



BANK OF CANADA  
BANQUE DU CANADA



B A C K G R O U N D E R S

# The Canadian Financial System

The financial system makes a vital contribution to the welfare of Canadians. Most commercial activity—saving, borrowing, investing, and buying and selling by means of debit and credit cards, cheques and e-money—is carried out through the financial system.

A *sound* financial system, therefore, is critical: it allows the many transactions involved in all this activity to be conducted *securely* and *efficiently*.

Canada’s financial system—which consists of financial institutions, financial markets, and payments and other clearing and settlement systems—is sound. The International Monetary Fund’s most recent assessment of Canada’s financial system concluded that the system “is mature, sophisticated, and well-managed,” that “financial stability is underpinned by sound macroeconomic policies and strong prudential regulation and supervision,” and that “deposit insurance and arrangements for crisis management and failure resolution are well-designed.”

**Further information on Canada’s financial system:**

- [components](#) of the Canadian financial system
- backgrounder on [regulation](#) of the Canadian financial system
- the [Bank of Canada’s role](#) in promoting a sound financial system
- backgrounder on the [Large Value Transfer System \(LVTS\)](#)
- the [Financial System Review](#), which provides an assessment of risks to financial stability, and summarizes research into various aspects of the financial system

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