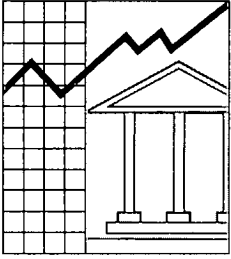


FINANCIAL SERVICES



Financial services – banks, insurance companies, investment dealers, trust and loan companies, credit unions, caisses populaires and provincial savings institutions – have assets of about a trillion dollars and employ more than 300,000 people. The Canadian financial industry has attained international recognition and competitive stature.

There is an international trend to globalization, computerization and financial instruments that improve the marketability and liquidity of debt. Recently, on both sides of the border, there have been moves to alter the institutional structure of the financial industry, to respond to this trend.

- Statistics on trade in financial services are not readily derived from the current account of the balance of payments, except for the insurance category where premium receipts in 1984, the last year for which figures are available, were \$451 million and payments were \$621 million. Commission payments on Canadian securities issued abroad were about \$230 million.
- Although trade in banking services is significant, statistics are not available separately from other banking transactions and are included with profits from subsidiaries abroad in the general current account for investment income.
- Capital flows between Canada and the U.S. and the use of capital markets in both countries are virtually unimpeded. Free trade

in financial services, however, does not imply elimination of all institutional regulation. Both Canada and the U.S. will continue to impose domestic rules of behaviour.

- Bilateral discussions currently address such issues as national treatment, prudential considerations which might impede trade, temporary labour mobility and extra-territorial application of laws.
- In the area of life and health insurance the industry associations in Canada and the U.S. have already agreed to a “statement of principles” for free trade. Other financial services sectors have a limited interest in external transactions.



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