

2010 Annual Report



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About the International Financial Centre British Columbia

The International Financial Centre British Columbia (IFC BC) is a non-profit society, established in 1986, with a mandate to promote British Columbia as a location for investment and encourage corporations to take advantage of the favourable tax treatment available under the *International Business Activity Act* (IBAA), formerly the *International Financial Activity Act*.

The IBAA provides the legislative framework for the International Business Activity (IBA) program, which offers a registered corporation a full refund on provincial corporate taxes paid on the income of a qualifying international financial business (75% for patent activity).

In 2010, the government of British Columbia announced the expansion of eligible activities to include digital media distribution, clean technology, and carbon credit certification and trading.

Employees who come from outside Canada to work for companies in the IBA program are eligible to register as IBA Specialists. IBA Specialists are entitled to receive a tax refund on provincial income at a rate of 100% for the first and second year, 75% for the third year, 50% for the fourth year, and 25% for the fifth year. Also in 2010, British Columbia's government introduced the Executive Specialist category for foreign executives who transfer to Canada and oversee the company's international business activities.



Membership in the IFC BC consists of Core, Associate, and Academic members. Core membership is a requirement for registration in the IBA Program. Associate members represent the infrastructure of the business community. Academic members are affiliated with universities and institutions of higher learning in British Columbia.

In addition to bringing new companies into the province, the IFC BC serves its members through:

- Advocating on behalf of members to address issues of interest regarding the IBA Program.
- Undertaking pertinent public policy initiatives and working with policy makers to strengthen the IBAA and its *Regulations*.
- Promoting the province by raising the profile of British Columbia as a location for investment.
- Disseminating information to members on changes to the IBAA and developments regarding the legislation.
- Hosting meetings, seminars, and conferences to communicate relevant information and provide members with opportunities to network.
- Providing interested companies with information about the IBAA.
- Building links with higher-level educational institutions to communicate the competitive advantages of doing business in British Columbia.

Message From the Chair

I am pleased to report that 2010 was another year of steady progress and success in IFC BC's efforts to bring the advantages of British Columbia to the attention of the global business community. British Columbia's reputation as a competitive tax location gained further traction as reductions in the corporate tax rate, both federally and provincially, continue to take effect. As you are no doubt aware, the current all-in corporate income tax rate of 16.5% for a company registered in the IBA Program (reducing to 15% in 2012) makes British Columbia competitive with locations such as Hong Kong and Singapore. Corporate income tax rates in British Columbia are now considerably less than the rates charged to corporate taxpayers in most, if not all, locations in the United States. KPMG's report, *Competitive Alternatives 2010, Special Report: Focus on Tax* highlights Vancouver's low tax environment. Of 41 major international cities with a population of 2 million or more, Vancouver, with an overall Total Tax Index (TTI) of 50.5, ranked first overall and overpowered comparable cities like Seattle with its TTI of 92.1 by a wide margin.

In 2010, the Provincial Government acted on many of the recommendations of the IFC BC and the Vancouver International Financial Services Sector Committee and expanded qualifying activities under the *International Business Activity Act* (IBAA) to allow more business activities to benefit from the provincial tax incentive program. I am particularly pleased that the province plans to include digital media, clean technology, and carbon credit certification as qualifying activities under the IBA program. Provincial support of these business sectors is another important step in furthering British Columbia's shift to a knowledge-based economy. Also in 2010, the only other International Financial Centre in Canada, the IFC Montreal, changed their program to labour-based incentives rather than income-based incentives. With the expansion of the IBA program into non-financial activities and the shift in the Montreal IFC program to labour-based credits, the two Canadian IFC's are diverging in their programs.

Going forward, IFC BC expects the Province to stay the course in supporting the IBA program even with a change in the leadership of the governing party and the official opposition. The IBA program, the benefits of which were quantified last year in a study by MMK Consulting,



rather than being a drain on provincial resources, actually increases provincial tax revenue through job creation and enhanced economic activity. I am pleased that the Provincial Government has announced the expansion of the IBA program to include Schedule III banks, which are branches of foreign banks operating in Canada. This news has already created interest in global financial institutions interested in locations from which to service North American clients.

As a result of the announced changes to the IBA legislation, your Board of Directors met at a weekend retreat to review the IFC BC strategic plan. IFC BC

will focus its marketing efforts on areas that hold promise for growth, and the Board looks forward to assisting IFC BC in achieving the goals that will sustain IFC BC's progress for the benefit of British Columbia's economy in years to come.

On behalf of the Board, I take great pleasure in welcoming the newest team member of the IFC BC, Jimmy Mitchell, who joins the IFC BC to assist with our business development program. I am confident he will prove invaluable in increasing the Society's membership. In addition to the four new members in 2010, I am pleased in the noticeable increase in members' use of the IBA program. This is good news for British Columbia as increased participation will result in greater economic benefit for the province. As a result of this increased participation and careful expense management, IFC BC moves into 2011 in a financially strong position.

One of the ways IFC BC serves its members is to host network and educational events. This past year, in addition to annual events such as the golf tournament and the holiday reception, IFC BC hosted a very successful reception at the 2010 Olympics. Over 100 people attended and heard Minister Hansen speak on the importance of IFC BC and the IBA program.

I conclude by thanking the IFC BC's Board of Directors for their assistance, support, and guidance throughout 2010, I am especially grateful to members of the Executive Committee for their commitment and advice. I thank members of the Society for their continuing support and encouragement. Finally, I extend thanks to Bruce, Alice and Robyn for their dedication, hard work and contribution to the overall success of IFC BC.

-Ron Bozzer, Chair

President's Report

In 2010, the IFC BC was presented with a new and exciting set of opportunities as the province's 2010 Budget will broaden the International Business Activity (IBA) program to include international business in high-growth areas: digital media distribution, certification and trading of carbon credits, and clean technology. Other businesses, such as investment management, are to be expanded under the announced changes. These changes were the province's response to recommendations made by the IFC BC and the Vancouver International Financial Sector Steering Committee. Both recommended positioning British Columbia as a premiere centre for international commerce, digital media, and environmental technology.

The name of the legislation, the *International Financial Activity Act*, was changed to the *International Business Activity Act* (IBAA), reflecting the increasingly wider scope of the legislation. The name change has provided impetus for the IFC BC to embark on a rebranding exercise as part of our 2011 Strategic Plan.

Another important change in the legislation was adoption of new definitions for Specialists. A new category, the Executive Specialist, was introduced to accommodate key managers. The refund rate was changed from 75% over five years, to a full refund in Years 1 and 2; 75% in Year 3; 50% in Year 4; and 25% in Year 5. The Specialist incentive is aimed at attracting senior executives and talent with international experience to assist in deepening the expertise available in B.C. to grow international business.

Other changes were not so welcome: the most important being the requirement that only arm's length loans will be allowed. This is an unfortunate step backward for Vancouver in its efforts to be considered a potential location for global treasury as intra-corporate lending is an integral part of the corporate treasury function.

Nevertheless, Vancouver's global ranking moved to #21 from #23 in the September 2010 edition of the Global Financial Centres Index (GFCI), pulling away from Montreal, which ranks #25. This encouraging upward trend is a positive indication that the worldwide business community views Vancouver as a growing centre of international finance.

In light of the new businesses eligible for the IBA program, the IFC BC reconvened its Board of Directors for a Strategy Session. The event was an opportunity for the



IFC BC's Board of Directors and guests of the Society to review the IFC BC's strategic plan and its direction going forward, particularly in light of the new activities added in the B.C. Budget 2010. Guest speakers, Jock Finlayson, the BC Business Council's Vice-President of Policy and Michael Goldberg, former Dean of the Sauder School of Business and former Executive Director of the IFC BC, supplied economic insights and perspectives helpful in framing recommendations. As a result of the discussions, the following areas were identified for strategic focus by the IFC BC: Canadian banks, Fund Administration and Management, Corporate Treasury, Digital Economy, and Asian Financial Institutions.

Bringing British Columbia to the attention of international businesses and their tax advisors will continue to drive our efforts throughout 2011. The IFC BC welcomed two new Core members and two new Associate members in 2010. In 2011, marketing efforts will be augmented by the addition of Jimmy Mitchell to the staff of the IFC BC. Jimmy has a wealth of expertise on Asian business and we are excited about the opportunities he brings to increase new business in British Columbia. I was also encouraged by the noticeably warmer reception I experienced this year from my travels in China, Japan and Korea, as well as the interest I experienced on my first trip to India for the IFC BC.

The IFC BC serves members of the Society by hosting events as well as by advocating for members. This year, I met more frequently with the Ministry of Finance and was able to further represent the interests of the Society's members. In response to the positive feedback, the IFC BC again held a workshop on the technical and administrative aspects of the program and another is planned this year. We are pleased to report that the participation assessment rate remained unchanged at 0.45% of income eligible for refund; and in accordance with the new policy, fees were refunded to members who did not receive a tax refund.

Again, I thank the directors for their guidance and support. In particular, I acknowledge the members of the Executive Committee for their active involvement and advice. I also thank the members of the IFC BC for giving me the opportunity to serve as President of the IFC BC, and I remain grateful for their trust and support.

-Bruce Flexman, President

Highlights and Events

Strategy Session

In 2010, it was announced that the *International Business Activity Act* (IBAA) will be expanded to include digital media distribution, clean technology, carbon credit trading and certification, and new investment management activities. In light of these changes to the program, the IFC BC held a Strategy Session for the Board and guests to review the IFC BC's Strategic Plan and its direction going forward.

Guest speakers, Jock Finlayson, the BC Business Council's Vice-President of Policy and Michael Goldberg, former Dean of the Sauder School of Business and former Executive Director of the IFC BC, supplied economic insights and perspectives to help frame recommendations. As a result of the discussions, five areas were identified for strategic focus by the IFC BC.

Canadian Banks

The banking industry in Canada is strong, healthy, and well positioned to grow. Building on B.C.'s competitive advantages means targeting selected activities, such as non-resident wealth management, trade finance, clean technology, corporate treasury, and bank service exports.

Fund Administration and Management

The International Business Activity (IBA) program is expected to allow for a broader range of investment services as qualifying activities.

Corporate Treasury

The competitive tax rates as well as the new tax incentives for employees will generate interest in international companies wishing to establish a base in North America.

Digital Economy

British Columbia has a strong digital media sector. Income earned from distribution is expected to be part of the expanded IBA program. In addition, the Interactive Digital Media Tax Credit, introduced in 2010, will further support B.C.'s digital economy.

Asian Financial Institutions

Many Asian financial institutions have their head offices in Toronto, although many have a significant presence in Vancouver. The tax incentive offered by the IBA program makes B.C. a strong contender as a head office location from which to service North American clients.



Michael Goldberg speaks on tradeable services



Jock Finlayson of BCBC delivers an economic update

Holiday Reception



The IFC BC hosted a Holiday Reception at the Vancouver Club for members and guests.

Pictured left: Bruce Flexman greets members and guests of the IFC BC

Pictured at right: Ron Bozzer, Honourable Margaret MacDiarmid and Bruce Flexman



Highlights and Events

Jimmy Mitchell Joins the IFC BC

Jimmy Mitchell comes to the IFC BC following more than two decades of Asia-focused work in both the public and private sectors. A fluent Mandarin speaker, Jimmy has specialized in Greater China's political economy, media / public relations, project management and, more recently, marketing and branding for Canada at the Shanghai Expo. Jimmy has spent 10 years in Canada's Foreign Service, culminating in his role as the main Canadian government liaison for the Shanghai World Expo 2010 where he directed the successful business and trade-focused programming plan for the Canada Pavilion. Jimmy's decade with Canada's foreign affairs focused primarily on China and Taiwan, and he served as a China specialist in political and public affairs roles and oversaw political affairs and bilateral relations for Canada's Shanghai Consulate.



Jimmy's early career led him into journalism in Taiwan, first in radio as a reporter and then as broadcaster at Taiwan's only English-language station. He also moonlighted as a freelancer (*Newsweek*, *CBS Radio*, *CBC*, *Voice of America*, *Globe and Mail*), and started a talent agency for commercial voice-over work. In 1999, Jimmy and a small group of other mostly-foreign journalists planned and launched a new English-language daily, the *Taipei Times*, which went on to win international design and news awards in its first year of publication. He graduated from University of Regina in 1986 with a Bachelor of Fine Arts in Theatre and was awarded an M.A. degree in Chinese politics and history from University of British Columbia in 1995.

Jimmy currently resides in metro Vancouver with his wife and two children (9 & 11) whose Chinese will always be better than his. He remains active in the theatre community, and has been spotted in past years doing the Grouse grind.

IBA Program Seminar For Members



The IFC BC again hosted a seminar for members on a variety of topics from basic legislative compliance to maximizing the IBA refund claim. The panel of experts featured Marco Cavin, PricewaterhouseCoopers; Tony Martin, KPMG; Brian Emmott, Ernst and Young; and Chris Gimpel, Deloitte.

Pictured left to right: M. Cavin, T. Martin, B. Flexman, B. Emmott, and C. Gimpel

Vancouver Rises As A Global Financial Centre

In the September 2010 edition of the *Global Financial Centres Index* (GFCI), Vancouver moved to #21 from #23, having moved up from #33 in March 2008 (Toronto is ranked #12 and Montreal is ranked #25).

The IFC BC Annual Golf Tournament



A great day of golf on the award-winning University Golf Club marked the IFC BC's Annual Golf Tournament.

L. Costley, B. Flexman, M. Johnson, and B. Nicholson are ready for play.

B. Flexman awards the trophy to the winning team: Tony Guglielmin, Steve Williams, John Horning, Ron Bozzer



Core Members

Alectos Therapeutics Inc.	Macquarie Metals & Energy Capital (Canada) Ltd.
Angiotech Pharmaceuticals, Inc.	Mondiale Asset Management Inc.
Bank of China (Canada)	Nerd Corps International Distribution Inc.
Bank of Montreal	Northstar Trade Finance Inc.
Bank of Nova Scotia	Oakridge Accounting Services Ltd.
Canaccord Financial Ltd.	Orbis Client Services (Canada) Limited
Cay Solutions Limited	PI Financial Corp.
Chexx (Americas) Inc.	PI Financial (US) Corp.
Chrysalix Energy	Pacific Network Services Ltd.
CIBC	QLT Inc.
Citizens Bank of Canada	Raymond James Ltd.
Coast Capital Savings Credit Union	RBC Dominion Securities Inc.
Connor, Clark & Lunn Financial Group	RBC Global Asset Management
Ecowaste Industries Ltd.	Royal Bank of Canada
Exchange Corporation Canada	Salman Partners Inc.
First Resolution Management Corporation	Salman Partners (USA) Inc.
Genus Capital Management	Scotia Capital
Global Securities Corp.	Toronto-Dominion Bank
Graymont Capital Inc.	Teck Resources Ltd.
Haywood Securities Inc.	Tolko Finance Ltd.
Haywood Securities (USA) Inc.	UBS Bank (Canada)
HSBC Bank Canada	Vancouver City Savings Credit Union
HSBC Capital (Canada) Inc.	Vancouver Bullion & Currency Exchange
HSBC Investment Funds (Canada) Inc.	Water Street Releasing
HSBC Global Asset Management (Canada) Ltd.	Western Union Business Solutions ULC
International Tracing Search Inc.	Western Union Business Solutions (Online) Ltd.
JP Morgan Asset Management (Canada) Inc.	Western Union Business Solutions (Retail) Ltd.
Kuehne & Nagel Services Ltd.	West Fraser International Ltd.
Mackenzie Financial Corporation	Windsor Building Supplies Ltd.
Macquarie Capital Markets Canada Ltd.	Wolverton Securities Ltd.

Associate Members

Aon Insurance Managers (Vancouver)	ICICI Bank Canada
Asia Pacific Foundation of Canada	Integro Canada Limited
BC Film Commission	Investment Industry Association of Canada
BC Innovation Council	Jardine Lloyd Thompson Canada Inc.
BC Investment Management Corporation	KPMG LLP
Borden Ladner Gervais LLP	Life Sciences BC
Boughton Law Corporation	Liquid Capital Pacific Corp.
British Columbia Film	McCarthy Tétrault LLP
Business Council of British Columbia	Merck Frosst Canada Ltd.
Canada China Business Council	Mitsubishi Canada Ltd.
Canada Pacific Russia Trade Centre	MNP Corporate Finance Inc.
Canadian Captive Insurance Association	Newport Law Corp.
Canadian German Chamber of Industry & Commerce	Odlum Brown
Canadian Manufacturers & Exporters	Pacific Corridor Enterprise Council
Central 1 Credit Union	Pacific Northwest Economic Region
Chamber of Shipping of BC	Pinnacle Canada Fund Administration Ltd.
Deloitte & Touche LLP	PricewaterhouseCoopers LLP
Economic Development Association of British Columbia	SmytheRatcliffe LLP
EFG Wealth Management (Canada) Limited	State Bank of India
Ernst & Young LLP	Thorsteinssons LLP, Tax Lawyers
Farris, Vaughn, Wills & Murphy LLP	Van Arbor Asset Management Ltd.
Fasken Martineau DuMoulin LLP	Vanderluit & Associates, Inc.
Gowling Lafleur Henderson LLP	Vancouver Board of Trade
Grant Thornton LLP	Vancouver Economic Development Commission
Hungerford Tomy Lawrenson and Nichols	Vancouver IFA Management Services Ltd.

Academic Members

University of British Columbia Sauder School of Business	Douglas College Commerce & Business Administration
Simon Fraser University Business Department	British Columbia Institute of Technology School of Business

Board of Directors

Steven Bow
Northstar Trade Finance, Inc.

Colin Hulford
HSBC Bank Canada

Ron Bozzer
Hungerford Tomyn Lawrenson and Nichols

Rodger Hutchinson
West Fraser International Ltd.

Michael Brooks
Western Union Business Solutions ULC

Brad Kotush
Canaccord Financial Ltd.

Richard Brownsey
British Columbia Film

Tony Martin
KPMG LLP

Melanie Clarence
EFG Wealth Management (Canada) Ltd.

James Maynard
Wavefront Wireless Innovation Society of B.C.

Neal Clarence
Ernst & Young LLP

Anne Meyer
Raymond James Ltd.

Martine Cunliffe
Richardson GMP Limited

Tracey Orr
TD Securities

Cris Da Silva
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Andrew Parkinson
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Chris Duggan
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Donald Rose
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Bruce Flexman
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Ian Russell
Investment Industry Association of Canada

Chris Gimpel
Deloitte & Touche LLP

Bradley Sakich
PricewaterhouseCoopers LLP

David Hall
Director, Life Sciences BC

John Wiebe
Globe Group

Executive Committee

Ron Bozzer, *Chair*

Steve Bow

Bruce Flexman

Anne Meyer

Colin Hulford

Andrew Parkinson, *Vice Chair*

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Annual General Meeting
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