

CHAPTER 3

The Ownership Dimension

A. Introduction

With this chapter, the Committee embarks on the challenging process of addressing the various issues, weighing the relevant trade-offs and, most importantly, coming to decisions in the form of recommendations for the evolution of the Canadian financial sector. In addition to background material in Part I, the primary inputs into the Committee's deliberations are the evidence, testimony and background papers of the many witnesses who appeared before us. However, the Committee, through its Chairman, has also received a substantial number of position papers, technical documents and speeches on issues relating to our mandate and deliberations. These too form part of the input into the process. A complete list of these background documents appears as Appendix F to the Report.

In the normal course of events, the ideal way to proceed would be to follow the format of our earlier report—focussing first on consumer protection and solvency issues followed by an elaboration of powers and competitive concerns and, finally, addressing the harmonization issues. However, because of the overwhelming role that ownership considerations played in our deliberations and because the ownership issue was prominent in our mandate, the first priority of the Committee has to be that of sorting out the many facets of ownership. This is the purpose of the present chapter. The following chapter will focus on the powers of financial institutions, including networking opportunities. Chapter 5 then turns to supervisory issues where corporate governance and self-dealing concerns will loom large. The final chapter of Part II will address policy harmonization issues—international, federal-provincial and interprovincial.

In terms of the present chapter, the first issue to be addressed is the appropriate ownership regime or regimes for deposit-taking institutions (essentially trusts and banks). The Committee's analysis and recommendations in this area will constitute most of the chapter. Since our 1986 Report, a new issue has assumed policy centre-stage—whether deposit taking institutions should be allowed to own insurance companies. Addressing this question constitutes the second part of the chapter. The third section effectively generalizes the earlier ownership recommendations in terms of how each of banks, trusts, insurance companies and conglomerates are able to diversify across the pillars. The concluding section will focus on aspects of Canadian ownership of the financial sector.