



Canada's banking system healthiest in the world

Canada's banking system is a model for the United States and European countries struggling to cope with mountains of debt accumulated through a series of market crises, massive bailouts and recession according to a report in the Washington Post this morning.

The International Monetary Fund and World Economic Forum (IMF) is showcasing Canada for having the healthiest banking system in the world. . The IMF, in probing what made Canada's mortgage lending system so resilient during the crisis, concluded that it was "boring" compared with the complicated, sophisticated and expensive financing system in the U.S., but nevertheless effective and safe.

Canada and its banks were barely touched by the 2008 financial crisis that nearly brought down the U.S. banking system and led to the biggest recession since the Great Depression. Canadian bank losses were so low, and their cushion of reserves so high, that the banks managed to post profits for months in the aftermath of the 2008 crisis while major U.S. banks were teetering on the brink of insolvency and getting \$250 billion in Treasury bailouts to cover burgeoning losses on bad mortgage loans.

"The Canadian experience showed that more prudent lending and borrowing played a big part in preventing the housing bubble that proved the near-undoing of the American banking sector," said Robert Elliott, a Canadian banking lawyer at Fasken Martineau. Though major U.S. banks have been recapitalized by the government and are posting profits again, "all the fresh capital in the world may not prevent another cycle of misery down the road" unless the U.S. also adopts more prudent lending practices, he said