one notes, permission for American Express to operate as a bank was given on election day, 1988, during the heat of the free trade debate.

Canadian financial institutions understandably felt that the playing field had been shifted in favour of the Americans. This was because the new AMEX Bank was owned by commercial enterprise, a type of ownership forbidden to Canadian banks. Clearly the issue of the level playing field in Canada is one that this reform package must resolve.

The free trade agreement also established the ground rules for another round of international negotiations, those surrounding Europe 1992. As the European Community moves towards a 12-country, 320 million person market, Canada must be involved. But in order to gain permission for its financial institutions to operate in that market, Canada will be under great pressure to grant to the Europeans the same privileges granted to the Americans under the free trade agreement, especially the exemption from the asset ceiling on Schedule 2 banks.

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The second issue arising from Europe 1992 is the inability of Canada's federal government and the 10 provinces to achieve harmonization in financial institutions, compared to the 12 countries in Europe. Clearly, then, the government's new financial package must address federal-provincial harmonization.

In fact, the lack of Canadian harmonization is another force, a major force, pushing the need for reform. Several provinces, including Quebec, Ontario, New Brunswick, and British Columbia, have updated their legislation regarding financial institutions considerably over the past few years. While the federal government has been operating at a standstill, the provinces have been moving ahead.

The most far-reaching changes are taking place in Quebec which in 1987 introduced its blueprint for financial sector reform. These changes included the blurring of the four so-called pillars: the banks, the trust and loan companies, insurance companies, and securities dealers. They also included the acceptance of financial and commercial links, where commercial enterprise, such as a steel company, could own a financial institution such as a trust company or credit union.

One of the most controversial effects of Quebec's reform is the ability of one credit union chain to sell insurance directly through its branches. This is one issue that the new legislation was expected to address. More than that, the new financial reform package was to have taken steps to level the playing-field for financial institutions regulated in different parts of Canada, with the goal eventually of establishing one set of rules for the whole country.

This levelling is very important if we are to avoid the spectacle of federally chartered financial institutions trading their federal charters for provincial ones. This would mean that the provinces, not Ottawa, would be the regulators in charge. This kind of movement would represent a reduction in federal authority, a loss of control to the provinces. The federal government must act now. It must act now to prevent such a loss of authority. It cannot continue to let the provinces take the lead in this issue.

After a long wait, the reform package unveiled on September 27 certainly was greeted with special enthusiasm by those of us who are eager to get on with federal-provincial harmonization of financial regulations. The provinces are certainly in this category and among them is British Columbia. British Columbia's Finance Minister, for example, said that he welcomed the government's package because, since the limited financial sector reforms by Ottawa in 1987, there has been, and I quote, "no meaningful dialogue between the federal government and the provinces on financial institutions reform".

Perhaps one of the reasons for not having any meaningful dialogue between Ottawa and the provinces is simply the fact that the government has consistently declined invitations by the provinces to sit on their interprovincial committee for financial institution reform. On September 28, the day after the reform package was tabled, I asked the Minister of State for Finance in the House why he had not accepted the provinces invitation. He simply ignored the question, just like he has been ignoring the provinces.

Before moving on to the issues raised by the government's reform efforts, I want to give a brief overview of Canada's financial industry. The four pillars to which I referred earlier are made up of the banks, the trust and loan companies, insurance companies, and security dealers.