

individuals or corporations wish to enter the finance sector, this has to be because they want to be financial players over the longer term. Phrased differently, the above proposals effectively close off the possibility of entering the financial sector in order to promote related commercial activities. This is the appropriate approach in its own right and it is also appropriate given the very flexible structure that the Committee is recommending.

In framing the recommendations with respect to the design of the Canadian financial system, the Committee did not operate from a position of ensuring that appropriate trade-off were carved out across the pillars in terms of what each wanted and what the Committee recommended. Upon reflection, however, a balance of sorts did emerge. The banks wanted the trusts to be widely held. The Committee said no. The trusts wanted to be able to be called banks. The Committee said no. The insurance companies wanted to be immune from takeover by deposit-taking institutions. The Committee said no.

On the positive side of the ledger, we have affirmed the existing ownership regime for trusts and effectively made them banks in everything but name. In terms of the banks, we have responded to their perennial concerns about extending the definition of banking to include various ancillary activities by creating a BHC structure which gives them a veritable *carte blanche* with respect to commercial activities, ancillary or otherwise. Mutual insurance companies can not only create downstream holding companies, but they can now roll their trust companies into new Schedule III banks.

The Committee has no illusions that our recommendations will constitute a permanent solution to financial sector reform. This was not our goal. Indeed, it would have been inconsistent with our underlying premise relating to the incredible pace of financial sector evolution. Rather, our approach was driven by a desire to provide, over the medium term, ample flexibility for each sector to expand and to innovate, building on its existing strengths. We believe we have accomplished this objective.

Two other concerns loomed large in our analysis and/or recommendations. The first relates to the issue of foreign entry into the financial sector. Without taking sides on the issue, there is no question that the FTA and the AMEX charter have generated concern in terms of both present and future policy. We are the first to recognize that our observations and recommendations in this area are but initial steps. What is clear, and what we wish to convey, is that there is an urgent need for federal policy to clarify the basic ground rules.

The final issue of the Committee's focus may well be the most important, namely our determination to create a truly national market in financial services. The Committee, in its recommendations, is quite tolerant of provincial initiatives and experimentation. So was our 1986 Report. However, the time has now come for the federal government to take the lead in terms of the evolution of the financial system. We believe that the above recommendations will not only restore this leadership role to the federal government but as well will set in place a process whereby institutions operating nationally will opt increasingly for federal rather than provincial charters. In any event, creating a single national market for financial services has to be an integral part of the federal government's regaining the leadership role in terms of Canadian financial sector policy.

The Committee wishes to conclude with one last recommendation relating to the goal of achieving a single national market for financial services. It is our impression, based on the evidence presented to us, that all the players believe that this is an idea whose time has come. So do Canadians. So does the Committee.

Therefore, the impediment to a single market must reside somewhere in the policy arena—either in the lack of political will on the part of the federal and provincial governments or in the admittedly complex federal/provincial and interprovincial jurisdictional overlaps. The Committee does not have much time for these negative-sum jurisdictional niceties. Consumers and institutions