[illegible] 11 1 [illegible] the Institute's website at

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down regional, international and institutional has graphically described the swiftness of change

debt crisis of the 1980s; the United States savings and loan crisis; the currency crisis in the

Some of the characteristics of the Asian crisis were similar to those of previous crises but it

In a number of cases funds went to weak private sector corporations and to corporations with questionable projects for the utilization of borrowed funds, some bordering on fraud. Public reporting of the financial condition of corporations in many cases was woefully inadequate as was even private reporting to the lending institutions. This lack of transparency in corporate accounting practices and weak financial controls within corporations, as well as deficient bankruptcy laws, greatly increased the risks lenders were taking on and they were not deterred from doing so by their own regulatory agencies. Internal techniques and procedures for the measurement and control of risks in most cases were rudimentary.

(5) International governance failings

(a) *Multilateral institutions failed to respond in a timely fashion:* The IMF had not evolved into the role of appraising the soundness of its member country financial markets and institutions, confining itself to macroeconomic including exchange rate matters and providing financial support in relation to them. It, therefore, was not in a position to provide prompt support to members who, in the initial stages faced "liquidity" problems. Nor did any of the other multilateral institutions fill that role. The result was that in addition to structural problems leading to many insolvencies, which became inevitable,

financial institution of the world, was seen by many as having failed to prepare itself for the new world of integrated international finance. It

discuss current central banking issues and, significantly, permitted central bank heads to learn to know each other personally and so while laying the initial ground work for future development, proved not to be up to the challenges that emerged. The LDC debt crisis was a considerable shock but appears to have been viewed as a one off event, with the Basle Capital Accord considered, until the Asian financial crisis appeared, to be an adequate response. The Asian financial crisis changed all this. It questioned the very soundness of the whole international financial system within the context of the new world of enormous

This need for concrete action was finally accepted. The detailed Report of the G7 Finance Ministers to the G7 Heads of State or Government on more effective surveillance was accepted by the latter (actually the G8 meeting) at the Birmingham Summit conference of May 15-17 1998. The Basle Committee on Banking Supervision in cooperation with some non-G10 regulatory authorities had been working on developing a code for effective banking regulation which took the form of the Core

This is also indicated by the formation of the Financial Stability Forum(FSF). On February 20, 1999, the G7 Finance Minister accepted a

This concern at the highest political level over the stability of the international financial system and the quality of domestic financial the Asian financial crisis that it had ignored the state of domestic financial systems and their governance in its past approach to its surveillance

international standards. Machinery for regularly appraising adherence to standards had not existed. The move toward IMF recognition of its role in including the World Bank. In addition, in 1997 the World Bank announced the formation of the Toronto International Centre for Leadership in Financial Sector Supervision. It is being supported by the World Bank, Government of Canada, the Canadian Office of the Superintendent of Financial Institutions (OSFI) and York University, Toronto.

But it is important to remember that this massive move toward international integration of the regulatory or governance function is still in its very early stages. As in the past, international integration of financial markets continues to move well ahead of appropriate responses from international governance arrangements — which

because they exclude the pervasive border eliminating power of the Internet and new technology and with it the inevitability of growing international competition. Yet Canadian policies continue to be influenced by such past measures.

its competitors, particularly the US, has been materially reduced by the size and sensitive of international capital flows and the many options for the international location of new real investments and for accessing capital. The ability of policy authorities to pursue monetary, fiscal,

3. Restructuring Canada's Financial Services

Under the Canadian constitution the federal

It can therefore be seen that the integration of Canadian and foreign financial systems and activities have forced substantial centralization of

The greatest challenge for developing a unified system of financial services regulation within the Canadian federation relates to the fact

in new local institutions. While specific proposals have not yet been put forward, the intention

area where the Canadian financial system is vulnerable. Canadian corporations have begun to year 2015? The approach is to portray the situation in the year 2015 and refer to how the

same time there is wide awareness that financial and economic crises in any part of the system taxation, technological infrastructure, skilled labour supply, social amenities, peace and order. Some countries had been much more successful than others in obtaining their share of such international business because of their

other areas of international relations, such as defence and security, where the dominant powers of the US and Europe continued to hold sway — although even here the limitations of the big powers to deal even with small insurgence was

GATT — these were removed from financial systems by national authorities in response to

being an American had been relaxed in response to the growing importance of countries of the rest regulation among national regulators through the

6. Economic growth and structure — shared

stability of exchange rates because of stable macroeconomic policies, and *ad hoc* local arrangements such as "dollarization — these had the effect of reducing the costs and inconvenience of maintaining individual currencies and so reduced the need to engage the political battles that moving to a world currency would inevitably

majority view around the world was that material progress was being made even though, as noted below, not all countries shared in this progress.

7. Form of Integration — shared governance

Integration of the international financial system was driven by impersonal forces in free displaced very large numbers of workers, and resulted in substantial social turmoil in industrial

that directly and indirectly included a large number of countries. At first this was done

of the Canadian financial system were kept in

government regulatory burdens relating to a new

The political priorities of the super powers would gradually play an increasing role in shaping their governance decisions and this would give rise to growing tensions between them and excluded nations.

The pseudo monopoly power over governance enjoyed by the super powers and their global financial groups caused them to benefit economically through collecting the "economic rent" of their monopoly. They also continued with the multilateral institutions being their administrative vehicles for implementing their policies.

In the shared governance scenario economic growth is facilitated by a stable macroeconomic environment, a move to greater exchange rate

priorities of the super powers and the economic interests of their multilateral corporations; because of the damage to the national pride of excluded countries; because of the lack of sensitivity in the rules and administration of financial system governance to the economic and financial problems of the excluded countries; and

and increase barriers directed against the other

size had a majority of non-Canadian shareholders.

minimizing the damage of the crisis once it had emerged.

In the end those aspects of the cyberwave scenario that were positive for economic growth

and development were finally overwhelmed by

simply swept away by the overwhelming forces of financial globalization.

8. Implications for Canada — Cyberwave Scenario

Unfortunately the need to focus all attention