

and arms-length relationships between management and owners is depicted as consumer-oriented. The German-Japanese system is portrayed as producer-oriented. Yet, the key is whether active competition occurs within and between inter-corporate alliances (e.g., the keiretsu in Japan). The evidence appears to be that such competition can be achieved, and increasing cross-border competition in the domestic market place brought about by freer trade would seem to reinforce the likelihood of achieving the necessary competition. In any event, the interaction between an effective competition policy and such inter-corporate links merits closer attention.

In 1992, the federal government enacted new legislation covering the services financial institutions can offer, their ownership and new prudential safeguards.⁶³ The upshot is that financial institutions can now offer most services directly, or through subsidiaries or networks. Several issues remain, however, that the Canadian Bankers Association (CBA) considers impediments to the enhancement of Canadian financial institutions' competitiveness.⁶⁴

- Banks are not allowed to distribute life annuities and insurance products through their branches. Banks are also prohibited from offering auto leasing services.
- While the activities of banks and trust companies are similar, a 10 per cent ownership limitation by any given individual applies to Schedule 1 banks, but not to trust companies. The CBA suggests all deposit-taking institutions be widely held so as to prevent foreign control.
- Canada's deposit insurance system needs restructuring in order to inject greater market discipline on financial institutions. In the CBA's view, the present policies of the Canadian Deposit Insurance Corporation undermine the market forces that should be the first line of defence against imprudent risk-taking.

⁶³ On 1 June 1992, the Bank Act, Trust and Loan Companies Act, Insurance Companies Act and Cooperative Credit Associations Act were proclaimed. For a discussion of Canadian financial reform, see F. Daniel, C. Freedman and C. Goodlet, "Restructuring the Canadian Financial Industry." In *Bank of Canada Review*. Winter 1992-93, pp. 21-45.

⁶⁴ Drawn from *Reshaping the Financial Sector: The 1991 Bank Act Revision*. Canadian Bankers Association. Toronto: 1992.