

## CHAPTER 6

### Policy Harmonization

#### A. Introduction

This final substantive chapter of our report deals with the enduring concerns relating to policy coordination and harmonization. In our 1986 Report, the emphasis on harmonization related almost exclusively to internal harmonization—federal-provincial and interprovincial. These domestic harmonization concerns remain of utmost importance. Indeed, the Committee views its later proposals for ensuring that markets become truly national to be among the most important recommendations of the report.

However, the advent of Canada/U.S. free trade and the prospects in 1992 of a single European market require that harmonization concerns embrace international aspects as well. Thus, the chapter begins with a focus on the most pressing of these international harmonization concerns, namely the potential inroads into the Canadian financial sector by the so-called American "in-house" or corporate banks. This is followed by a more detailed assessment of the AMEX issue. The section on international harmonization concerns concludes with some potential implications arising from Europe 1992.

#### B. International Harmonization

##### Foreign Bank Entry into Canada

- *The U.S. In-House Banks*

The Canadian Bankers' Association forwarded a copy of its recent report, *The Right to Compete*, to the Committee. The report documents the financial services activities of four U.S. firms (GE, Ford, GM and Sears) in addition to American Express. Like AMEX, these firms are major players in retail financial markets in the USA and, in many instances, are already active within certain segments of the Canadian financial services market.

Charts C.1 through C.5 in Appendix C, reproduced from the CBA document, depict the corporate structure of these U.S. corporations, including the extent of their Canadian activities (denoted by Canadian flags in the charts). General Electric (Chart C.1) probably has the most extensive Canadian presence and is one of the leaders in the leasing area. Ford Motor Company (Chart C.2), with its First Nationwide Financial Corporation is now the second largest U.S. thrift company with U.S. \$35 billion in assets and 330 branches in 15 states. It too has a substantial Canadian presence with operations in the areas of leasing, insurance and consumer loans.

Chart C.3 details the holdings of General Motors and, of more interest, GMAC, including its leasing and financial operations in Canada. GMAC is the largest automotive financier in Canada with nearly 500,000 vehicles with loans and over 200,000 vehicles on lease. Chart C.4 presents the Sears structure. Sears' Canadian activities are substantial, ranging from retail operations to