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ANNEX III

**CANADA'S RESERVATIONS TO
CHAPTER 11 (FINANCIAL SERVICES)**

INTRODUCTORY NOTE

1. For Canada, in the interpretation of a reservation in Section A, all elements of the reservation shall be considered. A reservation shall be interpreted in the light of the relevant provisions of the Chapter against which the reservation is taken. To the extent that:
 - (a) the **Measures** element is qualified by a specific reference in the **Description** element, the **Measures** element as so qualified shall prevail over all other elements; and
 - (b) the **Measures** element is not so qualified, the **Measures** element shall prevail over all other elements, unless any discrepancy between the **Measures** element and the other elements considered in their totality is so substantial and material that it would be unreasonable to conclude that the **Measures** element should prevail, in which case the other elements shall prevail to the extent of that discrepancy.

2. For Canada, in the interpretation of a reservation in Section B, all elements of the reservation shall be considered. The **Description** element shall prevail over all other elements.

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HEADNOTES

1. Commitments under the Agreement, in the subsectors listed in this Schedule, are undertaken subject to the limitations and conditions set forth in these headnotes and in the Schedule below.
2. To clarify Canada's commitment with respect to Article 11.5 (Market Access for Financial Institutions), juridical persons supplying financial services and constituted under the laws of Canada are subject to non-discriminatory limitations on juridical form¹.
3. Article 11.10.1(c) (Non-Conforming Measures) shall not apply to non-conforming measures relating to Article 11.5(b) (Market Access for Financial Institutions).
4. For greater certainty, limitations on the participation of foreign capital in terms of maximum percentage limits on foreign shareholding or the total value of individual or aggregate foreign investment should not be considered a limitation to Article 11.5 (Market Access for Financial Institutions).

¹ For example, partnerships and sole proprietorships are generally not acceptable juridical forms for financial institutions in Canada. This headnote is not itself intended to affect, or otherwise limit, a choice by a financial institution of the other Party between branches or subsidiaries.

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ANNEX III

SECTION A

A-1

Sector:	Financial Services
Subsector:	All
Type of Reservation:	National Treatment (Article 11.3) Senior Management and Boards of Directors (Article.11.9)
Level of Government:	Central
Measures:	Sections 159 and 749 of the <i>Bank Act</i> , sections 167 and 796 of the <i>Insurance Companies Act</i> Section 163 of the <i>Trust and Loan Companies Act</i> <i>Foreign Institutions Subject to the Canadian Residency Requirements Regulations (Insurance Companies)</i> <i>Foreign Institutions Subject to the Canadian Residency Requirements Regulations (Trust and Loan Companies)</i> Section 169 of the <i>Cooperative Credit Association Act</i>
Description:	A minimum of one half of the directors of a federally-regulated financial institution that is a subsidiary of a foreign institution and a majority of the directors of any other federally-regulated financial institution must be either Canadian citizens ordinarily resident in Canada or permanent residents ordinarily resident in Canada.

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A-2

Sector:	Financial Services
Subsector:	Banking and Other Financial Services (Excluding Insurance)
Type of Reservation:	Market Access for Financial Institutions (Article 11.5)
Level of Government:	Central
Measures:	Section 524 of the <i>Bank Act</i>
Description:	In order to establish a bank branch, a foreign bank must be a bank in the jurisdiction under whose laws it is incorporated.

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A-3

Sector:	Financial Services
Subsector:	Banking and Other Financial Services (Excluding Insurance)
Type of Reservation:	National Treatment (Article 11.3) Market Access for Financial Institutions (Article 11.5)
Level of Government:	Central
Measures:	<i>Bank Act s. 520, 524, 540, 545</i> <i>Sales or Trades (Authorized Foreign Banks) Regulations</i>
Description:	A foreign bank must establish a subsidiary as a condition for accepting retail deposits. Foreign lending branches may not accept deposits.

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A-4

Sector: Financial Services

Sub-Sector: All

Type of Reservation: Market Access for Financial Institutions (Article 11.5)

Level of Government: Central

Measures: *Trust and Loan Companies Act*

Bank Act

Cooperative Credit Associations Act

Insurance Companies Act

Description: Federal laws do not permit a trust and loan company, credit union, or fraternal benefit society in Canada to be established through branches of corporations organised under a foreign country's law.

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A-5

Sector:	Financial Services
Subsector:	All
Type of Reservation:	Market Access for Financial Institutions (Article 11.5)
Level of Government:	Central
Measures:	<i>Bank Act</i> s. 510, 522.16, 524 <i>Insurance Companies Act</i> s. 574, 581
Description:	<p>A bank branch must be established directly under the authorised foreign bank incorporated in the jurisdiction where the authorised foreign bank principally carries on business.</p> <p>A foreign entity authorised to insure, in Canada, risks must be established directly under the foreign insurance company incorporated in the jurisdiction where the foreign insurance company, either directly or through a subsidiary, principally carries on business.</p>

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A-6

Sector: Financial Services

Subsector: Banking and Other Financial Services (Excluding Insurance)

Type of Reservation: National Treatment (Article 11.3)
Market Access for Financial Institutions (Article 11.5)

Level of Government: Central

Measures: *Bank Act* s. 520, 540, 545
Schedule I and Schedule II to the *Bank Act*
Canadian Deposit Insurance Corporation Act s. 2, 8, 17

Description: Full service foreign bank branches and lending foreign bank branches are prohibited from becoming member institutions of the Canadian Deposit Insurance Corporation.

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A-7

Sector:	Financial Services
Subsector:	Banking and Other Financial Services (Excluding Insurance)
Type of Reservation:	National Treatment (Article 11.3) Market Access for Financial Institutions (Article 11.5)
Level of Government:	Central
Measures:	<i>Canadian Payments Act s. 2, 4</i> <i>Bank Act s. 524, 540</i>
Description:	Lending branches of foreign banks are prohibited from being members of the Canadian Payments Association.

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A-8

Sector: Financial Services

Subsector: All

Type of Reservation: National Treatment (Article 11.3)
Most-Favoured-Nation Treatment (Article 11.4)
Cross-Border Trade (Article 11.6)
Senior Management and Boards of Directors (Article 11.9)

Level of Government: Regional

Description: All existing non-conforming measures of all provinces and territories.

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ANNEX III

SECTION B

B-1

Sector:	Financial Services
Subsector:	All
Type of Reservation:	Market Access for Financial Institutions (Article 11.5)
Level of Government:	Regional
Description:	Canada reserves the right to adopt or maintain any measure that is not inconsistent with Canada's obligations under Article XVI of the General Agreement on Trade in Services.

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B-2

Sector:	Financial Services
Subsector:	All
Type of Reservation:	National Treatment (Article 11.3)
Level of Government:	Central
Description:	With regard to the Canada Mortgage and Housing Corporation and its subsidiaries, Canada reserves the right to adopt or maintain any measure that grants advantages to that entity or any new, reorganized, or transferee entity having similar functions and objectives with respect to housing finance.