

Federal Reserve system has interpreted this Act to allow a bank to own a securities subsidiary whose corporate securities business does not exceed 10 per cent of its total revenues, measured over a two-year period.

Since the beginning of 1991, four Canadian banks have received approval to underwrite and deal in corporate debt and equity through a subsidiary. Since Canadian law has permitted banks to own securities dealers since 1987, the largest Canadian securities dealers have become affiliated with banks. The effect of the Glass-Steagall Act is, therefore, to limit the range of corporate securities activities in which dealers were engaged before becoming affiliated with banks.

Also in the area of securities, non-residents are generally restricted by the Securities and Exchange Commission (SEC) to providing investment advice and other securities services to U.S. residents through a registered broker-dealer located in the United States. This limits the scope for cross-border provision of securities services.

Affiliation between banks and insurance companies are prohibited in the United States, but will be permitted in Canada once the new federal financial institutions legislation is enacted. This new law could create significant operational problems for a Canadian bank wishing to acquire a Canadian insurer with U.S. operations.

A variety of state restrictions are also imposed on foreign insurance companies. For example, some states impose different deposit requirements on insurance firms, depending on their place of incorporation. Special deposit and asset pledge requirements are imposed on non-resident insurers by certain states.

Canadian Actions

The federal government is pursuing liberalization in a number of these areas through the NAFTA.

IX. INTELLECTUAL PROPERTY

Section 337 of the Tariff Act

Under Section 337 of the U.S. Tariff Act of 1930, imported products that allegedly violate United States intellectual property rights can be barred from entry into the United States. Section 337 gives the U.S. intellectual property owners a major advantage over foreign competitors. Applied as a border measure, it provides a more effective remedy against alleged violators than do U.S. domestic courts.