

"A creative financial system is one which does not just passively accommodate the usual - instead it is one in which active and inventive efforts are constantly being made to meet the sound requirements of lenders and borrowers, regardless of how untried and unusual such needs may be. A spirit of vigorous, restless innovation in the financial system - of devising new ways to do new things rather than of justifying why they should never be done at all - can ordinarily best be achieved in conditions under which the participants are not prevented from responding to changed opportunities, in which price and other competition is too intensive to be comfortable, in which there is relative ease of entry for honest men with ideas and imagination, and in which different classes of institution can compete with each other on an equitable and open basis." (pp. 8 - 9)

Drawing attention to the evolution of the financial system in recent years and to the increased variety and overlapping of institutions, (pp. 104-8, 360-3), the Commission argues that the pattern of government regulation is no longer well-suited to the country's needs. Some laws needlessly restrict the institutions, serve no purpose in protecting the public and in fact reduce the availability of credit to some borrowers and drive them into the arms of high-cost lenders. (pp. 364-7). In other areas, the public supervision of financial business is inadequate and the public is unduly exposed to the risks of mismanagement or worse (pp. 362-4, 380-1).

The Commission points out in dealing with the banks and so-called 'near-banks' that "the borrowing and lending activities of those institutions which we in Canada happen by tradition to call banks and those of other institutions which we happen to call by other names have become very similar, and in some respects indistinguishable". (p. 362) Pointing out that there is no difference in the ability of banks and others to "create credit", (pp. 101-2) the Commission states that the essential similarity of the short-term institutions argues for uniform banking legislation rather than the present pattern of regulation under which ten institutions (including the two Quebec Savings Banks) are arbitrarily brought under federal banking regulation while others operate under a variety of laws with many contradictory provisions.