

then the financial arm of Ford would have to enter Canada as a Schedule II bank. As such, the parent and its affiliated companies are restricted in their ownership of Canadian companies. Under the current *Bank Act*, they (parent or Schedule II) cannot own more than ten per cent of companies in Canada unless those companies:

- do what a bank is permitted to do;
- engage in securities dealing or fiduciary services;
- are engaged in the business of insurance.

The Government can grandfather the existing range of non-financial activities and it can also include restrictions of various sorts in the Schedule II license or by other means. Deutsche Bank Canada is a Schedule II bank. Yet Deutsche Bank (Germany) effectively controls Daimler-Benz. Section 305(3)(c) of the *Bank Act* enables interests which were in existence at the time of the application for a Schedule II bank license to be grandfathered by the Minister. In the case of Deutsche Bank these interests were grandfathered in 1981, but the license stipulates that Deutsche Bank Canada cannot provide any banking services to a non-bank affiliate of the parent. In the case of AMEX, its existing credit card and travel insurance activities will be grandfathered. As a condition of licensing, however, AMEX has agreed to cease its car-leasing activities in Canada, to restrain from engaging in new non-travel-related business and to abide by the data processing rules under the *Bank Act*.

What all of this signifies to the Committee is that there is need for the Government to clarify its policy toward foreign bank entry. Minister Loiselle's moratorium on the approval of new U.S. Schedule II banks is welcome both in its own right and because it will provide a timely window in which a foreign bank policy can be articulated. The Committee's view is that the moratorium should not be lifted until such a policy is in place.

- *The AMEX Charter*

The Committee finds it difficult to sort out fact from perception when it comes to assessing the potential implications of the AMEX Schedule II bank charter. Accordingly, the appropriate way to begin is to present the Government's view of the AMEX case. The selective passages that follow are extracted from a January 24, 1989 public letter from Finance Minister Michael Wilson to Warren Moysey, Chairman of the Executive Committee of the Canadian Bankers Association.

... For purposes of the *Bank Act*, American Express is a foreign bank and as such is eligible to apply to establish a foreign bank subsidiary in Canada. American Express Company has extensive financial services operations, is a long established financial services company in Canada and some of their services are banking type activities. ...

American Express does have a longstanding travel services business in Canada. The *Bank Act* allows applicants to continue non-banking activities that they have been engaged in. ... the principle of grandfathering such non-bank activities has been followed in a number of cases. American Express has agreed to restrictions that ensure that it will be constrained from engaging in new non-travel-related businesses. Accordingly, I do not believe that this application compromises our policies on not mixing financial and commercial interests in bank ownership.

You have raised the point that American Express is not a regulated full service bank in its home jurisdiction and you have suggested that it should, therefore, be ineligible to have a bank subsidiary in Canada. You have pointed out that regulation of the foreign bank parent is one criterion set out in the 1980 guidelines on bank ownership issued by the Inspector General of Banks.

I would point out that the Inspector General's document describes the guidelines as "generally desirable" but says that "the Minister of Finance along with the Governor in Council