

RECOMMENDATIONS AND OBSERVATIONS

PART I

BACKGROUND TO THE REPORT

CHAPTER 1

Highlights of the 1986 Report

- A. The Underlying Principles
 - B. Consumer Protection and Financial Institution Stability
 - C. Enhancing Competition
 - D. Federal-Provincial Harmonization
 - E. Summary
1. The Committee endorses the nine principles that underpinned the "Green Paper", our 1986 Report and, indeed, most other official reports relating to reform of the Canadian financial system: improving consumer protection; ensuring the soundness of financial institutions and the stability of the financial system; controlling self-dealing; guarding against abuses of conflict of interest; promoting competition, innovation and efficiency; enhancing the convenience and options available to consumers in the marketplace; broadening sources of credit available to individuals and businesses; promoting international competitiveness and domestic economic growth; and promoting the harmonization of federal and provincial regulatory policies.
 2. Given the incredible pace at which financial systems, globally and domestically, are transforming, the Committee's view is that regulatory policy should place a premium on flexibility and adaptability in terms of how the Canadian financial system can respond to these challenges.
 3. Relatedly, the overall policy framework for the financial system must encourage rather than inhibit innovation. In practical terms this means that the underlying presumption ought to be that innovations are acceptable unless they can be demonstrated to run counter to the public interest. Unfortunately, it is too often the case that the innovators themselves are called upon, at considerable cost in terms of time and money, to demonstrate that their products/processes are in the public interest. This latter