PHOTO: BANK OF NOVA SCOTIA

Some Other Bank Changes

The Bank Act revisions changed a number of other rules, some major, some minor.

The cheque clearing process has been transferred from the Canadian Bankers Association to a new entity, the Canadian Payments Association. Formerly only chartered banks could clear cheques, and credit unions, trust companies and caisse populaires could have theirs cleared only by using the facilities of a cooperating bank. The new association will serve all.

The powers of banks have been extended so they may now engage in activities from which they had been excluded, such as financial leasing, factoring and investment of venture capital. They still cannot administer trusts or own trust companies.

The level of non-interest-bearing cash reserves banks must keep on deposit at the Bank of Canada for Canadian dollar demand deposits is to be reduced gradually from twelve to ten per cent of demand deposits. The reserve requirement on the first $500 million of Canadian dollar term and notice deposits will also be reduced and eventually set at two per cent. A reserve of three per cent is now required for foreign currency deposits.

Under the Act banks may now sell bus and subway tickets.

Comparisons

In Canada banks are authorized and regulated by the federal government.

In the United States they may be authorized by either the federal government or individual states. The regulations of the fifty states are generally consistent, although differences do occur. A large number of state banks fall under joint state and federal supervision. Because of these overlapping jurisdictions, there are more regulatory bodies and more regulations in the U.S. system.

American banks may have branches but only in the state of their charter. One result is that there are some 14,000 banks in the United States, most of which are small.

Canada's few banks are big, with many branches across the country. Each branch has access to the bank's resources, which allows for instant cash or credit for deposited cheques. In many cases branches are permitted to make substantial loans without consulting the head offices.

Some observers have concluded that one system is better and some the other. The Canadian Bankers' Association points out that "the circumstances and needs of the two countries have been quite different."

Canadian Banks Go South

The Royal Bank of Canada's New York outlet in Manhattan's financial district operates, literally (in the late afternoon), in the shadow of Chase Manhattan.

It is, however, quite pleased with itself.

Its U.S. loan portfolio is expected to approach $3 billion by 1983. This does not, of course, begin to approach that of Chase Manhattan, which has towering offices across the street, but as its senior vice-president William S. Snook told *The Financial Times*, it does mean that the bank has "identified the U.S. as a major growth market."

In 1972 the Royal had one American branch, in New York. It also had established the Royal Bank and Trust Company in that city primarily to handle trust business.

The Canadian banks' American branches are all wholesalers, selling large certificates of deposit to raise U.S. dollars for loans to such large corporations as General Motors, Ford, Texaco, International Telephone and Telegraph, International Harvester, Beatrice Food and Scott Paper.

They are not always in competition with U.S. banks, and they often work with them in joint projects. Many U.S. banks can supply only part of the money required by a large-scale borrower, and they farm out the rest to foreign banks. They know that a foreign bank cannot steal the customer away since it cannot provide the full services that the customer normally requires.

The Bank of Nova Scotia's Boston branch.