Table 9 shows the number of bank branches, assets per employee and population per branch for the EC countries, indicating the density and efficiency of the respective networks. These figures, when taken with those for non-bank financial institutions, suggest that the market is generally saturated.

To penetrate EC markets, Canadian banks must get access to potential customers and create or acquire an effective delivery system for financial services. In retail banking, the best opportunity, measured by assets per branch and population per branch, exists in the U.K., the least heavily banked country, and potentially more attractive than Italy and France, while Spain and Denmark are the most saturated large markets. However, a thorough analysis must include factors not visible in these figures. For example, high interest margins and good profitability in the Spanish market could make it more attractive than the highly competitive U.K. market. Population per bank branch is high in West Germany, but population per outlet of all retail financial outlets is much lower, indicating a dense distribution network. In France and Italy, there is a tradition of state intervention in financial systems, although this is evolving towards more privatization. In both countries, the retail market is dominated by a small number of large commercial banks, making the penetration of these markets quite difficult.

European Networking

Almost all European international banks have a presence of some kind in the London securities market. The large institutions are also present through branches and subsidiaries in the other European financial centres such as Paris, Frankfurt, Milan and Brussels. Statistics from the Bank for International Settlements (BIS) also show that EC banks conduct the large majority of their cross-border business with non-residents from headquarters, rather than from their network of branches and subsidiaries abroad. This indicates that large banks in the EC are highly centralized.

Market Share Gained by Foreign Banks

Because the U.K. market hosts the bulk of foreign banks, it has been most successfully penetrated. One-third of private sector loans are made by foreign banks (Table 10). The *Cecchini Report* showed that commercial loans are more expensive in the U.K. than in other EC countries, and are therefore more profitable. The large percentage of banking assets held by foreign banks also reflects the international role of the "City" in the Euromarkets (Table 10). The same is true for Luxembourg. This country's tax haven status has attracted private banking and Eurocurrency booking. France comes second, with 15.5 per cent of domestic loans made by foreign banks. Because foreign banks specialize in wholesale operations, their lending is essentially corporate financing.

A single market will not be completely achieved by 1992, but by then major obstacles will have been removed, and a daring and comprehensive unification program will be in place. At the moment, a lot remains to be done. Economic and political conditions could change, but momentum is strong for increased monetary collaboration, the creation of a central bank, and of a European monetary union. These issues and their solutions will extend well beyond 1992.

b) Insurance

Fuelled by increases in standards of living, life insurance is growing at a fast rate, particularly in the most developed countries (Table 11). Concerns about the dependability and limits of social security systems are also leading households to build up complementary protection. Accident insurance is growing more slowly, in line with the growth of GNP. Traditionally, insurance has had a high rate of penetration in northern Europe; thus the south offers a better base for expansion.