FWA Goes North of the Border

Toronto – 1989

Financial Women’s Association of New York

FWA Delegation Welcomed by Toronto Business and Government Community

Karen Bedrosian
Launcelotte Richards
Tamara Homer
Homer & Durham Advertising

The sixth annual international trip of the FWA was held in Toronto, Canada, May 3-5 1989. The three-day event started with an opening reception sponsored by the Canadian Imperial Bank of Commerce and hosted by Donald Fullerton, Chairman and CEO, and two Members of the Board – Dr. Marie-Josée Drouin, Executive Director of the Hudson Institute, and The Honorable Pearl McGonigal, former Lt. Governor, Province of Manitoba.

The reception was held on the CIBC headquarters executive floor with a spectacular 360° view of the Toronto skyline and its modern Harbourfront development on Lake Ontario. The cloudless sky offered a beautiful sunset and a top-of-the-world feeling to all present. The reception was attended by most key executives of CIBC, as well as many women executives from other leading Canadian banks and representatives of the Province of Ontario government.


Dinner followed at the Albany Club, where FWA members heard an address by Kenneth D. Taylor on changes in diplomacy and its role in the world’s future.

Mr. Taylor began his diplomatic career in 1959 serving in Canadian embassies and consulates in such diverse places as Guatemala City, Detroit, Pakistan, London, Ottawa, Iran, New York and Bermuda. He is perhaps best remembered for his service as the Canadian Ambassador to Iran from 1977 until 1980 during the Iranian revolution. In 1984, Mr. Taylor left the diplomatic service to become a Senior Vice President of Nabisco Brands and eventually a Senior Vice President at RJR.

Mr. Taylor, who is currently a resident of New York, opened by comparing Toronto and New York, quoting from Rupert Brooke who said in 1913 that Toronto will always be the same, only bigger, which may account for the Canadian sense of deliberation and caution.

On the topic of diplomacy, Mr. Taylor remarked that earlier, international organization and development of the Third World were thought to be the solution to the world’s post-war problems. However, it may be that diplomacy has become the answer.

The types of diplomacy he described included dollar diplomacy, gunboat diplomacy, shuttle diplomacy, ping-pong diplomacy, public diplomacy, open diplomacy, quiet diplomacy, economic diplomacy, techno-diplomacy, pari-diplomacy, and media diplomacy.

Mr. Taylor concluded that diplomacy is historic, traditional and conventional, “but not the same as it was.” Good diplomacy is best illustrated by the U.S.-Canadian Trade Agreement. However, a bigger question, he said, is whether our countries are now mature enough to effectively manage the trade agreement.

Canadian Cabinet Official Remarks on Women in Business and Politics

Ann Michell
Merrill Lynch & Co., Inc.

A highlight of the trip was the address by the Honourable Barbara McDougall, Minister of Employment and Immigration and a Progressive Conservative member of Parliament. Ms. McDougall is also the Minister responsible for the Status of Women, an appointed position she has held throughout her other government career. She was elected to Parliament in 1984, and has been appointed to successive Cabinet posts by Prime Minister Brian Mulroney, including Minister of State (Finance), Minister of State (Privatization) and Minister responsible for Regulatory Affairs.

Focusing on the issues of particular interest to the group, Ms. McDougall spoke at some length about the benefits that the U.S. – Canada Free Trade Agreement has for women, and how women have taken advantage of opportunities that have been created over the last five years. Since 1984, one and one-half million jobs have been created – 50% in the service sec-

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Framework for Free Trade Set in 1988 Bilateral Accord

Elinor Bachrach
Office of the NYS Comptroller

The FWA delegation heard a discussion of the fine points of the U.S.-Canada Free Trade Agreement by a panel of legal experts. Attorney Shelley Battram, from the firm of Osler, Hoskin and Harcourt moderated the panel and, in conjunction with fellow lawyer, Timothy Kennish, provided an overview.

After heated debate in the 1988 Canadian elections, the Free Trade Agreement took effect in January 1989. A major stimulus for its adoption was the European Community’s drive to eliminate trade barriers by 1992, which will create more formidable competition for both the U.S. and Canada in markets abroad and at home.

The Agreement aims at progressively dismantling barriers to U.S.-Canada trade in both goods and services. Panelists stressed that the two countries have already gone a long way toward freeing up trade restrictions, but more effort is needed in a number of areas.

Panelist J. Michael Robinson, of the firm of Fasken & Calvin/Fasken Martineau Walker, pointed to strains in the financial services sector, where it is particularly difficult to harmonize the two systems. As Mr. Robinson pointed out, the “Canadian banks got mauled” in the wake of Canada’s “Little Bang,” when it opened its regulatory system along the lines of Britain’s “Big Bang,” only then to see the U.S. falter in its drive to repeal Glass-Steagall.

Panelist Simon Potter, of the Ogilvy, Renault firm, discussed the many new mechanisms in the Agreement for resolving disputes over actions to eliminate import and export restrictions. He also spoke about the ongoing negotiations over the thorny issue of subsidies, an area “riddled with uncertainty and politics.”

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Canada’s “Little Bang” Shatters Financial Services’ “Four Pillars”

Dianne Mendez
Creditanstalt-Bankverein

Moderator of the panel on financial services regulation, Brian Rose, a partner at Stikeman Elliott, opened with an overview and history of the Canadian financial regulatory structure, which had traditionally been segregated into “four pillars:” commercial banking, trust and consumer loan, insurance, and securities. Regulation of commercial banking had been a federal responsibility, while securities regulation fell to the provinces. Insurance, trust and consumer loan regulation was shared by federal and provincial authorities. Foreign ownership of financial institutions was limited to an aggregate of 25% of the voting shares and 10% by any particular foreign shareholder.

In the early 1980s, with increasing external competition, volatile interest rates, and the first Canadian bank failures in nearly 60 years, Canadians began to explore the need for regulatory reform. The result was the June 1987 “Little Bang,” which changed the fundamental structure of Canadian financial markets by allowing cross ownership and foreign investment in domestic institutions.

New Brokerage Ownerships

Since “Little Bang” dealt most directly with ownership and regulation of the securities industry, Stanley Beck began his remarks by describing his diminishing role as Chairman of the Ontario Securities Exchange. Although less than two years have passed since “Little Bang” opened the Ontario capital markets to full participation by foreign and domestic financial firms, Canada’s five largest securities firms have already been acquired by five of Canada’s largest banks, while a sixth securities firm is 35% owned by Security Pacific, a US banking institution. A sixth Canadian bank, as well as Deutschebank and the major Japanese firms have developed de novo securities operations. With banks seeking to market securities products through their nationwide branch networks, the practical necessity of maintaining an effective “Chinese wall” is apparent, but the opportunities for breaching the wall are increasingly abundant.

As in the US, competing regulatory bodies are negotiating among themselves for “turf,” while the changing shape of the financial markets has made the role of the Central Bank even more pivotal. In the final analysis, the financial system cannot distinguish between the failure of a securities firm and the failure of a bank. Ultimately, the burden of systemic risk must fall to the “lender of last resort.”

Need for Super-regulator

Peter Maddaugh, a partner at Tory DesLauriers & Binnington, addressed Mr. Beck’s observation that the new regulatory environment opened the door to potential conflicts of interest. He described the stringent legislative and regulatory approach that Canada is adopting in an effort to limit the danger of self-dealing. The prudent portfolio approach has been designed to broaden financial institutions’ range of investment options. A super-regulatory agency, the Office of the Supervisor of Financial Institutions (OSFI), has been created to overcome the lack of communication and overlapping jurisdictions of competing regulatory agencies. The deposit insurance system has been strengthened, and some consideration is being given to reducing the blanket coverage from CN$100,000 to CN$20,000 with co-insurance thereafter.

Under the new regulations, at least one-third of corporate boards must be constituted by outside directors, while board committees must have a majority of outside directors. Cumulative voting is mandatory if a company has a single shareholder with 10% or more of the voting stock. Although transactions among affiliates are pro-

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Toronto Trip Participants Engage in Free Trade of Ideas

Hon. Barbara McDougall, Minister of Employment and Immigration, and Toronto Trip Co-Chair Dominique Martinet.


Toronto Trip Co-Chair Janet Belkin and Kenneth Taylor, RJR/Nabisco Brands.

FWA member Karen Bedrosian and Elizabeth Kriegler, Canada Post Corporation.

L to R: FWA members Myra Leigh Tobin and Catherine Behrend with John T. Sinnott, Marsh and McLennan Worldwide.

Environmental Experts Probe Problem of Acid Rain

Stephanie Loiacono
Equitable Capital

Environmental concerns factor prominently in U.S.-Canada relations today. In fact, on the day of the May 4 FWA panel on environmental issues, President Bush and Prime Minister Mulroney were meeting in Washington for discussions that included the problem of acid rain. Rita Dionne-Marsolais, Vice President of the Canadian Nuclear Association, moderated the timely and fascinating discussion.

The Honorable Jim Bradley, Minister of the Environment in Ontario, left no doubt about the major destruction caused by acid rain. This "chemical soup in the air" threatens the forestry, maple syrup and tourist industries in Canada. Acid rain is literally dissolving buildings and monuments in both the U.S. and Canada. Repairing this damage costs hundreds of millions of dollars. Worse still, acid rain has been linked to serious health problems, particularly in children.

Mr. Bradley emphasized that "pollution has no borders," and indicated that he is encouraged by the U.S. Congress' willingness to pass legislation to curb acid rain, since cross-border cooperation is critical in war against it. Canada's experience has shown that corporate efficiency can be enhanced, even while reducing acid gas emissions. Mr. Bradley closed his remarks urging FWA members to help "steer corporate America in that more positive direction."

Dr. Eva Rosinger, a director at Atomic Energy of Canada Limited, asserted that those in finance and science must join hands to achieve environmental safety. Management of the environment will require a large investment in environmental capital goods.

Dr. Rosinger also presented FWA members with compelling evidence of the need for safe disposal of used nuclear fuel in the earth's crust. "The most urgent concern of our times is environmental preservation," Dr. Rosinger noted. "We must find a way to combine economic development with environmental conservation."

Air and Postal Carriers Keep Pace

Catherine Behrend
Mayor's Office of Business Development

Executives of two Canadian firms considering privatization programs met with the FWA delegation at a breakfast sponsored by Air Canada. Claude Taylor, Chairman of Air Canada, a partially privatized airline, introduced Elizabeth Krieger, Vice President of Canada Post Corporation (CPC), whose organization's thrust is increasingly business oriented.

Since 1983 Ms. Krieger has had responsibility for CPC's retail postal operations, which include some 1,300 outlets. In her formal address, Ms. Krieger remarked that she is most proud of the CPC's National Control Center. This sophisticated center tracks and traces 30 million pieces of mail annually from 700,000 entry and exit locations. She attributes the success of CPC's automated mail processing to increased government funding that has grown to CN$1 billion from CN$600 million in 1981. CPC has added new services such as electronic mail, priority post and insured mail. (By contrast, the US Postal Service is prohibited from entering electronic publishing.)

In managing CPC's privatization efforts, Ms. Krieger oversees the franchising of postal outlets. This process includes the evaluation and sale of hundreds of real estate sites, while insuring that services to lower income neighborhoods are preserved.

Mr. Taylor concluded the program by fielding questions from the delegation. He remarked that efforts to deal with the problem of acid rain have been fruitful and that cooperation among global regulatory agencies is essential.

Four Pillars Continued from page 2

Edward Neufeld, Chief Economist, of the Royal Bank of Canada, elaborated on the difficulties inherent in implementing the Canadian financial market reform package. He pointed out that global competition and technological change have reshaped the financial landscape and that regulation is struggling to catch up. With the distinctions among the "four pillars" blurring rapidly, questions of ownership and product differentiation have not been fully resolved, as the American Express case illustrates. Furthermore, Canadian reserve requirements for banks are being abolished, but theoretical benefits of running a Central Bank and effecting monetary policy without reserve accounts have been tested in practice. There is also the issue of reciprocity with the United States, where Canadian banks have been forced to restrict their securities and branching activities due to Glass-Steagall and Interstate banking restrictions, while US banks enjoy full freedom in Canada.

The cycle of restructuring financial regulation and institutions will create new winners and losers among financial institutions and their clients. By characterizing the process of financial market change as some of deregulation, rather than deregulation, Mr. Neufeld emphasized that the ability to manage the pace of change while maintaining the safety and soundness of the world's financial system will require greater harmonization of regulatory guidelines and enhanced cooperation among global regulatory agencies.
Speakers and Hosts

Shelley Batram
Osler Hoskin and Harcourt

Stanley Beck, Q.C.
Ontario Securities Commission
Hon. Jim Bradley
Minister of the Environment

Sylvia Chrominska
Bank of Nova Scotia

Marie-Josée Drouin
Canadian Imperial Bank of Commerce

Donald Fullerton
Canadian Imperial Bank of Commerce

Lili de Grandpre
Bank of Montreal

J. Timothy Kennish
Osler Hoskin and Harcourt

Elizabeth Kriegler
Canada Post Corporation

Peter D. Maddaugh
Tory, Tory, des Lauriers & Binnington

Rita Dionne-Marsolais
Canadian Nuclear Association

Hon. Barbara McDougall, P.C., M.P.
Minister of Employment and Immigration

Hon. Pearl McConigal
Canadian Imperial Bank of Commerce

Edward P. Neufeld
The Royal Bank of Canada

Simon Potter
Ogilvie, Renault

J. Michael Robinson, Q.C.
Fasken & Calvin

Fasken Martineau Walker

Brian Rose
Stikeman Elliot

Dr. Eva Rosinger
Atomic Energy of Canada Ltd.

John T. Sinnott
Marsh and McLennan Worldwide

Claude Taylor
Air Canada

Kenneth Taylor
RJR/Nabisco Brands

Alex Yankovitch
National Westminster Bank of Canada

Delegation

Barbara Amsden
The Canadian Bankers Association

Elnor Bachrach
Office of the NYS Comptroller

Karen Bedrosian
Launcelotte Richards

Catherine Behrend
Mayor’s Office of Business Development

Janet Belkin
Equitable Life Assurance

Patrice Marrin Best
The Molson Companies Limited

Jewelle Bickford
Trepp Financial Services

Micheline Bouchard
Groupe DMR Inc.

Cheryl Brooks
The Paragon Group Inc.

Mary Jo Bury
Kleinwort Grieseson Securities

Diane Chabot
Northern Telecom Canada

Martha Dinerstein
MLD Associates

Peggy D. Edelson
Execution Services Inc.

Susan Evans
Federal Home Loan Bank of New York

Florence Fearington
Florence Fearington, Inc.

Tema Frank
National Bank of Canada

Eva Grzelak
Georgeson International

Ann W. Hilliard
Morgan Guaranty Trust

Tamara K. Homer
Homer & Durham Advertising

Judith Berk King
Citibank Canada

Elizabeth Kriegler
Canada Post Corporation

Luba M. Labunka
Canadian Imperial Bank of Commerce

Stephanie Loiacono
Equitable Capital

Dominique Martinet
Canada Post Corporation

Edith Matricardi
Marine Midland Bank, N.A.

Arlene M. Matthew
Central Guaranty Trust Co.

Deirdre McIlwraith
Dianne Mendez
Creditanstalt-Bankverein

Ann Michell
Merrill Lynch & Co.

Beth Olmstead
The Toronto Dominion Bank

Denise Pease
NYS Department of Banking

Connie I. Roveto
United Financial Management Ltd.

Nancy Sellar
Financial Women’s Association of N.Y.

Rosalyn Shapiro
Trans-National Trade Corporation

Kerry H. Stowell
So-Sound Inc.

Myra Leigh Tobin
Marsh & McLennan

Peggy Yocher
People’s Bank
Women in Business
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tor – and women already hold half of these new positions. Between 1981 and 1986, women started five times as many businesses as men, and by 1988 their success rate was twice that of men. Today, over 25% of all business owners are women.

Ms. McDougall commented on her experiences as a woman in politics during this important time in Canada’s economic history. She sought office in 1984 asserting that Canada would need to achieve national unity in order to progress in a global world. A specific plan for national unity became the blueprint for her campaign, and included: dealing with the growing disparities in economic development among regions, developing a policy for national resources, finding a satisfactory conclusion to the estrangement with the Province of Quebec, and bringing stability to the Canadian dollar and to the economic and investment climates.

Today, many of those goals have been achieved. The Free Trade Agreement has become a milestone opportunity for Canada, a country that was built on trade. The Agreement provides for more sales opportunities for Canada and encouragement to other countries to see Canada as an alternative for trading in North America.

Air and Postal Carriers
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with terrorists receive top priority and commented on how the difficulty of valuating an airline’s contingent liability impacts the privatization program.

In response to a question on deregulation’s effect on airplane maintenance, Mr. Taylor stressed the importance of measuring carrier fatigue by operating age (the number of take-offs and landings) rather than by calendar age. Acquisition of new planes is necessary to allow older carriers to undergo preventative maintenance.

Free-Trade Accord
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The panel concluded with expressions of concern about U.S. Special Trade Representative Carla Hills’ placing Canada on a “hit list” of countries with unfair barriers to U.S. trade, stating that this action seems to “miss the purpose” of the U.S. Canada Free Trade Agreement.