

The universal banking model also raises questions regarding the ability of non financial sector firms to compete internationally. It is yet to be determined whether the close inter-corporate alliances that are typical in Germany and Japan provide domestic firms with specific advantages. If, for example, Japanese firms have more patient sources of capital through formal links to the banking community, allowing them a longer investment planning horizon, does that represent a competitive advantage? If so, should Canada work for the reform of the Japanese system, or should our regulatory approach be adapted to permit such inter-corporate shareholding? These questions merit closer analysis.

Given the integration of international markets and the trend for financial institutions (such as banks) to provide services previously within the domain of other types of financial institutions (such as investment dealers), a further harmonization of capital standards is likely to take place. In addition, the supervision of financial institutions, both within authoritative jurisdictions -- usually extending to national borders -- and across jurisdictions, is likely to be consolidated.

The regulatory reforms of 1992 allow Canadian financial institutions to offer most services directly, or through subsidiaries or networks. This was an important step forward in assisting Canadian financial institutions to compete internationally. Nevertheless, there are still some services that banks are not allowed to provide, the deposit insurance system needs revision and the mix of federal and provincial regulations remains complex. Since the government is committed to reviewing the 1992 reforms by June 1997, and every 10 years thereafter, some of these outstanding issues will be addressed, further enhancing the international competitiveness of Canada's financial institutions.