

banks. When the level of the banks' cash reserves is decreased, there is less money for loans, and interest rates go up. When it is increased, the interest rates go down.

Gerald Bouey, the Governor of the Bank of Canada, who was appointed to a second seven-

year term in 1979, gives a lot of thought to deciding how and when monetary restrictions should be relaxed.

The current plan allows for a growth of the money supply this year of between five and nine per cent.

The Bank Act Revised

The primary purpose of the new Bank Act is to increase competition. In two years' time there may be fifty or sixty banks and the figure will continue to grow.

The new ones will be drawn from applications from both home and abroad. Most of the domestic ones will come from near-banks. Those from abroad will primarily be from banks that until now have been conducting limited business in Canada but have had neither the freedom of action nor the burden of regulations of chartered banks.

The applicants must apply to the Minister of Finance for a charter, and the Minister, acting on the advice of the Inspector General of Banks, in turn advises the Cabinet as to which applicants are to be chartered.

Consideration is to be given only to applicants

from countries that permit Canadian banks to operate in their jurisdiction (which includes almost all free market countries), and the applicant must demonstrate that the parent bank is strong and well-financed and that the home country has adequate official supervision of banking.

The combined assets of the foreign chartered banks may not exceed eight per cent of the domestic assets of all chartered banks. The assets of each will be limited to twenty times its authorized capital. The intention is to keep the expansion of foreign banks in line with the expansion of the system as a whole.

Each foreign bank receiving a charter will be allowed to have one branch and may apply to the Minister of Finance for permission to open additional ones.

International Banking

Banks all over the world have a growing interest in doing business away from home.

This reflects, in part at least, the extraordinary advances in computer and communications technology—detailed credit information can be assembled and transmitted from one country to another in minutes.

The foreign banks applying for Canadian charters are expected to be interested primarily in wholesale operations, such as leasing, or the capitalization of projects in specific fields (such as energy), rather than in offering routine customer services.

Some of the banks making applications have been doing business in Canada for years, though on a restricted scale. The Bank of Tokyo has had a representative office in Toronto for twenty-six years; the Banca Nazionale del Lavoro of Italy has had one in Montreal for twenty-five.

New Banks

An initial batch of twelve foreign banks, including four American ones, is being considered for charters. The four are Citicorp (which had the largest pre-charter operation), Bank-America, Continental Illinois National Bank and Trust, and the National Bank of Detroit.

Citicorp's new subsidiary, Citibank Canada, hopes to have an authorized capital of \$150 million, which would permit it to expand its Canadian assets to \$2.5 billion (an increase of more than \$.5 billion over its predecessor, Citicorp Ltd. of Toronto). If chartered, it plans to begin business November 1 after completing legal preliminaries. Continental Illinois, if chartered, hopes to begin its operations at a slightly earlier date.

The other eight banks under consideration are Barclays Bank of Great Britain, the Banque Nationale de Paris, the Deutsche Bank, the Bank of Tokyo, Hong-Kong & Shanghai Banking Corp., the Algemene Bank Nederland, the Swiss Bank Corporation and the Korea Exchange Bank.



Until the Bank of Canada was established, banks issued their own currency. The bank notes above, from the Bank of Montreal and the Dominion Bank, are part of the National Currency Collection on display at the Bank of Canada's Museum.