

a global strategy largely anchored in the EC, Switzerland and offshore centres. The elimination of exchange controls will give a great advantage to banks able to serve this rewarding market.

Europeans are leading the way in the integration of banks and insurance. France has the most experience in "bank-insurance," and these marriages work in several ways. Some banks are now operators of insurance companies; others have chosen to create their own affiliates, particularly for life insurance which can be as much a savings as a protection instrument depending on regulations and the kind of product. Canadian banks would like to enter this field but first need clear Canadian legislation that reflects the new economic realities.

Fund management is another area of Canadian expertise applied to large pension funds, unit trusts and mutual funds. Canadian techniques and software for administering large numbers of accounts, and Canadian methods of financial analysis, are very efficient. They could easily be adapted to European markets and marketed as a high-quality service.

Mutual funds authorized in one EC country will be allowed to be marketed in all EC countries, according to the Directive on Undertaking for Collective Investments in Transferable Securities (UCITS). Mutual funds have had impressive growth in the EC, primarily in heavily regulated countries, such as Italy or Spain, that offer a limited selection of savings products. In the past, foreign exchange controls limited the development of internationally diversified funds; the removal of these

barriers is creating a big demand. The traditional local suppliers, often with limited experience, would be open to associating with foreign partners to market international funds.

### 3.2 Indirect Effects

Pushed by the restructuring taking place in the EC, leading European financial institutions will become strong competitors. They will be better armed to defend their domestic market and to expand to other Member States, as well as becoming more aggressive on the world market. Apart from the limited number of truly global banks, major banks will tend to become large regional banks. The EC is reshaping Europe, and the Canada-U.S. Free Trade Agreement is having a similar effect back home. Canadian institutions are adapting their strategies to the opening of this vast market with its access to large resources. Large corporations are also growing to continental dimensions and requesting extended services. These new risks will need to be carefully assessed.

To continue to develop, Canada needs a large inflow of foreign investment. Federal and provincial bonds are well accepted in Europe, and large amounts of equity are raised through the sale of Canadian stocks for the development of natural resources. The new prospects offered by countries such as Spain, Portugal and Greece might divert part of these flows from Canada, not to mention the large investments that will be needed to rebuild the economies of Eastern Europe. Innovative ways need to be found to keep attracting investments to North America. Clearly, Canadian financial institutions in Europe are in the best position to promote Canada in the EC.