

of a single national market for financial services, acquiescence to the provinces' demands with respect to in-house trust powers represents an acceptable trade-off.

● *Ancillary Activities for Banks*

30. The Committee recognizes that banks in particular have long lobbied to have ancillary activities such as factoring and computer services come under the definition of banking. If the federal policy and regulatory authorities feel comfortable having these financed directly or indirectly by CDIC-insured deposits, then the Committee will defer to these authorities. However, now that the Committee has recommended alternative structures, e.g. bank holding companies, for engaging in these activities, our distinct preference is for financial institutions to use these new alternatives for undertaking ancillary activities.

C. Networking

31. Networking of financial services has become a reality in Canada. The Committee fully supports this development, with two provisos. Tied selling must be prohibited and networking fees should be above board and subject to monitoring by the relevant regulator.

32. Recent federal proposals prohibited licensed sales of insurance services on bank or trust premises. The Committee suggests that this is not the most appropriate way to approach this issue. The decision to allow or disallow licensed insurance agents to operate on the premises of deposit-taking institutions rests with each of the provinces. Thus the Committee recommends that, in each of the provinces, federally and provincially chartered institutions be under the same regime in terms of on-premises sale of insurance.

33. The Committee notes that the end result of the above recommendation may well be different treatment from province to province. This recognizes the provincial prerogative in this area. What our recommendation does accomplish, however, is the levelling of the playing field, by province, for provincially and federally incorporated institutions. Thus, if Quebec allows, as it does, the caisses populaires to network insurance on their premises, this right must also be extended to federally chartered institutions such as the National Bank and Trust Général.

34. Employees of deposit-taking institutions should not be allowed to be licensed to sell insurance. There is an inherent conflict of interest here since a customer indebted to a bank, trust, or credit union can be put in a position where she/he might find it difficult to refuse an offer for insurance coverage. Therefore, the Committee recommends that federal and provincial insurance regulators come to an agreement to the effect that if a province wishes to license on-premises sales this be done via networking arrangements and not by licensing employees of deposit-taking institutions. In any event, federal legislation should prevent such licensing of employees of deposit-taking institutions.

35. All of the above recommendations relating to networking insurance are premised on the assumption that confidential customer information will not pass between the deposit-taking institution and the insurance salespersons operating in the branches of deposit-taking institutions.

36. Persons licensed to sell insurance should be allowed to place clients' funds on a networking basis with deposit-taking institutions.