

PREFACE AND OVERVIEW

The Standing Senate Committee on Banking, Trade and Commerce (henceforth referred to as the Committee) received the following Order of Reference from the Senate on October 4, 1989: "That the Standing Senate Committee on Banking, Trade and Commerce be authorized to study the future of Canadian financial institutions in a globally competitive and evolving environment and, in particular, the ownership of such institutions". In addressing these issues and in weighing the evidence and testimony brought before us, the Committee was not starting from square one. In 1985, as part of an earlier Order of Reference relating to the regulation of Canadian financial institutions, we tabled *Deposit Insurance*, an interim report containing our conclusions and recommendations on the general subject of deposit insurance. And in 1986 we tabled *Towards A More Competitive Financial Environment* (henceforth referred to as the 1986 Report), our final report on the restructuring of the Canadian financial system. We are, of course, not bound in any way to abide by our previous conclusions and recommendations, particularly since so much has transpired in the interim. On the other hand, there is also no point in abandoning them unless they were either seriously flawed initially or are no longer relevant in the context of the more globally integrated environment characterized, among other ways, by the FTA and Europe 1992. In any event, it is important to focus briefly on aspects of the philosophy and recommendations of the 1986 Report. This is especially the case given that this 1986 Report still remains one of the viable options for restructuring the financial system.

Accordingly, the first chapter will be devoted to reviewing aspects of the 1986 report, *Towards a More Competitive Financial Environment*. Only highlights will be included in the text. The specific recommendations from the 1986 Report appear as Appendix A. This will be followed by a chapter focussing on how domestic and global financial markets have evolved since the 1986 Report and in some cases how they are likely to evolve in the near future. Included here will be the impact of Canada-US free trade on the financial environment, the likely implications for our regulatory framework arising from the move to a single European Market in 1992, the recent developments in terms of provincial legislation in the trust and insurance pillars and, finally, the federal-provincial and interprovincial policy and regulatory overlaps and particularly the challenges to ensuring internal free trade in financial services now that the Europeans have shown us the way to generate free trade across national boundaries. Together, these two chapters comprise Part I, Background to the Report.

With these two chapters as backdrop and with the evidence and testimony arising from our hearings, Part II of the Report presents the Committee's analysis, views and recommendations on the evolution of the Canadian financial system. In Chapter 3 of Part II, the Committee tackles the ownership issue in all its dimensions—the ownership regime for deposit-taking institutions and for insurance companies, the ownership structures for conglomerates and, finally, approaches to enhancing Canadian ownership of financial institutions.