

Section 422.3 imposes these rules on non-NAFTA country foreign bank subsidiaries. Sections 423 and 424 imposed these rules with respect to non-United States foreign bank subsidiaries and were suspended by section 423.4 as enacted pursuant to the *North American Free Trade Agreement Implementation Act*. The repeal of these sections involves both the elimination of the rules themselves and the exception to those rules for either NAFTA country foreign bank subsidiaries or United States foreign bank subsidiaries, as the case may be.

Clause 26 - Replacement of sections 508(2.1) to (3)

Foreign banks, as opposed to foreign bank subsidiaries, are generally prohibited from carrying on banking business in Canada. Subsections 508(2.1) to (3) is an exception to this general prohibition. It allows a foreign bank to service its customers who are natural persons and non-residents by allowing such customers to access their accounts through automated banking machines located in Canada. This can occur if the foreign bank enters an arrangement with one or more Canadian financial institutions with respect to using automated banking machines operated by such institutions.

Because of the way "non-resident" has been defined for purposes of the ownership constraints, we have always had to clarify in this provision that we meant to include U.S. residents and NAFTA country residents, as the case may be, as being included as non-residents who could benefit from this provision. As the definition of "non-resident" is being deleted we now need only refer to a natural person who is not ordinarily resident in Canada. Thus we can substitute this phrase and repeal subsection 508(3) which made the clarification with respect to NAFTA country residents, subsection (2.1) which suspended the U.S. resident clarification while NAFTA was in force and subsection (3) which is the clarification specific to U.S. residents.