

*Article 1703 exempts U.S. firms and investors from some aspects of the federal "10/25" rule such that they will be treated the same as Canadians. The rule prevents any single non-resident from acquiring more than 10 percent of the shares, and all non-residents from acquiring more than 25 percent of the shares of a federally-regulated Canadian-controlled financial institution. The 10 percent limitation on any individual shareholder resident or non-resident will continue to be applied to the larger banks and thereby control of our financial system will be maintained in Canadian hands.*

*Additionally, U.S. bank subsidiaries in Canada will be exempted from the current 16 percent ceiling on the size of the foreign bank sector. Finally, all U.S. applications to establish operations in Canada have been subject to review. No changes to this review process are required. U.S. applications will continue to be reviewed on a case-by-case basis to ensure the suitability of the applicant, that it can make a positive contribution to Canada's financial markets, and that prudential concerns are met.*

*Financial institutions, other than insurance, are not covered by the dispute settlement procedures of the Agreement. Rather, both parties have agreed to consult and these consultations will take place between the Canadian Department of Finance and the United States Department of the Treasury.*

*The chapter on financial services builds on the federal government's commitment to provide more competition among financial institutions with the resultant benefits to consumers. At the same time, control of our financial system will remain in Canadian hands while a new business opportunity has been opened up for our banks in the U.S.*