

COMMUNICATION FROM JAPAN

Japan's questions on Canada's revised Schedule of Commitments in Financial Services (S/C/W/118)

The following communication has been received from the delegation of Japan with the request that it be circulated to Members of the Council for Trade in Services.

This is a response to document S/C/W/118, dated 23 July 1999, which contains a communication from the Government of Canada, received by the Secretariat on 30 June 1999, concerning a proposed revision of Canada's Schedule of Commitments in Financial Services.

Japan considers that further information is required to assess the basis for and effect of the proposed revision.

Specifically:

1. Please explain the difference between the previous condition on the establishment of locally-incorporated subsidiaries of foreign banks to conduct banking business in Canada, as specified in paragraph 1 of (3) (p.11 of Canada's current Schedule) and the new condition under the revised schedule, as specified in the paragraph 1 of (3) (p.13 of document S/C/W/118, hereinafter referred to as the "document").
2. What is meant by the term "a foreign bank", as mentioned in paragraph 1, p.13, of the document?
3. Please describe the requirements for authorization based on the Bank Act, given that there is no reference to such requirements in paragraph 2, p.13, of the document.
4. According to paragraph 3, p.13, of the document, it appears that an affiliate company of an authorized bank, or a bank merged with an authorized bank is not allowed to establish a bank branch in Canada. What is the rationale for requiring a bank branch to be directly established under an authorized foreign bank? Is the condition even necessary for a branch whose activity only relates to management? If so, what is the reason for this requirement?
5. Please describe the definition and specific lines of business for "full service bank branches" and "lending bank branches", as referred to in paragraph 4, pp.13 – 14 of the document. Also, is our understanding correct that the terms, "full service bank branches" and "lending bank branches", as mentioned in paragraph 2 and thereafter on p. 14, can be qualified under the term, "of an authorized foreign bank"?

6. With reference to paragraph 2, p. 14, of the document, what does the phrase, "the activities in which a specialized financing corporation, as defined in the Bank Act, may engage", exactly mean? Specifically, does the term, "a specialized financing corporation", correspond to government financial institutions, such as the Central Mortgage and Housing Corporation or the Farm Credit Corporation?
7. With regard to the paragraph 3, p.14 of the document, please describe in concrete terms the demerits that full service bank branches and lending bank branches may encounter due to not being able to participate in Canada's Deposit Insurance System.
8. Regarding "deposits in amounts less than \$150,000 and payable in Canada", as mentioned in paragraph 4, p. 14 of the document, please specify the deposit instruments that are not payable in Canada, or which are under payment obligation outside Canada?
9. According to paragraph 5 (p.14) to paragraph 1 (p.15) of the document, borrowing by a lending bank branch is subject to certain limitations. What is the rationale for these restrictions?
10. With respect to paragraph 2, p.15, of the document, please specify the demerits that a lending bank branch may encounter due to not being able to participate in the Canadian Payments Association.
11. According to paragraph 3, p.15 of the document, when establishing a lending bank branch, an authorized foreign bank cannot simultaneously set up a full service bank branch, a bank subsidiary, a loan company, nor a trust company that accepts deposits. What is the reason for this restriction? Also, please clarify whether an authorized foreign bank can establish just a bank subsidiary, a loan company, or a trust company that accepts deposits.

Bearing in mind this request for clarification, Japan objects, therefore, to the proposed revision going to effect at the end of the 90-day period. We look forward to receiving Canada's responses to our questions and will review the responses and even seek further clarification if required. Japan also reserves its right to request consultations as necessary. We will continue to inform the Council for Trade in Services of the progress on the matter.
