

Banks push back against provinces; 'Federal' matter

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Canada's fragmented regulatory framework is in danger of becoming even more fractured if provinces are successful in their bid to muscle their way into banking regulation, the head of the **Canadian Bankers Association** warned Wednesday.

Oversight of the banking sector is a federal jurisdiction but over the past several years provincial politicians have been working to change that, said **Terry Campbell** in a speech to business executives in Toronto.

"The list of provincial attempts to regulate banks is long and it's growing," Mr. Campbell said in his first public address since being named chief executive of the **CBA**.

He said some provinces, which he declined to name, are seeking to carve off jurisdiction for themselves regarding such areas as credit cards, consumer regulation and privacy laws, he said in an address to business leaders in Toronto.

The comments come as politicians and regulators in the United States and Europe map out a host of tough new rules for the financial sector covering everything from consumer protection to how much capital they must hold.

"Let's be clear -banking is a matter of federal jurisdiction," Mr. Campbell said.

He warned that the effort to grab power from Ottawa runs counter to "international standards that require strong and coherent bank regulatory regimes at the national level."

A key concern for banks is efforts by some politicians to rein in credit-card fees, an important source of revenue for the industry.

According to the **CBA**, the vast majority of Canadians who carry credit cards pay off their balances and incur no interest.

The federal government has so far avoided some of the more drastic moves taken by other G-20 economies such as taxing bank bonuses and capping executive compensation, arguing that since lenders in this country mostly avoided the financial crisis such steps are unnecessary.

However, Canada may not be able to resist a move by global regulators to identify systemically important financial institutions (SIFI). Such banks would be required to hold more capital than other banks so they would be less likely to make the kind of risky bets that could give rise to another crisis.

The **CBA** is opposed, arguing that identifying systemically important banks would have the perverse effect of increasing moral hazard by creating the perception that the government will always rescue SIFI lenders that get into trouble.

"Our regulator understands these concerns. Unfortunately, the decision to proceed with designating SIFIs has been taken by international policymakers, so that horse has left the barn," Mr. Campbell said.

Canadian officials need to "act as a voice of experience and moderation both when dealing with international standard-setters and as they apply these rules in our domestic context," he said.

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