

VIII. FINANCIAL SERVICES

Canadian financial sector reform has significantly outpaced that of the United States. Accordingly, many aspects of laws and regulations governing U.S. financial services, while not in all cases discriminating against foreign financial institutions, result in significantly less comparable access to the U.S. market than that enjoyed by U.S. financial institutions in Canada.

For example, compared to Canada, the United States has a variety of geographic restrictions on banking within and across state boundaries.

- The Bank Holding Company Act prohibits a bank holding company or its subsidiary from acquiring the voting shares or substantially all of the assets of any bank located outside the state where the bank holding company's banking subsidiaries conduct their principal business (i.e. essentially where the deposit base is largest) unless the acquisition is specifically authorized by the laws of the particular state.
- The International Banking Act prohibits a foreign bank from establishing federal or state branches or agencies outside its home state, unless permitted by the laws of the state which the bank wishes to enter. The Act also provides that acquisition of any number of voting shares or of substantially all of the assets of a bank located outside the home state of the foreign bank is not permitted, unless such acquisition would be permitted to a bank holding company.
- 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 fifteen 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