

teams of specialists in the U.S. market and then transferred some of these specialists to Europe. ScotiaMcLeod in Paris focuses on France. The Canadian Imperial Bank of Commerce is trying to unify its approach to business across Europe, but still treats each market according to its characteristics. In France, it views M & A as a way to develop commercial lending, and not only as a purely merchant banking service.

Generally speaking, Canadian banks have pulled out of corporate lending, which has become too competitive and thus unprofitable. These banks are concentrating on corporate finance products, now well developed in the U.K. market and gaining acceptance in continental Europe. The banks gained their experience in this field largely in the U.S., where they have to compete with large American commercial and investment banks. They are very familiar with risk management tools such as interest rate and currency swaps, options, futures which are being used more and more often. These products are now conquering new markets in southern Europe.

Canadians are specialists in specific activities such as mining and development of new technologies -- i.e., cable television. This experience has created niches for specialized lending. A large portion of the Canadian economy is based on natural resources, forestry, mining, oil and gas, and Canadian banks and securities companies are leaders in financing these activities. These companies manage energy loans and gold loans, for which they find a very active international market in London.

One of the principal reasons for Canadian brokerage houses and banks to be established in Europe is to promote and sell Canadian equities and bonds. The Second Banking Directive and the Investment Services Directive should create new ways to penetrate long-protected local markets, especially since it will be possible to operate in some

EC countries without first establishing a local presence.

The Canadian securities industry can also promote the quality of its North American research on securities, which is based on a profound knowledge of corporations. From this base, Canadian researchers move to the larger context of economic sectors, a process called *bottom up* analysis. The European approach starts from a macroeconomic study and then selects the most promising industries to look for specific stocks: this approach is called *top down* analysis.

#### b) Investment Products for Individuals

Access to distribution networks is essential for private banking. Canadian institutions do not control these networks and cannot expect a significant direct penetration. On the other hand, they could market some products through mail and advertising.

The National Bank of Canada has chosen to form very close reciprocal banking relationships with EC domestic banks to service each other's customers. Royal Trust is increasing its presence in private banking across Europe. In the insurance industry, the Desjardins group has signed an agreement with Confédération Nationale du Crédit Mutuel de France, also a co-operative movement. The two groups plan to collaborate on several types of activities and to assist each other in the other's market.

Several Canadian life insurance companies operate in the U.K. market and are considering using this as a beachhead for penetrating continental Europe. Head Offices often give their local delegates the responsibility of building a strategy; these delegates are in a position to assess the differences in culture, to establish priorities and to detect opportunities.

In line with its traditions, the life insurance industry is a strong supporter of unrestricted right of access and establishment, of commercial presence in all countries, and of eliminating barriers to