



CFA Institute®
Investment Foundations

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Module 1

Chapter 1: The Investment Industry: A Top-Down View

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Module	Topic	Weight	LOS	Exam Qs	Hours to Study	Practice Qs
Module 1	Industry overview	5%	7	6	5	28
Chapter 1	The Investment Industry: A Top-Down View					
Module 2	Ethics and regulation	10%	14	12	10	91
Chapter 2	Ethics and Investment Professionalism					
Chapter 3	Regulation					
Module 3	Inputs and tools	20%	50	24	20	291
Chapter 4	Microeconomics					
Chapter 5	Macroeconomics					
Chapter 6	Economics of International Trade					
Chapter 7	Financial Statements					
Chapter 8	Quantitative Concepts					
Module 4	Investment instruments	20%	29	24	20	213
Chapter 9	Debt Securities					
Chapter 10	Equity Securities					
Chapter 11	Derivatives					
Chapter 12	Alternative Investments					
Module 5	Industry structure	20%	27	24	20	96
Chapter 13	Structure of the Investment Industry					
Chapter 14	Investment Vehicles					
Chapter 15	The Functioning of Financial Markets					
Module 6	Serving client needs	5%	12	6	5	76
Chapter 16	Investors and Their Needs					
Chapter 17	Investment Management					
Module 7	Industry controls	20%	<u>24</u>	<u>24</u>	<u>20</u>	<u>154</u>
Chapter 18	Risk Management					
Chapter 19	Performance Evaluation					
Chapter 20	Investment Industry Documentation					
	Total	100%	163	120	100	949

AFTER COMPLETING THIS CHAPTER, YOU SHOULD BE ABLE TO DO THE FOLLOWING:

- a) Describe the financial services industry;
- b) Identify types of financial institutions, including banks and insurance companies;
- c) Define the investment industry;
- d) Explain how economies benefit from the existence of the investment industry;
- e) Explain how investors benefit from the existence of the investment industry;
- f) Describe types and functions of participants in the investment industry;
- g) Describe forces that affect the evolution of the investment industry.

OBJECTIVE OF VIDEO

1. Cover some key points from the chapter;
2. Reminder of some study process tips;
3. Quick real world examples to complement text: Canadian focus

Plan is to keep videos < 20 minutes

THE FINANCIAL SERVICES INDUSTRY

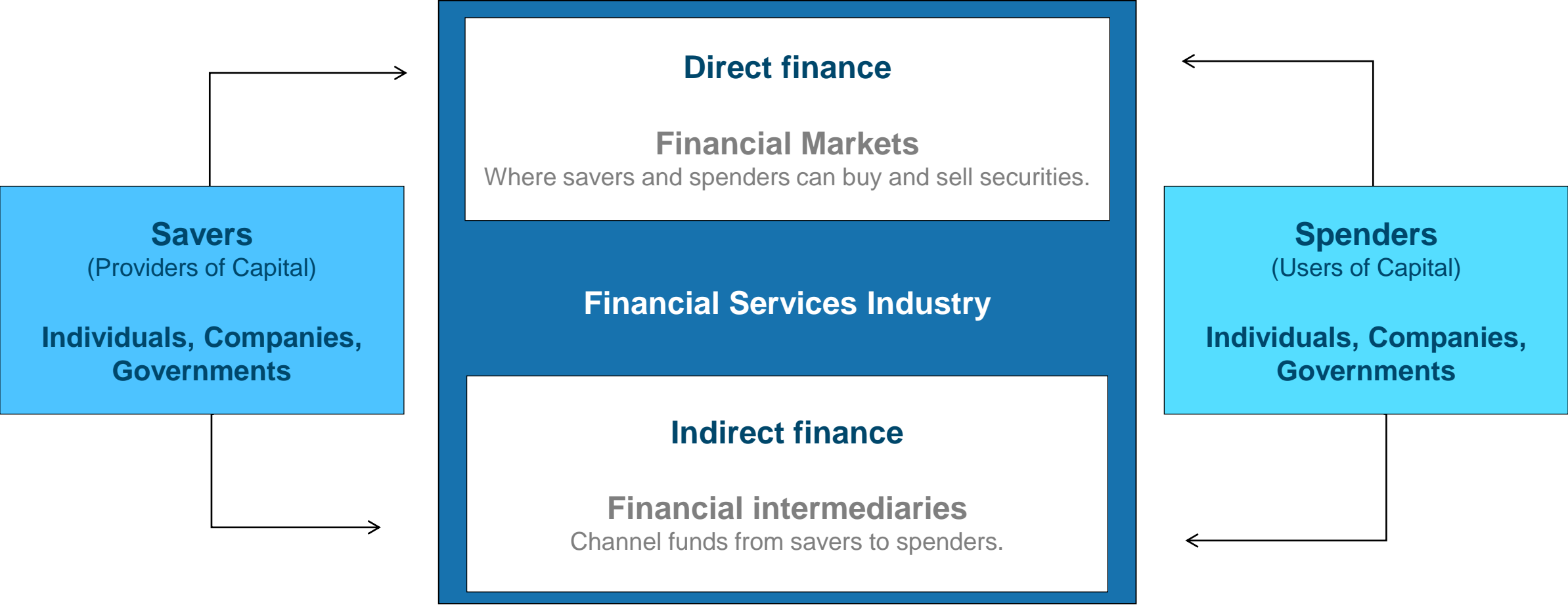
The financial system helps link savers who have money to invest and spenders who need money.

Within the financial system, the **financial services industry** offers a range of products and services to savers and spenders and helps channel funds between them.

Savers include individuals (households), companies, and governments that have money to invest.

Spenders include individuals, companies, and governments.

OVERVIEW OF THE FINANCIAL SERVICES INDUSTRY



FINANCIAL INSTITUTIONS ARE TYPES OF FINANCIAL INTERMEDIARIES

Banks

Banks collect deposits from savers and transform them into loans to borrowers.

Banks are also called deposit-taking institutions (or depository institutions) because they take deposits.

Building societies (also called savings and loan associations in some countries) specialise in financing long-term residential mortgages.

Retail banks provide banking products and services to individuals and small businesses.

- These products and services include checking and savings accounts, debit and credit cards, and mortgage and personal loans.

Co-operative and mutual banks are financial institutions that their members own and sometimes run.

b. Identify types of financial institutions, including banks and insurance companies;

FINANCIAL INSTITUTIONS ARE TYPES OF FINANCIAL INTERMEDIARIES

Insurance Companies

Insurance companies help individuals and companies offset the risks they face.

There are two main types of insurance companies:

- Property and casualty insurers that cover assets, such as homes, cars, and businesses, and legal liability, and
- Life insurers that pay out a sum of money upon death or serious injury of the person insured.

Insurers are among the largest investors.

b. Identify types of financial institutions, including banks and insurance companies;

THE INVESTMENT INDUSTRY

It is a subset of the financial services industry

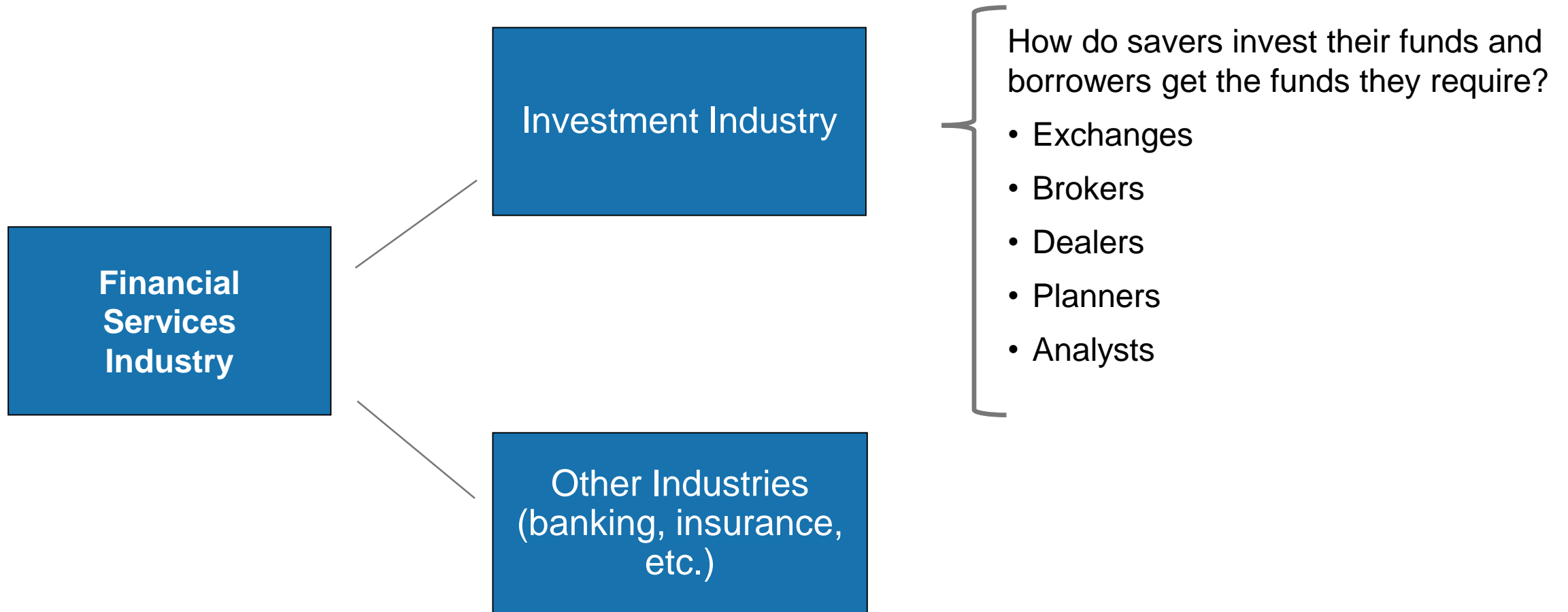
It is composed of the participants that are instrumental in helping savers invest their money and helping spenders raise capital in financial markets.

It provides numerous benefits to the economy, including

- the efficient allocation of scarce resources, and
- better information about investment opportunities, products and services that are appropriate for providers and users of capital, and liquidity.

c. Define the investment industry;

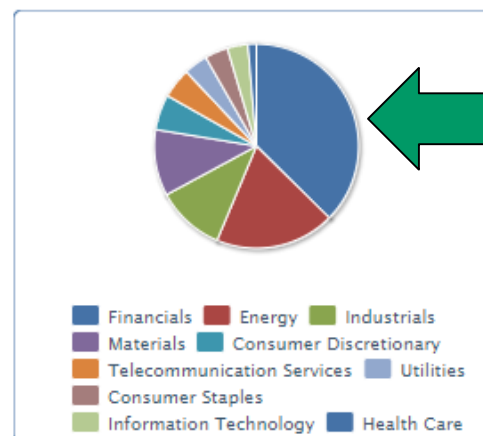
THE INVESTMENT INDUSTRY



TSX & FINANCIALS

Sector Breakdown

Sector	Weight %
Financials	36.66
Energy	18.62
Industrials	10.59
Materials	10.31
Consumer Discretionary	5.47
Telecommunication Services	4.70
Utilities	3.72
Consumer Staples	3.61
Information Technology	3.17
Health Care	1.27



Data is based on End of Day Values

Top 10 Constituents by Market Cap

Constituents	Symbol
Royal Bank of Canada	RY
Toronto-Dominion Bank (The)	TD
Bank of Nova Scotia (The)	BNS
Canadian National Railway Company	CNR
Suncor Energy Inc.	SU
Enbridge Inc.	ENB
Bank of Montreal	BMO
Canadian Imperial Bank Of Commerce	CM
Brookfield Asset Management Inc. Class A Limited Voting Shares	BAM.A
BCE Inc.	BCE

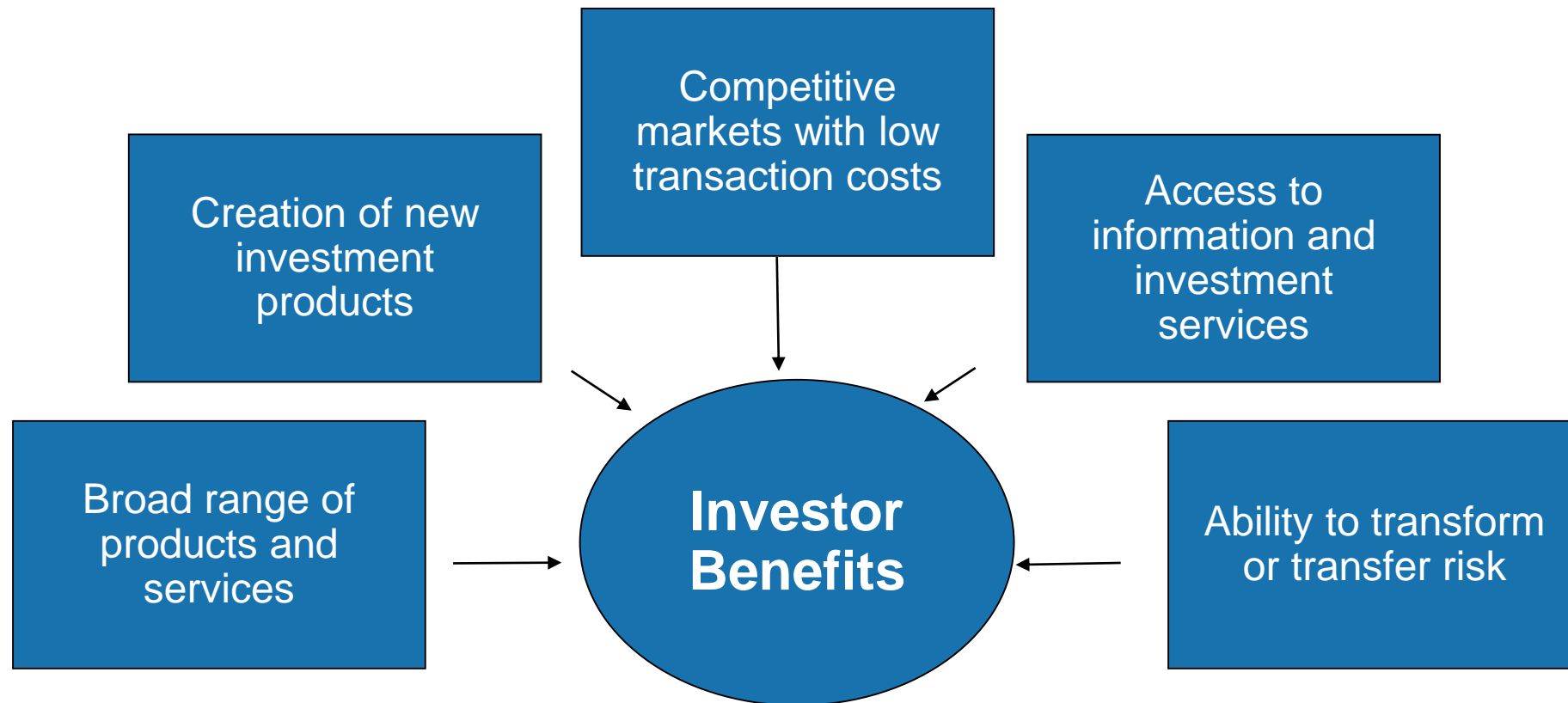
	Ticker	Name	Weight (%)	Price	
1	RY	ROYAL BANK OF CANADA	19.84	92.21	Bank
2	TD	TORONTO DOMINION	18.34	67.19	Bank
3	BNS	BANK OF NOVA SCOTIA	12.73	69.22	Bank
4	BMO	BANK OF MONTREAL	8.45	88.49	Bank
5	CM	CANADIAN IMPERIAL BANK OF COMMERCE	6.84	103.31	Bank
6	BAM.A	BROOKFIELD ASSET MANAGEMENT INC CL	6.73	51.64	Asset manager
7	MFC	MANULIFE FINANCIAL CORP	5.76	19.45	Insurance
8	SLF	SUN LIFE FINANCIAL INC	3.98	43.94	Insurance
9	NA	NATIONAL BANK OF CANADA	2.85	56.54	Bank
10	FFH	FAIRFAX FINANCIAL HOLDINGS SUB VOT	2.43	585.81	Holding Company
11	IFC	INTACT FINANCIAL CORP	2.03	97.88	Property & Casulty
12	TRI	THOMSON REUTERS CORP	1.81	65.7	Content
13	POW	POWER CORPORATION OF CANADA	1.32	24.12	Holding Company Insurance & WM & Energy
14	GWO	GREAT WEST LIFECO INC	1.16	28.03	Insurance
15	PWF	POWER FINANCIAL CORP	0.93	25.72	Holding Company Insurance & WM
16	ONEX	ONEX CORP	0.88	72.4	Private Equity
17	IAG	INDUSTRIAL ALLIANCE INSURANCE AND	0.7	42.79	Insurance
18	CIX	CI FINANCIAL CORP	0.62	17.31	Asset Manager, Broker, WM
19	EFN	ELEMENT FLEET MANAGEMENT CORP	0.41	6.39	Fleet Management
20	IGM	IGM FINANCIAL INC	0.38	30.45	
21	X	TMX GROUP LTD	0.38	71.46	
22	CWB	CANADIAN WESTERN BANK	0.33	25.02	Bank
23	LB	LAURENTIAN BANK OF CANADA	0.23	37.22	Bank
24	MIC	GENWORTH MI CANADA INC	0.23	39.51	
25	ECN	ECN CAPITAL CORP	0.17	3.39	
26	HCG	HOME CAPITAL INC	0.13	14.02	
27	AD	ALARIS ROYALTY CORP	0.09	16.77	
			99.75		

ECONOMIC BENEFITS PROVIDED BY THE INVESTMENT INDUSTRY



D. Explain how economies benefit from the existence of the investment industry;

HOW DO INVESTORS BENEFIT FROM THE INVESTMENT INDUSTRY?



e: Explain how investors benefit from the existence of the investment industry.

LAWS, REGULATIONS, AND TRUST



e: Explain how investors benefit from the existence of the investment industry.

LAWS, REGULATIONS, AND TRUST

Because laws and regulations cannot cover every situation and cannot prevent every fraud or market abuse from happening it is important that

individuals in the investment industry
behave ethically, in accordance with a set of
moral principles, and act professionally, and

organisations **promote
cultures of integrity**.

e: Explain how investors benefit from the existence of the investment industry.

BROKERS, DEALERS, AND CLEARING AND SETTLEMENT AGENTS

Brokers

Act as agents
connecting buyers
and sellers

Dealers

Act as principals by
trading their own
capital

Clearing and Settlement Agents

Confirm and settle
trades

LOS f: Describe types and functions of participants of the investment industry.

CUSTODIANS, FINANCIAL PLANNERS, AND ASSET MANAGERS

Custodians and Depositories

Hold money and securities
on behalf of their clients

Financial Planners

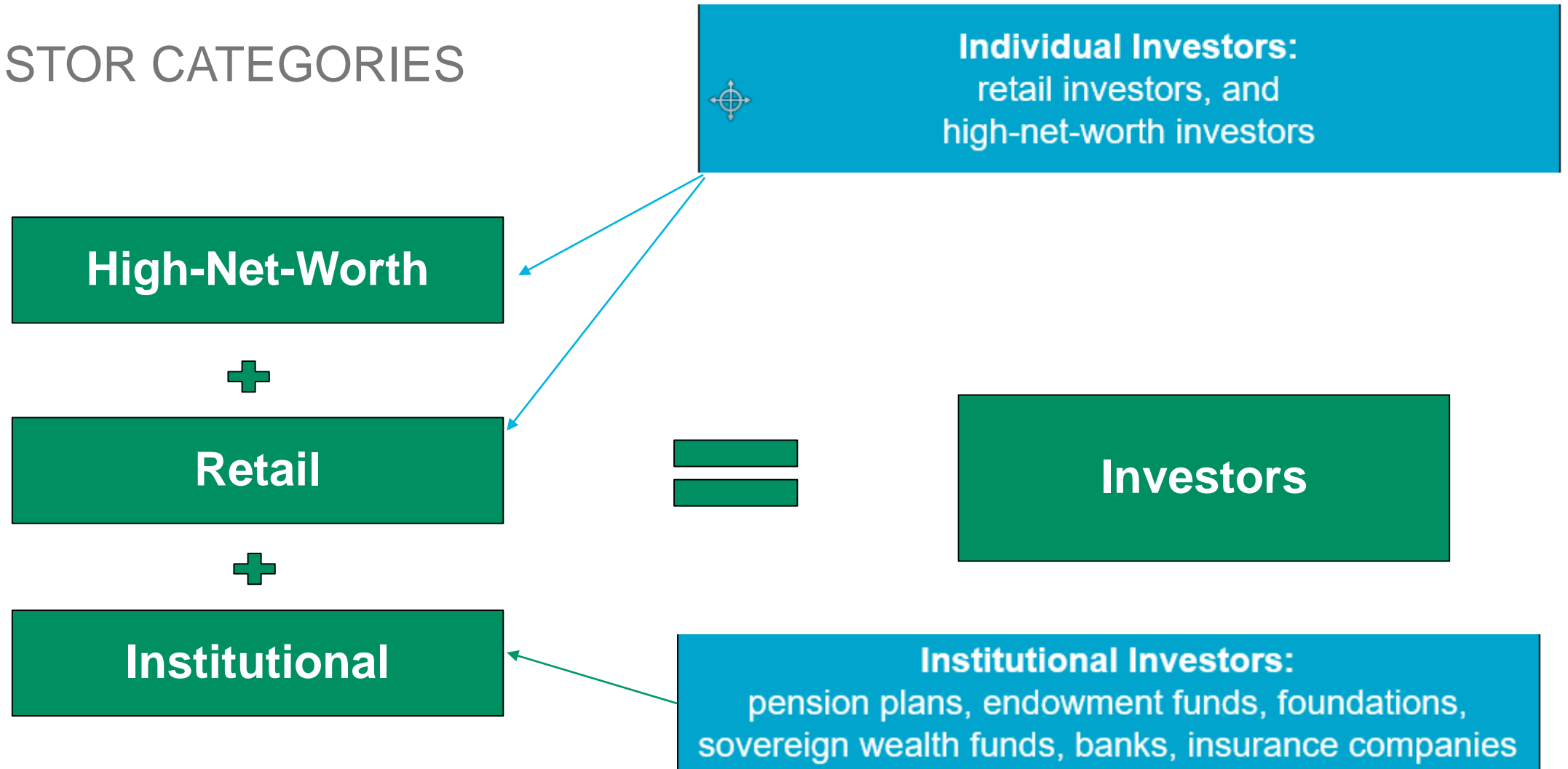
Identify financial needs
and provide investment
advice

Investment Management Service Providers

Manage investments on
client's behalf

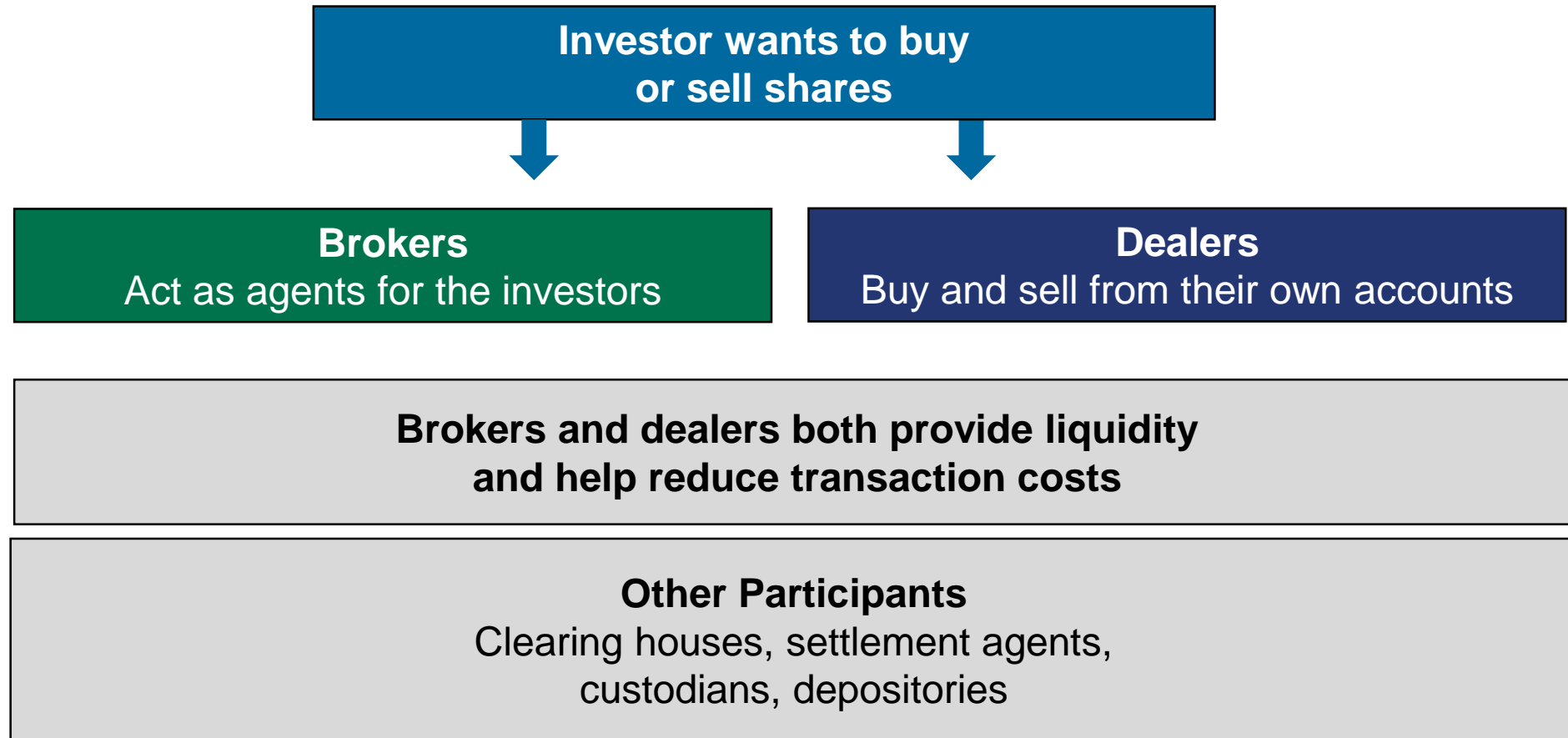
LOS f: Describe types and functions of participants of the investment industry.

INVESTOR CATEGORIES



LOS f: Describe types and functions of participants of the investment industry.

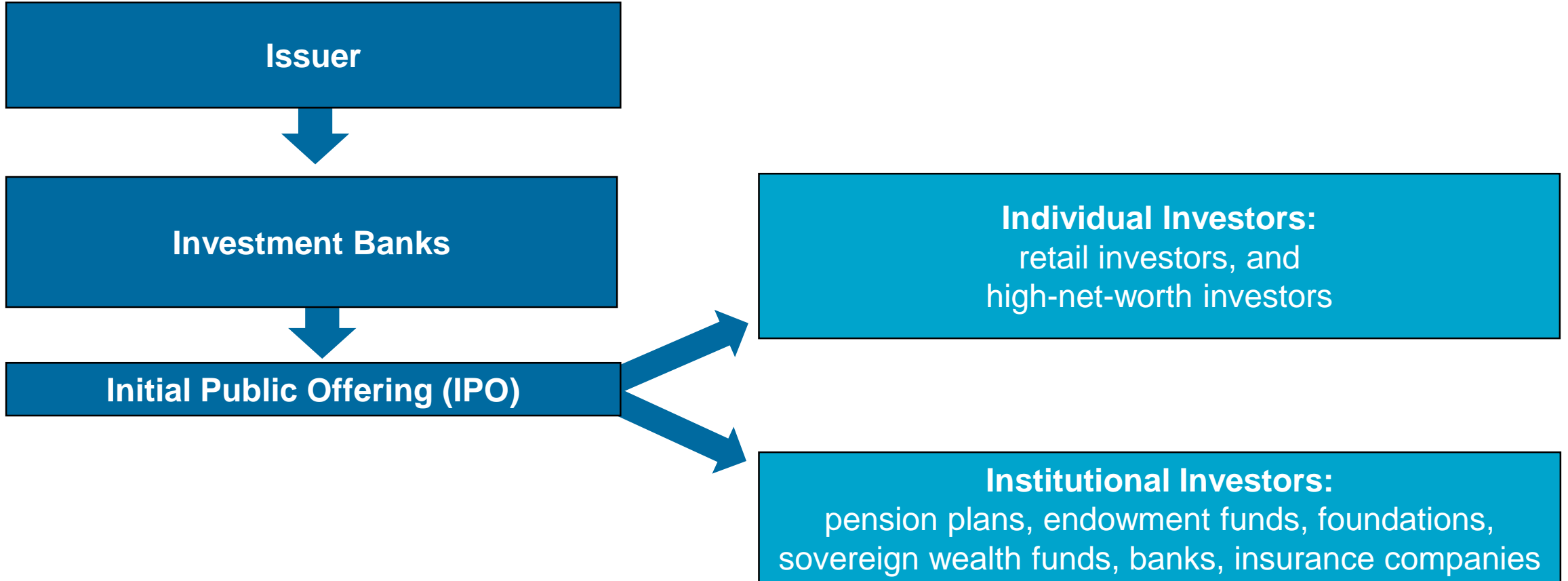
ISSUING AND TRADING SECURITIES



LOS f: Describe types and functions of participants of the investment industry.

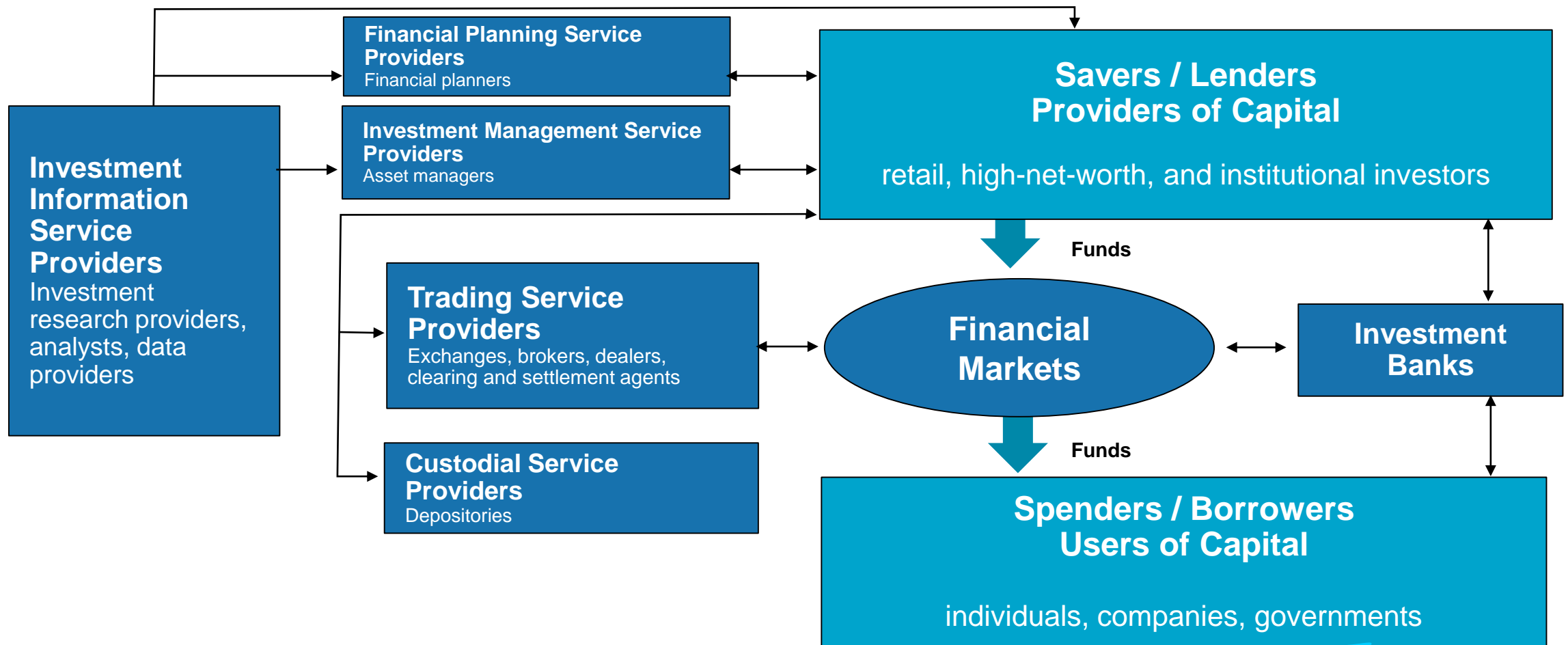
6.1 How Companies and Governments Raise Capital

ISSUING AND TRADING SECURITIES



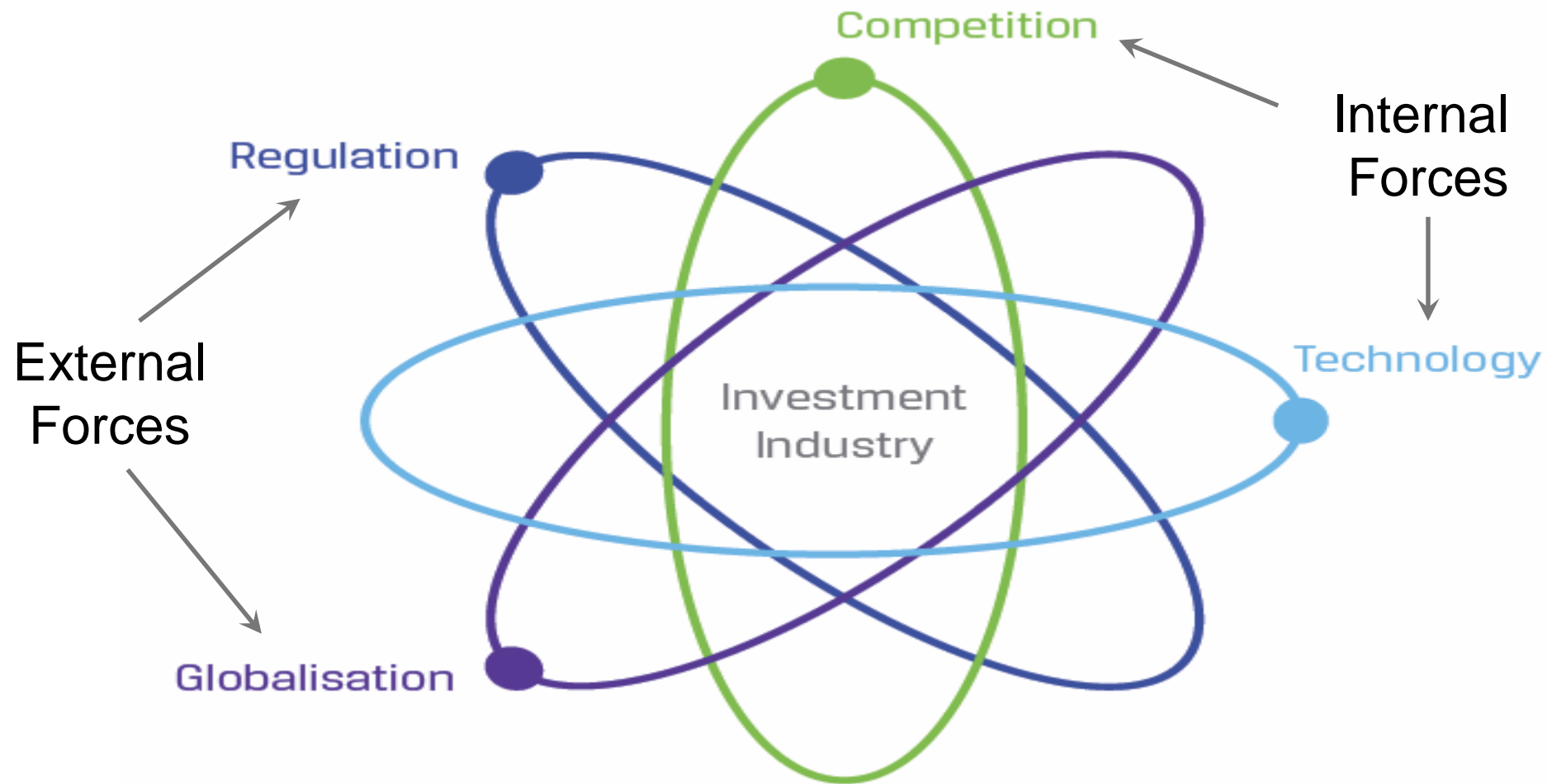
LOS f: Describe types and functions of participants of the investment industry.

INVESTMENT INDUSTRY PARTICIPANTS



LOS f: Describe types and functions of participants of the investment industry.

KEY FORCES DRIVING THE INVESTMENT INDUSTRY



LOS g: Describe forces that affect the evolution of the investment industry.

SUMMARY

The Investment Industry

Benefits

- Economic benefits
- Individual benefits

Participants

- Brokers and dealers
- Agents
- Planners and managers

Role

- To collect money from savers and to invest it in financial assets

Key Forces

- Competition
- Technology
- Globalisation
- Regulation