

- division of responsibility for regulation by "home" and "host" jurisdiction, including a more prominent use of the deposit insurance system with an enhanced role for the insurer;
- coordination of supervision and administration among regulators.

The brief notes that an obvious vehicle for achieving such a consensus would be the Senate's 1986 recommendation for a Permanent Committee of Ministers Responsible for Financial Institutions, steps toward which have already been taken by the provincial premiers. The brief also supports a suggestion made by the Conference Board of Canada before the Committee, namely that industry people should be involved in this process as well.

In terms of the second point, the federal-provincial accord on regulation, the Royal Trust brief offers as possible models the series of agreements between OSFI and provincial securities regulators in terms of the division of responsibilities for the regulation of the securities sector.

Finally, the "designated jurisdiction" concept is a variant of the mutual recognition/host country operating rules of Europe 1992. Essentially, the chartering or "designated jurisdiction" embodies: a) primary regulation by the chartering jurisdiction; b) mutual recognition by other jurisdictions of this designated jurisdiction; and c) acceptance of some conduct-of-business rules and consumer protection laws of the host province. One difference from the Europe 1992 model, which effectively involves a single banking license for the Community, is that the Royal Trust model contemplates registration and licensing in the host province.

- *The Committee's Proposal*

The Committee formally endorses the substance of the Royal Trust Model, including harmonization of minimum regulatory standards, the designated jurisdiction concept and host country operating rules.

## RECOMMENDATIONS AND OBSERVATIONS

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.