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G-20 Reforms Will Support Long-Term Economic Prosperity, says Bank of Canada Governor Mark Carney

MONTREAL, Quebec – In the wake of a financial crisis that has cost tens of millions of jobs and trillions of dollars in foregone output, Bank of Canada Governor Mark Carney called on financial institutions to participate fully in the regulatory reforms of the G-20.

“The fundamental objective of the G-20 reforms is to create a resilient, global financial system that efficiently supports worldwide economic growth,” Governor Carney said in a speech today to the Autorité des marchés financiers. He noted that the implementation of the global reform agenda is just beginning, adding: “It would be a mistake to underestimate the determination of G-20 leaders to reshape the financial services industry.”

There are two main approaches to financial system reform, Governor Carney said. First, there is a focus on protecting the banks from the economic cycle or, in other words, making each bank more resilient. Second, there is need to protect the cycle from the banks; that is, making the system as a whole more resilient. “Both are necessary,” Governor Carney stated.

“Our destination should be one where financial institutions and markets play critical—and complementary—roles to support long-term economic prosperity,” Governor Carney said. “The system must be robust to shocks, dampening rather than amplifying their impact on the real economy.”

In conclusion, the Governor called for the global financial system to transition from “its self-appointed role as the apex of economic activity to once again be the servant of the real economy.” He added that full realization of this objective will require a change in attitude on the part of the global industry. “Financiers should ask themselves every day how their activities affect systemic risk? and what are they doing to promote economic growth?” Governor Carney said, urging the sector to demonstrate an awareness of its broader responsibilities.