

G. INTERNATIONAL ASPECTS

The Green Paper's proposal with respect to foreign ownership of life and trust institutions is to adhere to the existing arrangements, namely that transfer of ownership or control of existing Canadian financial institutions be restricted (or at least subject to ministerial approval) but that new entry be freely allowed. The Committee supports this approach.

The Green Paper's regulations relating the ownership of schedule C banks were of considerable concern to insurance companies. Under the proposed provisions, some insurance companies, because of their international linkages, would be precluded from the schedule C option. In turn this raised the possibility of reciprocal restrictions in other countries. This should no longer be a concern under our recommendations, since the option of schedule B banks would be open to all institutions just as the present schedule B route is open to foreign banks.

In general, the Committee believes that in areas where Canadian institutions have a substantial foreign presence (e.g. banking, securities and insurance), financial sector policy should ensure that we do not take actions on the domestic front that will jeopardize the freedom of our own institutions to act offshore. In some of these areas our institutions are clearly world class now and we must strive to preserve this. Moreover, for the chartered banks at least, foreign operations are likely to be one of the principal areas of expansion and growth.

Finally, the Committee endorses the view that mutual life companies incorporated in Canada be deemed Canadian institutions. The requirements that a majority of their directors be Canadian and that the head office be in Canada are redundant since these provisions are already part of the articles of incorporation.

RECOMMENDATIONS AND OBSERVATIONS

62. **The Committee endorses the existing approach toward foreign ownership of Canadian trust and life companies; transfer of ownership or control of existing Canadian financial institutions to foreign interests should be restricted, or at least subject to ministerial approval, but new entry should be freely allowed.**
63. **Given the growing internationalization of the markets for credit and capital, Canadian regulatory policy should avoid initiatives which could result in our institutions being denied access to foreign markets.**
64. **Mutual life companies incorporated in Canada should be deemed Canadian institutions.**

H. CAPITAL REQUIREMENTS

Many of the representations to our Committee argued for higher initial capital requirements for establishing financial institutions. We support such an increase in initial capital requirements. They would complement our provisions relating to consumer protection and institution stability. However, there is a clear trade-off here, since enhanced initial capital requirements will affect ease of entry. We would be concerned if these initial requirements were so high so as to unduly restrict entry.