

Canada's strong banking sector helps weather the storm

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Page: A9

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The headlines these days are certainly bleak. You can hardly open a newspaper without reading further news of a bank in one country or another being given government money while others are closing.

Yet as the global financial system moves through this difficult time, it is important to look at the differences between what's happening to banks abroad and what's happening with banks in Canada. These distinctions have direct and positive influences on the ability of our economy to weather these turbulent storms.

Take the United States. The Economist magazine recently suggested that upwards of 1,000 banks could fail in the U.S. over the next five years if economic conditions worsen. As it is, bank credit in the U.S. is less available, banks are experiencing losses, taxes to governments are declining, banks are being bailed out by the U.S. government, and lax bank regulation is coming under considerable fire.

In Canada, while banks are certainly facing some challenges, they are operating on the solid and well-established foundations of a national banking system. Our banks continue to make credit available -- in fact, business lending by banks was up almost 11 per cent in January 2009 compared to January of 2008.

As well, there have been no government bailouts of banks in Canada and no pressure on the government to take bad debts off the banks' books. Instead, our federal government has implemented the Insured Mortgage Purchase Program, where it is buying good, safe, insured mortgages from banks to inject liquidity into the credit market, and at a profit for taxpayers.

Such a healthy, strong and stable banking system is fundamental to Canada's long-term prosperity, regardless of where you live. In 2007 in Western Canada, banks contributed 2.7 per cent to regional GDP and employed nearly 60,000 people. The strong presence of banks thus acts as a valuable foundation for economic recovery.

More and more Canadians understand this and they continue to have strong confidence in our banking sector. A Canadian Bankers Association survey conducted by the Strategic Counsel late last year showed that 77 per cent of Canadians describe Canada's banks as more secure and stable than banks outside the country.

This research found that this confidence from three main sources: Our banks' prudent approach to lending and investments; better management of Canadian banks when compared to banks internationally, and government regulation of the banking sector.

And the world is now turning to Canadians for advice on how to get out of the current banking crisis. Federal Finance Minister Jim Flaherty is working closely with his G-20 counterparts to help stabilize the global financial system.

Bank of Canada governor Mark Carney and superintendent Julie Dickson are actively engaged with their peers in countries around the world, as is Scotiabank CEO Rick Waugh through his work at the Institute of International Finance.

Collectively and individually, the efforts of these and other Canadians export a strong and well-recognized Canadian brand for financial services.

But a serious concern remains: Will Canada's distinctive approach be lost in a rush to new global regulation from international bodies or in a wave of international over-regulation that isn't needed and isn't appropriate? Or will we see new approaches, reflecting those elements that have made Canada's system strong?

We can't let a rush to kneejerk regulation wash over us. Canada's approach -- a balance among strong prudential oversight, conservative bank management, and a competitive marketplace -- has kept the Canadian financial system above water.

Given the role that the banking sector plays in stabilizing our economy, we should defend this distinctively Canadian approach.

Nancy Hughes Anthony is president and chief executive officer of the **Canadian Bankers Association**.