned two examples of readers making transfers within a bank that were ruled offside. One moved a TFSA from a **TD Waterhouse** discount brokerage account to a **TD Canada Trust** bank account and another did the opposite.

TFSA issues appear to be varied and we have a dedicated team working to figure out what's happened in each case and how to fix it, says **Barbara Timmins**, a **TD Bank Financial Group** spokeswoman.

In cases where an internal transfer between **TD Canada Trust** and **TD Waterhouse** resulted in the contribution being mistakenly counted twice, we have committed to communicating the correct information to the CRA by June 30.

It shouldn't take almost 18 months from the TFSA launch date for clients and banks to learn the rules. Moreover, some people will have to pay more tax next year for errors made in 2010.

The federal government looks bad for rushing to launch a new tax shelter without communicating the risks of over-contributions and improper transfers. This could hurt its electoral chances if the fiasco isn't fixed quickly.

[Return to Top](#)

#### 4. Account transfer error causes woman frustration

CTV.ca

06/16/2010

Major banks have a pretty good reputation in Canada, but a Calgary woman has learned you can't just assume they'll do what they say they'll do.

The bank made a huge mistake on her file then told her she had to fix it or suffer the consequences. That's when she called CTV's consumer specialist Lea Williams-Doherty.

Jodi Larmour set about transferring her RSP and her son's RESP accounts from HSBC to **TD Bank** in April 2009. She submitted the necessary paperwork and assumed it was done. It wasn't until December of that year when Larmour asked **TD** if she could use her son's RESP to pay for his private school that she discovered **TD**'s mistake. **TD** had put her son's RESP money into her RSP account and never opened an RESP for him at all. What's more, **TD** had never transferred Larmour's RSP account from HSBC.

My feeling right now is that my money would be safer in my mattress, said Larmour.

**TD**'s error caused a big problem because in the months prior, Larmour had withdrawn all the money from her **TD** RSP, about \$27,000, to pay some unexpected legal bills. That was in fact her son's RESP money. Her RSP, still at HSBC, only had \$11,000 in it. After investigating for months, **TD** admitted its mistake, but offered no help giving Larmour two weeks to repay the \$27,000 or suffer the consequences of withdrawing RESP money early, including forfeiting thousands in education grants.

If I did something at my job, or you did something at your job that cost someone thousand of dollars, we'd be out of work,

---

added Lamour.

Lamour admits she shares some of the blame with **TD** for failing to check on the new accounts and their balances sooner. And because of that, she thought she'd come up with a good compromise. She asked **TD** to give her a \$27,000 loan at 0% interest so she could put all the money back into the RESP, and then she'd pay off that loan over three years. **TD** refused and offered no other solutions.

Because it is big business and a bank, and realistically people don't have many places to go to fight back against the big banks, they're hoping this would just slip under the table, said Lamour.

CTV News contacted **TD**'s headquarters and asked how the initial account transfer mistakes were made, and why those mistakes went undetected for eight months and why **TD** was shouldering none of the responsibility. **TD** refused to discuss the matter despite Lamour's permission to do so and contacted Lamour directly to reopen discussions.

**TD** has had a couple of discussions with Lamour since CTV got involved.

Lamour says a **TD** vice president told her it was a paperwork error that caused the initial problem with her account transfers, though the VP couldn't say why it wasn't detected without doing more research and she said Lamour's loan application had been denied.

Lamour says she pointed out that she never filled out a complete loan application and after some more research **TD** told Lamour that the bank had just looked at her assets and liabilities at **TD Bank** as well as her credit report to make that decision.

Now **TD** is allowing Lamour to submit a complete loan application and will reconsider her loan request.

**TD** is also offered Lamour a \$1000 contribution to her son's RESP as a goodwill gesture which Lamour has refused pending a decision on her loan application.

[Return to Top](#)

## **5. Regulator plan foes to widen: Alberta**

The National Post

06/16/2010

FREDERIC TOMESCO

Alberta Finance Minister Ted Morton predicted other provinces may join his province and Quebec in opposing a plan by Canada's federal government to create a national securities regulator.

Canada is the only member of the Group of Seven industrialized nations without a national securities watchdog, a situation the government calls an international embarrassment.

Finance Minister Jim Flaherty announced details of his plan to create the federal regulator last month, saying he would submit it to the Supreme Court of Canada for a ruling on whether it's constitutional.

The Supreme Court will hear the case in April, Mr. Morton and Quebec Finance Minister Raymond Bachand said yesterday at a press conference in Montreal where they reiterated their opposition to the government's plan.

There may only be two of us today, but I am confident there will be a lot more than two before the Supreme Court next April on our side on this issue, Mr. Morton told reporters. He didn't elaborate.

Alberta's energy companies would suffer from the creation of the commission, Mr. Morton said without providing specific

---

figures. The Western Canadian province is home to the largest reserves of oil and gas outside the Middle East.

A federal regulator, inevitably based in Toronto, would make it harder for Alberta's junior oil and gas producers and other businesses to raise funds for growth and development, Mr. Morton said. It would be the same here in Quebec and in other provinces and territories.

Both Messrs. Morton and Bachand said they support the federal government's plan to introduce stiffer penalties for fraud under the country's criminal code. Such changes are completely possible within the existing passport system, Mr. Bachand said.

It's wrong to suggest that a federal regulator would be more effective in preventing fraud cases, Mr. Morton also said. He cited Bernard Madoff's Ponzi scheme in the United States—the home of the Securities and Exchange Commission.

It's not as if the single national regulator, the SEC model, is a cure-all, Mr. Morton said. They failed when it comes to preventing fraud as well. Local enforcement is superior because it's based on local knowledge.

A government-appointed panel concluded last year that creating a national regulator to replace Canada's existing system of 13 regional agencies would reduce costs and uncertainty for issuers and investors. The national body would also bolster the country's ability to respond to market changes and provide safeguards against systemic risks that make financial markets across the country vulnerable to a bad decision by one of the provinces.

Mr. Flaherty has said a system with a few provinces opting out is preferable to the current system.

Mr. Bachand, whose government is challenging the federal plan at the Quebec Court of Appeals, disagrees.

There is confusion in the mind of the federal government between national policies and central policies, he said yesterday. We already have a national system in Canada, and it's working well.

[Return to Top](#)

## **6. Shorting banks: risky, crazy bet or prescient move?**

The Globe and Mail

06/16/2010

MARTIN MITTELSTAEDT

Canadian banks are lauded as the world's best. Unlike their competitors in other countries, they survived the crash of 2008 practically unscathed and are serial profit makers.

But not all investors are buying the idea that Canadian banks are so great. Some money managers—most notably Sprott Asset Management LP, are selling the banks short, a tactic that will allow them to profit if their stock prices tank.

Given that Canada's banks are so well-regarded, questions abound about the trade: is it a risky, crazy bet that is almost certain to end in tears, or the ultimate contrarian move?

Those selling the banks argue the shares are changing hands at such lofty multiples to book value—among the highest levels in the world—that the bullish story is yesterday's news and completely reflected in share prices.

Canadian banks are totally priced for perfection, contends Geoff Castle, a financial blogger in Vancouver and former mutual fund manager who is shorting the industry by buying long dated, out of the money puts.

He said the banks as a group could easily fall by 30 per cent to 40 per cent if they traded at their average, historical multiples

---



to tangible book value and far more if the economy dips back into recession.

In a short sale, an investor sells borrowed stock with the intention of buying the securities back later at a lower price, pocketing the difference as profit. The trade is not for the faint of heart because it exposes the short seller to unlimited losses and the requirement to cover dividends. Another way to do the trade is through puts, options to sell stock at a set price.

The most notable bank short-seller on the street is maverick money manager Sprott Asset Management LP, which has been targeting Toronto-Dominion, Bank of Nova Scotia, and National Bank for declines.

Sprott bases its short sales idea on an opinion that banks overall don't have enough tangible shareholders' equity (where items such as goodwill are deducted) to stand much adversity in their loan books.

High leverage means banks coin money when times are good, but can quickly lead to trouble when times are bad because it doesn't take much in loan losses to undermine equity levels.

Shorting the banks hasn't been a winning strategy, at least recently. The S&P/TSX capped financial index has risen about 92 per cent off its March, 2009, lows, so short-sellers have been getting clobbered. Bank shares remain about 20 per cent below peak levels before the 2008 crash, so those such as Sprott, a long-term bear on banks, might have modest profits.

It hasn't worked as well in the last short period of time, concedes David Franklin, a financial analyst at Sprott. Canadian bank shares are still strong but they have the inherent problems of other banks in other countries, Mr. Franklin said.

To hedge its bets, Sprott has been shorting a basket of international financial stocks. Canadian names are a very small position, Mr. Franklin said, adding that the idea has been a killer trade in the U.S. more recently and a money-maker in both in Australia and Europe.

Mr. Franklin declined to name other bank shorts, but Sprott recently issued a report, which he co-authored, indicating that German banks are even more vulnerable to the downside than institutions in Canada.

Not everyone buys the idea that Canadian banks have too little equity. The banks are well-capitalized ... from our perspective, said Rod Giles, spokesman for the Office of the Superintendent of Financial Institutions, the industry regulator.

Many bank analysts say investors should be buying the shares, not betting against them. Bloomberg's top-ranked Canadian bank analyst, Michael Goldberg at Desjardins Securities, is bullish, saying most banks have double-digit upside to my targets over the next year.

Shorting is not something I would do or that I would recommend at this time, Mr. Goldberg said.

Mr. Goldberg's top picks are TD and Scotiabank, institutions Sprott is betting against. He says industry profits stand to benefit from an improving trend in loan losses.

While bank leverage is high, Mr. Goldberg said it is a mistake to compare the financial sector to other industries, where having such thin equity cushions would be highly risky. Mr. Goldberg also says stripping goodwill and intangibles from balance sheets underestimates the value of the banks' brand names, national branch systems, and strong customer relations.

Still, the short-sellers might not be wrong, just early. When firm founder Eric Sprott wrote a piece in 2007 warning that Citibank, Fannie Mae and Freddie Mac were on shaky ground, the reactions at the time were you're a raving lunatic, Mr. Franklin said.

But Sprott moved from the madman category to prescient money-maker when the shares subsequently collapsed.

\*\*\*\*\*

#### A REASON TO GO SHORT

Those betting against the banks believe they don't have enough equity to absorb serious levels of loan losses in their assets. By this metric, Canadian banks typically have each \$30 in tangible assets supported by only \$1 in tangible equity, meaning it would take only a 3-per-cent loss in value in their loans and other assets to imperil shareholders. Goodwill and other intangibles aren't counted in the calculation because they're accounting entries that probably would have little value if the banks ever got into serious trouble.

[Return to Top](#)

### **7. Flaherty backs insurance industry in fight against accounting changes**

The Globe and Mail

06/16/2010

TARA PERKINS

Canada's finance minister and its banking and insurance regulator are urging the International Accounting Standards Board to back away from new rules that would damage this country's life insurers, according to sources. Ottawa's decision to wade into global accounting rules is the latest example of the unusually united front that Canada's financial institutions, government and regulator are presenting on the world stage in the wake of the financial crisis. Both Julie Dickson, head of the Office of the Superintendent of Financial Institutions, and Finance Minister Jim Flaherty have sent letters to the IASB in support of the life insurance sector, sources say. The letters encourage the global body to look at possible negative consequences that proposed accounting changes could have on the life insurers.

A spokesman for OSFI said the regulator's letter is not public. A spokeswoman for the minister of finance did not comment.

At issue are specific rules that would apply in the second phase of the International Financial Reporting Standards. The London-based IASB is expected to release a draft of those rules this summer.

The industry argues that potential changes would be particularly detrimental to life insurers in Canada, and the CEOs of Manulife Financial Corp. and Sun Life Financial Corp. have been actively and publicly campaigning against them.

It would be difficult to maintain long term products, said Yvon Charest, CEO of Quebec City-based Industrial Alliance, the country's fourth-largest life insurer. It has an impact not just on our results, it could impact Canadian citizens, he said in an interview Tuesday.

While IFRS is supposed to make it easier to compare financial results of different companies, it would have the opposite impact on life insurers, he suggested. Under a potential IFRS rule that would impact interest rate assumptions, our net income would be about seven times more volatile, Mr. Charest said.

For example, Canadian financial institutions currently ensure that the time horizon of their assets matches their liabilities. If an insurer sells a 30-year annuity, it will match that with a similar term bond. The new rules threaten to separate the two sides of the balance sheet, so that assets and liabilities move separately, increasing volatility. The changes would impact how the companies calculate their long-term commitments, forcing them to use different interest rate assumptions that they say would be detrimental.

Proposed rules would also make it less attractive for insurers to buy as many long term bonds, either public or corporate,

executives say. The industry has ensured that that fact hasn't been lost on Canada's policy-makers. The life insurance sector holds \$75-billion, or 14 per cent of all Canadian and provincial government bonds; \$77-billion, or 13 per cent of all Canadian corporate bonds; and \$82-billion, or 13 per cent of all mutual fund assets in the country, according to the Canadian Life and Health Insurance Association. That association sent a letter to the IASB asking it to take more time to consider the issue and to delay the release of its draft rules. It deemed rules that are under consideration about interest rate assumptions to be fundamentally flawed. The changes could impact the cost of capital for insurers in North America, forcing them to raise prices on their products, and there would be consequences for the capital markets, the association said. The Canadian Accounting Standards Board has said that Canada will adopt all IFRS guidelines.

[Return to Top](#)

### **8. HST in British Columbia and Ontario gets support from top Canadian economists**

The Canadian Press

06/16/2010

KEITH LESLIE

Some of Canada's top economists are encouraging people in British Columbia and Ontario to support the harmonized sales tax, which takes effect in both provinces July 1.

The Canadian Press has obtained a copy of an open letter signed by some of the country's best known private and public sector economists, saying they strongly support implementation of the HST, because it will promote investment, jobs, and higher wages.

The letter, dated June 15, was signed by former Bank of Canada governor David Dodge, **Don Drummond, Economics Advisor, TD Bank Financial Group**, Warren Jestin, Chief Economist, Scotiabank, and Sherry Cooper, Chief Economist, BMO Capital Markets, among others.

It said the HST will make the provinces more competitive by eliminating the retail sales tax currently hidden in the costs of goods purchased by businesses.

This (retail sales) tax becomes embedded in the cost of goods at each stage of the production, distribution and retail processes, write the economists.

The result is a compounding of the tax that is ultimately paid by consumers through higher prices.

The new single sales tax, which combines the provincial retail sales tax with the GST, will be 12 per cent in British Columbia and 13 per cent in Ontario.

The economists support the view of both provinces and the federal government that convinced them to switch to a single sales tax \_\_\_that consumers will benefit in the end because businesses will pass along their savings in the form of lower prices.

Lower business costs, especially on capital equipment, will encourage investment and economic activity, they write.

Lower business costs will ultimately allow price reductions on many consumer purchases, including big ticket items, such as automobiles and computers.

Erin Weir, an economist with the United Steelworkers of America, questioned the logic of making consumers pay more for

some goods and services including home heating and gasoline previously exempt from provincial sales tax to lower costs for businesses.

The real debate is about using public money, whether taken from consumers (with) the HST or from general revenues (with) corporate tax cuts, to support business, said Weir.

We should ask whether across-the-board tax breaks on business inputs and profits are the best way to promote investment and employment.

Academics also signed the open letter supporting the HST, including Werner Antweiler of the Sauder School of Business at the University of British Columbia, Victoria Barham, Chair of the Department of Economics, University of Ottawa, John Chant, Department of Economics, Simon Fraser University and Roger Martin, Dean, Rotman School of Management at the University of Toronto.

The British Columbia government is facing huge public unrest over the looming HST, with a key cabinet minister resigning last Friday after hundreds of thousands of voters signed a petition to repeal the HST legislation.

By contrast, public outcry in Ontario over the HST has been muted, with very few protests other than angry calls to radio call-in shows, despite the best efforts of the Opposition to call it a greedy tax grab.

[Return to Top](#)

### **9. Administrators for Lehman Aim to Return \$22 Billion**

The Wall Street Journal

06/16/2010

AINSLEY THOMSON

Lehman Brothers Holdings Inc.'s European administrators, PricewaterhouseCoopers LLP, will unveil on Wednesday a proposal to expedite the return of as much as \$22 billion of assets to the failed bank's unsecured creditors.

The plan, called the consensual approach, would see the majority of unsecured creditor claims agreed by the end of the year and cash distributed in 20