

- The McFadden Act provides that a national bank may, with the approval of the Comptroller of the Currency, have branches within the state where the bank is located, if such branching is permitted to state banks by the law of the state in question, and subject to any restrictions imposed by the law of the state on state banks.

States impose many restrictions on foreign banks. Approximately 15 states treat foreign banks in a more restrictive manner than they do domestic banks, thereby resulting in reduced competitive opportunities for foreign banks. For example, some states prohibit foreign banks from establishing branches within their borders or from taking deposits, or impose special deposit requirements.

The Glass-Steagall Act prohibits all banks that are members of the Federal Reserve system, domestic and foreign, from being affiliated with organizations that are "principally engaged" in the securities business. The Board of Governors of the 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 are permitted in Canada with the passage of new federal financial institutions legislation. This new law may 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.