effective regulatory oversight, one result of which is very tough provisions with respect to matters such as self-dealing. Second, as noted by the Conference Board in their submission to the Committee, the equals approach protects Ontario against the potential flight of financial institutions and financial activity to provinces with easier rules.

In the Committee's opinion, neither of these rationales is, in any fundamental way, inconsistent with the above proposal. Indeed, the opposite is true. Effectively, what Ontario is signalling by way of the equals approach is the need for some minimum acceptable standards with respect to issues such as capital adequacy and corporate governance. This need also underlies our proposal. Issues may arise in terms of the degree of vigilance desired. However, the BCE Inc. approach to self dealing (Recommendation 44) is surely as stringent as the Ontario rules. Therefore, the Committee is optimistic that Ontario can be brought on side in terms of these proposals to enhance the national dimension of Canada's financial markets.

RECOMMENDATIONS AND OBSERVATIONS

58. Host-province conduct-of-business rules shall not have extra-territorial effect, that is, they shall not be applied in a way that affects operations outside the province. Ontario's "equals approach" runs counter to this principle. The Committee is optimistic that its earlier recommendations relating to self-dealing along with the minimum acceptable capital adequacy standards and the federal-provincial accord on regulation will meet Ontario's concerns.

- *QDIC*

The concern relating to Quebec is quite different in nature because this province has its own system of deposit insurance. In principle, Quebec could march to its own drummer in terms of regulatory oversight. In practice, however, the opposite appears to be the case. Quebec is an active participant in the interprovincial consultative and harmonization process (the Conference of Provincial Ministers Responsible for Financial Institutions). Second, harmonization and collaboration between the CDIC and the QDIC are a *fait accompli*. From the testimony of Mr. Ronald McKinley, Chairman of the Board of the CDIC: "The plans are essentially the same and we work well with that organization. It has been helpful to us and vice versa." Thus, capital adequacy standards are probably not at issue. Third, the Committee assumes that if our recommendation for networking of insurance is accepted, Quebec will allow institutions chartered elsewhere (e.g. the National Bank) to have the same privileges as the Caisses populaires. This would represent tangible evidence that Quebec has bought into the notion of a national market. Fourth, when Quebec-chartered institutions operate in other provinces they are covered by CDIC. Finally, the fact that Quebec has its own deposit insurance system also implies that the province is the ultimate guarantor so that it must bear the costs of regulatory or institutional failure. This alone will ensure regulatory vigilance. Even though Quebec does have legislation in place that incorporates different powers than those currently in place in other jurisdictions (including the federal jurisdiction), the Committee sees nothing in Quebec's overall approach to the financial sector that would point in the direction of anything but full cooperation with the goal of enhancing national markets.

Encouraging Developments

In advancing this proposal—designated jurisdiction/mutual recognition/provincial treatment—the Committee is aware that aspects of this concept has already caught on in some provinces. For example, in the New Brunswick *Loan and Trust Companies Act*, passed in 1987, the provincial government is allowed to classify any Canadian province or territory as a "designated jurisdiction". Financial institutions chartered in designated jurisdictions and federally incorporated companies will