

10. The Committee's approach is to entrench both ownership regimes for deposit-taking institutions. Both have served Canada and Canadians well, and both have more than earned the right to continued existence.
11. Current ownership provision for Schedule I banks should remain in place, subject to recommendations 15 through 17 below.
12. Stand-alone or unaffiliated trusts can be wholly owned. Trust Companies that are part of a conglomerate (commercial or financial) must, within a reasonable time of the implementation of new legislation, have at least 35 per cent of their voting shares publicly traded. The control block will be able to maintain its share of any new equity issues. If there is a financial holding company above the trust, then the 35 per cent public float can be satisfied at either the financial holding level or the trust company level.
13. If the upstream owner of a trust is a commercial enterprise (even if the enterprise is widely held), the provision for a 35 per cent public float will apply, as in the above recommendation.
14. In order to encourage new entry, the Committee recommends that newly incorporated trusts within a conglomerate will have ten years to work down to a 35 per cent public float. This provision parallels the existing provision whereby a domestic Schedule II bank has ten years to become widely held.
 - *The Bank Holding Company Route*
15. Schedule I banks shall be allowed to reorganize their ownership structure by creating widely held Schedule I Bank Holding Companies. These holding companies must be upstream and the provisions for share ownership and the composition of boards of directors shall be those applied to Schedule I banks (e.g., the ten per cent rule for individual holdings and the 25 per cent cumulative ownership limits for non-U.S. foreigners).
16. The chartering of a Bank Holding Company would allow the existing shareholders of the bank to become shareholders of the Bank Holding Company. The *Bank Act* (or the Bank Holding Company Act) would deem a bank conforming to this structure to be widely held. Over the longer term, the Committee can foresee situations where the Bank Holding Company might want to own less than 100 per cent of the Schedule I bank. This should be allowed provided that shares held by persons or companies other than the Bank Holding Company meet the requirements of the *Bank Act* with respect to Schedule I banks.
17. The Bank Holding Company can then establish downstream commercial companies or holdings which can be wholly owned, joint ventured, etc. The commercial arm could then engage in any activity. As noted in Recommendations 44 and 45 below, there would be no asset transactions allowed (unless specifically sanctioned) between the financial and the commercial arms but networking and fee-based transactions will be permitted.
 - *Schedule III Banks*
18. The Committee proposes the creation of a new category of bank, namely a Schedule III bank. The defining characteristic of these Schedule III banks is that they will be