The amendments (the Riegle-Neal Interstate Banking and Branching Efficiency Act) allow acquisition of a bank across state lines by the Autumn of 1995. However, beyond this basic right, the federal government has deferred to states to decide the degree of liberalization. Specifically, by June 1997, states must decide if they want to prevent consolidation and merger of banks acquired across state lines. As a result, banks could be faced with maintaining separate legal entities on different sides of state borders. At the same time, states must decide if they will pass legislation to allow *de novo* establishments, the preferred way to establish a presence. Early indications are that most states will not permit this.

Foreign banks will be charged a fee for examinations beginning July 25, 1997 unless the delay imposed by the Riegle-Neal Interstate Banking and Branching legislation is extended beyond the current three year moratorium, putting foreign banks at a disadvantage relative to domestic banks.

The Glass-Steagall Act prohibits all banks, domestic and foreign, from being affiliated with organizations that are "primarily engaged" in the securities business. The Board of Governors of the Federal Reserve system has, in recent years, interpreted this Act to allow banks to generate not more than 10% of their gross revenues from dealing and underwriting in securities other than bank-eligible securities (generally government securities) over any two year period.

The Canadian law was amended in 1987 to permit banks to own securities dealers, and as a result, the largest Canadian dealers have become affiliated with banks. So far, four Canadian banks have received approval to underwrite and deal corporate debt and equity through a subsidiary. Therefore, as the Glass-Steagall Act limits the range and the extent of corporate securities activities in which dealers can be engaged in once they became bank owned, it will have a significant impact on the investment of Canadian banks in the Untied States.

Also in the area of securities, foreign broker-dealers are generally restricted by the Securities and Exchange Commission (SEC) to providing investment advice and other securities services to a limited range of major institutional clients in the United States. In many cases, the business must be conducted through a registered broker-dealers located in the United States. This limits the scope for cross-border provisions of securities services. Moreover, where SEC rules do not permit access to the U.S. market by non-resident broker-dealers, the broker-dealer must also comply with state securities laws, which are sometimes more restrictive. This contrasts with the Canadian market, where U.S.-based securities firms have very wide scope for offering services to sophisticated investors.

Affiliation between banks and insurance companies is prohibited in the United States, but is permitted in Canada.