

have ultimate authority for approving applications". . . . Moreover, I do not agree that approving this application would imply that any or all future applicants, regardless of the nature of their business, would be approved without taking into account Canadian policies and instituting terms and conditions appropriate to the case.

. . . I plan to bring before Parliament amendments to the *Bank Act* to ensure that all banks have the power to promote goods and services, including insurance, to their credit cardholders. This means that in practice banks already established in Canada will have the same opportunities as American Express in this regard.

. . .

American Express has also agreed that it will cease car leasing activities in Canada when it becomes a bank, and has agreed to limitations on the financial activities that can be performed in travel offices. As well, American Express' Schedule B bank (which will be offering the credit card activities in Canada) will be subject to the data processing rules under the *Bank Act*, like any other bank.

The recent policy position with respect to the four U.S. financial conglomerates (Ford, GE, GM and Sears) reinforces one aspect of Finance Minister Wilson's position, namely that the granting of a charter to AMEX does not imply that "any and all future applicants, regardless of the nature of their business, would be approved . . ." Elaborating somewhat, the Committee understands that AMEX was essentially viewed by the Department of Finance as a financial institution: its commercial activities were viewed as minor, or *de minimis*. This is not the case for the four companies whose organization charts appear in Appendix C: they are first and foremost commercial companies.

The Committee has no desire to assess or evaluate this position on a point-by-point basis. However, focussing on some aspects of the AMEX case is essential both to understanding the depths of concern from some quarters of the financial sector and to making progress toward designing an acceptable policy for foreign financial institution entry into Canada. In what follows, the Committee is reflecting the concerns of witnesses who appeared before us and, on occasion, we shall resort to direct quotations.

The first point to make is that, on the basis of our evidence, it appears that AMEX does not intend to become a deposit-taking institution in the traditional sense of the term. Rather, its principal goal is to access the payments system and the automatic teller network. The issue put before the Committee is not easily answered: given that Canadian financial institutions have through time, effort and money developed one of the world's most efficient payments systems, why are we allowing AMEX to access our payments system when it does not have access to the payments system in its home country?

The second general point relates to that aspect of the foreign bank guidelines (number 8 in Appendix D) that requires that "the applicant must be able to demonstrate a potential to make a contribution to competitive banking in Canada". The Committee's view is that the presence of AMEX will surely increase competition in the money card market. Hopefully, it will also innovate in this area so that consumers of all money cards will benefit. The standard American Express card is essentially a debit card (with a one-month payment deadline) rather than a credit card. As such, AMEX has, over the years, cultivated an upscale market. Toronto Dominion's CEO Richard Thomson has phrased the underlying concern this way: "There is a saying in the banking business that you make all your money from the top ten per cent of your customers, and American Express is creaming Canada in high income people. You will not find workers at the General Motors plant carrying American Express cards: they carry our cards."

The fear is that AMEX will intensify money card competition only in the upscale market, the impact of which will be that the Canadian financial institutions may be forced to follow suit in terms of