

Part Five

Financial Services

Chapter Seventeen: Financial Services

Trade is very important to Canada's financial services industry and, through its financial institutions, Canada is well represented in international financial markets. Among the larger groups of major financial services firms, the Canadian banks probably generate the largest share of foreign income and a considerable amount of that income is related to their U.S. operations and activities.

Canadian banks have been active in the U.S. for a long time while U.S. banks have only been able to provide a full range of banking services in Canada since 1980. Chapter Seventeen preserves the access that our respective financial institutions have to each other's market. Also, both Canada and the United States have agreed to continue liberalizing the rules governing their respective financial markets and to extend the benefits of such liberalization to institutions controlled by the other party.

Prior to 1978, Canadian and other foreign banks were generally permitted to operate in more than one state. Indeed, Canadian banks had, and still have, retail and other banking operations in a number of states, unlike many of their U.S. competitors. These privileges, however, were subject to review after ten years. These privileges have been "grandfathered" indefinitely in Article 1702.

In the area of securities, Canadian banks in the United States will be able to underwrite and deal in securities of Canadian governments and their agents. Up until now, because of the 50-year old Glass-Steagall Act which separates commercial banking from the securities business, only dealers unaffiliated with a bank could underwrite these securities in the United States. Accordingly, a new business opportunity for Canadian banks has been created. At the same time, an important commitment from the United States will help bridge the gap between the pace of regulatory change in financial markets that has opened up between Canada and the United States. For the future, Canadian financial institutions are guaranteed, by Article 1702, that they will receive the same treatment as that accorded United States financial institutions with respect to amendments to the Glass-Steagall Act.