

existing structure, rather than in engaging in a process of constitutional or jurisdictional re-design, is our belief that the existing structure has served Canadians well.

While the Committee recognized the problem that multiple jurisdictions (vertical and horizontal) posed, it also noted in Observation 78 in Appendix A that there can also be benefits in terms of flexibility, innovative experimentation and healthy competition.

Nevertheless, the challenge was clear: the ultimate goal would be to have a structure where regulations are sufficiently compatible that markets can become national. However, regulatory coordination can only do so much in terms of ensuring this compatibility. Regulators are subject to the overall policies of their respective jurisdictions. In the final analysis it is at the policy level where the system must strive for harmonization. In the Committee's words, "for regulators to coordinate, legislators must harmonize".

Accordingly, the Committee recommended (number 80 in Appendix A) that the federal government take the initiative to establish, with the provincial governments, a Permanent Committee of Ministers Responsible for Financial Institutions. This body would be responsible for adopting a national perspective with respect to the markets in which Canadian institutions now operate. Such a global overview, as it were, is essential since the Canadian financial market is much more encompassing than the domain of any one regulator or jurisdiction.

Later in this report we shall make reference to some notable achievements in this area, but more needs to be done particularly in light of what the European Community is hoping to achieve.

E. Summary

This, then, reflects the Committee's thinking as of early 1986. However, the march of events pushes relentlessly onward, so that the perspective of 1990 is markedly different from that of 1986. Moreover, at the federal level the ownership dimension, further complicated by the FTA, has led to legislative paralysis. For these reasons, among others, the Committee is revisiting the general area of financial sector policy and structure. The following chapter outlines some elements of the altered environment.

We conclude this chapter by framing a few principles, drawn largely from our 1986 Report, that will serve as guideposts not only in terms of how we will integrate the new developments outlined in the following chapter but as well how we shall approach the evidence and testimony presented to us.

RECOMMENDATIONS AND OBSERVATIONS

- 1. The Committee endorses the nine principles that underpinned the "Green Paper", our 1986 Report and, indeed, most other official reports relating to reform of the Canadian financial system: improving consumer protection; ensuring the soundness of financial institutions and the stability of the financial system; controlling self-dealing; guarding against abuses of conflict of interest; promoting competition, innovation and efficiency; enhancing the convenience and options available to consumers in the marketplace; broadening sources of credit available to individuals and businesses; promoting international competitiveness and domestic economic growth; and promoting the harmonization of federal and provincial regulatory policies.**
- 2. Given the incredible pace at which financial systems, globally and domestically, are transforming, the Committee's view is that regulatory policy should place a premium on flexibility and adaptability in terms of how the Canadian financial system can respond to these challenges.**