

CHAPTER 4

Powers and Networking

A. Introduction

In focussing on the powers of financial institutions the Committee wishes to reiterate those aspects of Recommendation/Observation 1 that relate to competition and efficiency. These are:

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

The challenge, therefore, is to develop an approach to financial policy that encourages, rather than inhibits, innovation and efficiency in our financial system while at the same time protects the public. (Consumer protection and solvency concerns are dealt with in the following chapter).

As was the case in the earlier discussion of ownership, the Committee's view in terms of powers and networking is that the policy authorities should avoid the imposition of a preconceived structure on the system. Technology is evolving too quickly and innovation is proceeding too rapidly for the policy authorities to attempt to straightjacket the system in any one direction.

RECOMMENDATIONS AND OBSERVATIONS

23. The Committee embraces in principle all four approaches to financial diversification:

- within-institution expansion of powers;
- subsidiaries;
- upstream and downstream holding companies; and
- networking.

The Committee's very open approach to upstream and downstream holding companies as well as to subsidiaries was adequately dealt with in the chapter on ownership. Thus, attention in the present chapter centres largely on in-house powers and networking.

B. Expanding In-House Powers

- *Commercial Lending*

The Committee recommends that the present qualitative approach to investment for trust companies be replaced by a prudent portfolio approach, monitored by the investment committee of the board of directors. What is prudent will presumably depend in part on the nature of the institution's