

## Policy Harmonization Initiatives

While one of the principal messages of this Report will be the need to ensure a free flow of financial services across provincial boundaries, the Committee notes that some important recent steps have already been taken in this direction. We highlight only two. The first is related to the potential regulatory problem arising from the purchase of securities firms by federally regulated institutions. Regulatory overlap was minimized via accords between the federal Office of the Superintendent of Financial Institutions (OSFI) and the provincial regulatory authorities in Ontario, British Columbia and Quebec. Some problems remain, but the view expressed by the Conference Board of Canada in its brief is that appropriate mechanisms to deal with them are in place and that no major structural change, such as the establishment of a National Securities Commission, is likely.

The second initiative is the establishment of the Conference of Provincial Ministers Responsible for Financial Institutions. This Conference grew out of the Information Sharing Agreement signed by the four western provinces in October, 1988. In December of 1988, the first full provincial Conference was held in Quebec City, the second meeting of the Conference was held in Vancouver in April of 1989 and the third in August of 1989 in Moncton. The Committee agrees with the view incorporated in the Information Sharing Agreement, namely that the exchange of draft policies and legislation facilitated under the Agreement is a significant development in promoting cooperation in the formulation of policy and legislation for the financial sector and will contribute substantially to the process of intergovernmental policy coordination.

In our 1986 Report we called for the establishment of a Permanent Committee of Ministers Responsible for Financial Institutions (see Recommendation 80, Appendix A). While the on-going provincial initiative is obviously a welcome one, it has one glaring defect, namely that the federal government is not a full member. The Committee is pleased by the recent announcement that the provincial ministers have invited the federal minister to join their group.

## RECOMMENDATIONS AND OBSERVATIONS

- 9. The Committee welcomes the provincial initiative to establish a Conference of Provincial Ministers Responsible for Financial Institutions. To be fully effective, the Conference should include the federal minister as a full member.**

At the international level, there have also been several important developments that will foster increased coordination and harmonization. The most obvious are the Bank for International Settlements' (BIS) capital-adequacy rules, which establish international norms for banks in Canada and eleven other signatory countries. The BIS rules, or variants thereof, will likely become more widespread. For example, trust companies competing in the global marketplace will be under increasing pressure to adopt such rules.

The International Organization of Securities Commissions (IOSCO) has been expanded in recent years to include securities regulators from around the world. The organization has set up working groups to study a number of important questions including the international coordination of prudential supervision of the securities industry. One of these groups has agreed on a common approach to assessing the capital adequacy of firms engaged in securities activities.

Progress has also been achieved in terms of bilateral securities agreements involving Canada. The U.S. Securities and Exchange Commission has entered into agreements with its counterparts in Ontario, Quebec and British Columbia to share information and to take evidence with respect to alleged wrongdoing in the other state. The U.S. Commission has also reached a reciprocal prospectus agreement with Canadian securities commissions.