ANNEX 1

Relations Between Commercial Banks and Non-Financial Firms in North America

- Canada

In Canada, a commercial bank cannot own more than 10% of the voting shares in any Canadian company, with a number of exceptions.[126] Banks that are widely held, called Schedule I banks, are allowed to own any number of shares in a foreign-owned corporation provided that such shareholdings do not lead to a violation of the 10% limit on shareholdings of Canadian firms. Closely held banks, called Schedule II banks, are also prohibited from owning more than 10% of the voting shares of any foreign-owned corporation.

No single shareholder, or group of associated shareholders, can own more than 10% of any Schedule I bank's voting shares. In addition, non-U.S. residents in aggregate cannot hold more than 25% of any class of shares of a bank. Pursuant to the FTA/NAFTA, Mexican and U.S. residents are exempt from the 25% limitation, but not the 10% limit.

If a Schedule II bank is domestically owned, it must become widely held within ten years of its creation. A bank is widely held if no more than 10% of its voting shares are held by one shareholder or associated group. Domestically owned Schedule II banks are subject to the 25% limit on non-resident holdings of its shares. If a Schedule II bank is a foreign subsidiary, it must remain closely held.

- United States

In the United States, banks are not permitted to own stock of other companies, except those engaged in activities that the banks themselves may also conduct, such as mortgaging, leasing, and securities and brokerage companies. Bank holding companies are allowed to hold up to 5% of the shares of any company, financial or non-financial. Acquiring 5% or more of voting shares of companies specializing in bank-related activities requires permission of the appropriate control agencies.

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[126] The exceptions include: corporations which service or maintain property owned or leased by the bank; corporations with the sole objective of promoting exports; securities dealers; mortgage loan, venture capital, factoring, leasing and data processing corporations; corporations that operate real estate investment trusts or mortgage investment companies; and foreign corporations. See OECD, *Financial Market Trends*, No. 49, Paris, June 1991, p. 33.