

## PART II

### ENHANCING COMPETITION

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#### A. INTRODUCTION

Four of the nine principles enumerated in the Green Paper relate directly to competition and efficiency. These are:

- promoting competition, innovation and efficiency;
- enhancing the convenience and options available to customers in the market-place;
- broadening the sources of credit available to individuals and business; and
- promoting international competitiveness and domestic economic growth.

We endorse those principles, particularly in the context of the underlying competitive thrust of the Green Paper: "the challenge is to develop a regulatory approach that encourages, rather than inhibits, innovation and efficiency in our financial system while at the same time protecting the public." As the Green Paper further notes: "While regulation is needed to ensure soundness and consumer protection, market forces should have an important role in shaping the financial system because that will work in the direction of achieving the kind of dynamic and efficient financial system that our economy needs." We believe that our recommendations in Part I will "ensure soundness and consumer protection" so that we can with confidence now turn our attention toward enhancing the competitive and efficiency aspects of the financial sector. Hence, our goal in this section is to devise a set of arrangements that will allow the financial system to become more open, flexible and dynamic.

In pursuing these objectives, the Committee is working from a few additional principles or precepts. The first of these relates to the role of the financial sector. It is all too easy when discussing issues like the four pillars and the Canada Deposit Insurance Corporation to take the view that the object of the whole exercise is to create a set of structures within which financial institutions will prosper. But a sound and prosperous financial sector is of value to Canada only if it serves effectively its ultimate goal — to transfer funds efficiently from lenders to borrowers. Phrased differently, Canada's success as a trading nation will depend on its ability to compete internationally. In turn, this requires that the process of financial intermediation provide access to capital and credit for Canadian firms that, in terms of quality and price, are at least on a par with the opportunities available to our competitors in other nations. Thus, the critical issue is how well the Canadian financial sector is serving the