At the Top -- Canadian Banking System

InvestTechFx congratulates the Canadian Banking System for surviving the financial crisis. Today, the Canadian banking system is ranked as the most stable and safest in the World. InvestTechFx explains the reasons behind such success and advises major nations to follow in its footsteps. www.investtechfx.com

Toronto, Canada (PRWEB) June 29, 2010 -- InvestTechFx worldwide Forex Broker using the MetaTrader4 platform observes that Canada has always been clouded with several stereotypes such as “the land of the Mounties and ice hockey” or “the land of language crusades and lousy weather.” However, rarely has anyone noticed Canada’s stable banking system. Today Canada is privileged to have survived the banking crisis and host the G-20 summit of wealthy and developing nations. InvestTechFx quotes the words of Finance Minister Jim Flaherty, “We should be proud of the performance of our financial system during the crisis."

InvestTechFx remarks that just a few years ago Canada’s banking system was considered to be outdated and unfashionable, holding Canada back. Jim Flaherty remembers the World commenting that "that the Canadian banks were perhaps boring and too risk-adverse.” And now the same nations are looking up to the Canadian banking system as a very solid, stable banking system. As real estate in the rest of the World had been rising every year, the Canadian real estate had also been moving upward at a comparatively modest rate. This was because throughout the World, risk was “presumed” to be purged through complex strategies and instruments that everyone trusted without examining the drawbacks. While Canada decided to continue to use the traditional “loan and hold mortgage model.” The banks of Canada were not mirrored in one of the biggest global bubbles of the last few decades, and therefore did not participate in the bursting either. For this reason, at present, investors all around the World and the World Economic Forum deemed Canada and four of its major banks to be the most stable and safest in the World.

Investtechfx the leading 1 PIP Forex Co offering MetaTrader4 notes that twenty of the world’s influential nations at an economic summit (G-20 summit) in Toronto next weekend will be in a country that has evaded a banking crisis where other stronger nations have struggled, and whose economy has grown at a 6.1 percent annual rate in the first few months of this year. At present, the housing market in Canada is sizzling and 75 percent of the jobs lost during the recession have been recovered. U.S. President Barack Obama has stated that the United States should take note of the Canadian banking system. Furthermore United Kingdom’s Treasury chief is looking to imitate the manner in which Ottawa is cutting deficits.

According to InvestTechFx, the banks in Canada have played a major role in the country’s stability and good fortune. Instead of getting caught up in the frenzy that enthralled virtually every major financial institution, Canada’s banks went on doing business in the boring, traditional way; which has demonstrated to work very well. For Instance in October 2008, when the top five United States banks lost $8.3 billion and continued to lose money in 2009, the top five Canadian banks made $8.2 billion.

Investtechfx the leading 1 PIP Forex Co offering MetaTrader4 notes the top favorite Canadian banks are the Royal Bank of Canada, the Bank of Nova Scotia, Bank of Montreal and Toronto-Dominion Bank. These four banks are up by over 30% this year, they pay very high dividends and all four have been rated amongst the safest banks in the World by the Global Finance magazine. Also the Global Competitiveness Report ranked Canadian banks 6.8 out of 7.0 (the highest in the World). InvestTechFx asserts that these banks are stable because they are better regulated and managed, while being less leveraged. By law, they had to meet tough regulations such as: Tier-one capital targets of at least 7%; Leveraging ratio of debt-to-equity of no more than 20-to-1; Capital requirement quality, where 75% of Tier-one capital had to be in common shares. As a result, the four major banks have millions of excess capital.

Even while Europe and U.S. relaxed their financial regulations over the last 15 years, Canada refused to do so. There was no Mortgage meltdown or subprime crisis in Canada because banks didn't package mortgages and sell them in the private market; Canadian banks need to be sure that their borrowers can pay back the loans. InvestTechFx estimates that the major Canadian banks on average generate return on equity between 13% and 20%; they rarely produce negative returns on equity. On the contrary, U.S. ranged between 10% and 25% on their returns. Therefore, many U.S. investors are taking their funds across the northern border.

InvestTechFx worldwide Forex Broker using the MetaTrader4 platform further observes that the Candian banking system has survived the economic crisis without any financial assistance from the government. Ever since, they have relied on far less financial support than European or U.S. banks. The four major banks built up their capital through fundraising projects and preserving earnings over the past two years. Their frugal actions left them not only with the strongest balance sheets in the world, but also enough finances left over to maintain normal dividend payments to shareholders.

InvestTechFx, after studying the World financial market, asserts that another reason for the success of the Canadian banking system is the fact that Canadian banks are national in scope. In other words, the top four banks have branches in all 10 Canadian provinces, making them less prone to downturns. They have large numbers of loyal depositors and a more solid base of capital.

Moreover, InvestTechFx observes that the Canadian banking system is not only well-regulated but the regulatory system is very well-coordinated. It comprises of four separate branches that work together:
- The Central Bank (Bank of Canada): which safeguards and preserves the stability of the overall banking system;
- The Superintendent of Financial Institutions: which in particular supervises financial institutions;
- The Canadian Finance Ministry: which lay down the rules and regulations on ownership of financial institutions and the design of financial products
- The Financial Consumer Agency of Canada: which acts as a consumer protection agency

These four branches meet regularly to make sure that ambiguity does not exist in the Canadian banking system and so Canadian banking executives cannot break through the system. And they actually seem to care about enforcing those rules instead of just talking about them, focusing on the spirit of the law instead of just the letter. In other words they rigorously govern financial institutions instead of coddling them. InvestTechFx feels that this is a model that the U.S. should surely take into consideration. Investtechfx the leading 1 PIP Forex Co offering MetaTrader4 concludes by congratulating the Canadian banking system for what they have accomplished. InvestTechFx is proud to say that they are Canadians. www.investtechfx.com

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