

CHAPTER 1

Highlights of the 1986 Report

A. The Underlying Principles

Our point of departure was to endorse the nine principles underlying the Federal Government's 1985 "Green Paper" (*The Regulation of Canadian Financial Institutions: Proposals for Discussion*). We re-arranged these principle into three broad categories:

1. Consumer Protection and Financial Institution Stability

- ▶ improving consumer protection;
- ▶ ensuring the soundness of financial institutions and the stability of the financial system;
- ▶ controlling self-dealing;
- ▶ guarding against abuses of conflicts of interest.

2. Enhancing competition:

- ▶ promoting competition, innovation and efficiency;
- ▶ enhancing the convenience and options available to to customers in the market place;
- ▶ broadening the source of credit available to individuals and businesses;
- ▶ promoting international competitiveness and domestic economic growth.

3. Federal-Provincial Considerations

- ▶ promoting the harmonization of federal and provincial regulatory policies;

To this list the Committee added another precept: "in a fast moving world, regulatory policy should avoid as much as possible the imposition of a preconceived structure on the financial system." At that time the Committee felt that this degree of flexibility was essential if Canadian institutions were to achieve and maintain world class status in today's competitive financial environment.

Anticipating the later analysis somewhat, the Committee still adheres to these principles or precepts but would probably add a few more, based on the evidence received. One of these would be that in any future reciprocal agreements our policy-makers ensure that powers granted to foreign institutions operating in Canada do not place Canadian institutions at a disadvantage.