

C Domestic Harmonization

Toward a National Financial Market

- *The Europe 1992 Model*

53. If Europeans can harmonize across national boundaries, then Canadians can surely harmonize across provincial boundaries.

- *The Royal Trust Model*
- *The Committee's Proposal*

54. The Committee's proposal for a single national financial market is built around four tenets:

- a new consensus on key standards and principles;
- a federal-provincial accord on regulation;
- acceptance of the designated jurisdiction concept;
- acceptance of host-province conduct-of-business rules and consumer protection laws (the concept of "provincial treatment").

55. Now that the BIS capital adequacy rules apply to banks in roughly a dozen countries and, within Canada, several jurisdictions are already moving in this direction, the time has surely come for all primary regulators to reach consensus on some minimum acceptable standards and principles. The Committee recommends that jurisdictions in which the policy or regulatory authorities insist on enacting more lenient rules with respect to capital or regulatory oversight shall not be eligible for CDIC coverage for their chartered institutions.

56. Responsibility for regulating prudential aspects (capital, self-dealing, etc.) and for framing basic business and investment powers will rest with the chartering jurisdiction. This is the "designated jurisdiction" concept. Provinces will designate the chartering jurisdiction to have this responsibility. The general approach to this regulatory oversight will be governed by the federal-provincial accord on regulation.

57. Provinces will be able to implement their own conduct-of-business rules and consumer protection laws. However, "provincial treatment" must prevail in the application of these conduct of business rules: institutions chartered federally or in other provinces must be accorded the same privileges as host-chartered institutions. For example, it is likely that some provinces will prevent insurance networking on the premises of deposit-taking institutions. But for provinces that do allow such networking, this privilege must be extended to all institutions, irrespective of where they are chartered.

Challenges on the Horizon

- *The Equals Approach*

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