

This paragraph shall not apply to provincially constituted financial institutions.

2. Canada shall exempt United States-controlled Canadian bank subsidiaries, individually and collectively, from the limitations on the total domestic assets of foreign bank subsidiaries in Canada and, in accordance with this obligation, Canada shall:

- a) not refuse to incorporate a United States-controlled Canadian bank subsidiary, nor refuse to increase the authorized capital of such subsidiaries solely on the ground that such incorporation or increase would contravene subsection 302(7) of the *Bank Act*;
- b) not apply the provisions of subsection 174(6) of the *Bank Act* to such subsidiaries;
- c) exempt such subsidiaries from the requirement to obtain approval of the Minister of Finance prior to opening additional branches within Canada; and
- d) permit, subject to prudential requirements of general application, including measures regarding transactions between related parties, a United States-controlled Canadian bank subsidiary to transfer loans to its parent.

3. Canada shall not use review powers governing the entry of United States-controlled financial institutions in a manner inconsistent with the aims of this Part.

4. This Part shall not be construed as representing the mutual satisfaction of the Parties concerning the treatment of their respective financial institutions. Accordingly, Canada shall, subject to the United States commitment to consult and to liberalize further the rules governing its markets and to extend the benefits of such liberalization to Canadian-controlled financial institutions established under the laws of the United States of America, continue to provide United States-controlled financial institutions established under the laws of Canada with the rights and privileges they now have in the Canadian market as a result of existing laws, regulations, practices and stated policies of Canada. The continued provision of such rights and privileges is subject to normal regulatory and prudential considerations.