



## Canadian Bankers Group CEO: SIFI Designation Could Increase Moral Hazard

By Caroline Van Hasselt  
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TORONTO (Dow Jones)--The new head of the **Canadian Bankers Association** warned Wednesday that designating banks as systemically important financial institutions could "increase, not decrease, moral hazard" because of the market perception that they'd never be allowed to fail.

"Our regulator understands these concerns," said **CBA** Chief Executive **Terry Campbell**. "Unfortunately, the decision to proceed with designating SIFIs has been taken by international policy makers, so the horse has left the barn."

The focus now shifts to ensuring that the criteria used to determine SIFIs is "appropriate and not based on overly simplistic measures, such as size by itself," he said. "And, we need to make sure that additional regulatory measures are balanced and don't have unintended consequences on the rest of the economy."

"The danger here is over-shooting," he said. **Campbell** was speaking at a Toronto Board of Trade luncheon.

He underscored the Canadian banking industry's importance to the domestic economy. In 2010, the banks contributed C\$55 billion (US\$56.3 billion) to Canada's gross domestic product, spent more than C\$14 billion on goods and services from outside suppliers, and paid C\$10.3 billion in dividends to Canadians. Full-time bank employment has risen 27% since 1999 to 267,000 in Canada.

In a recent Strategic Counsel poll, 81% of Canadians said they believe their banks are more stable than those around the world and almost 90% believe it's important to have a strong banking sector that can compete internationally and also support Canadian businesses, he said.

"Now, you don't achieve strong banks by just waving a magic wand, and it certainly isn't something you that you can take for granted," he said.

The **CBA** represents 52 domestic banks, foreign bank subsidiaries and foreign bank branches in Canada.

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