



Advisory

Category: Regulatory & Legislative

[NOTICE*](#)

Subject: Legislative Framework for Foreign Banks

No: 2006 - 01

Issued: April 2006

Introduction: This Advisory provides an overview of how the Office of the Superintendent of Financial Institutions (OSFI) administers and interprets Part XII of the *Bank Act* (Act), which sets out the framework for the businesses and investments in Canada of foreign banks and entities associated with a foreign bank.

In this Advisory, the acronym

CRE means a “Canadian regulated entity”: an entity referred to in any of paragraphs 468(1)(a) to (i) of the Act (i.e., a federally regulated entity (FRE) and a provincially incorporated trust, loan or insurance company, a provincially incorporated cooperative credit society, or a provincially regulated securities dealer).

Designatable FB means a FB that plans to do business, or invest, in Canada and that is otherwise eligible for a designation order (i.e., that meets the conditions for designation in section 508 of the Act).

EAFB means an “entity associated with a foreign bank” as defined in subsection 507(2) of the Act (i.e., a Canadian or foreign entity that controls a FB, is controlled by a FB, or is controlled by a person that controls a FB) and an entity deemed to be an EAFB by the Minister under subsection 507(3) of the Act (subject to the *Entity Associated with a Foreign Bank Regulations*).

FB means a “foreign bank” as defined in section 2 of the Act, and essentially includes a foreign entity that:

- (a) is a bank according to the laws of a foreign jurisdiction,
- (b) carries on a business in any foreign country that, if carried on in Canada, would be, wholly or to a significant extent, the business of banking,
- (c) provides financial services and employs a name that includes the word “bank”, “banque” “banking”, or “bancaire”, either alone or in combination with other words, or any word or words in any language other than English or French corresponding generally thereto,



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- (d) is affiliated¹ with another FB, or
 - (e) controls a FB.

| | |
|---------------------|---|
| FB Conglomerate | means a FB and all entities associated with that FB. |
| FRE | means a “federally regulated entity”: an entity referred to in any of paragraphs 468(1)(a) to (f) of the Act (i.e., a bank, a federally incorporated trust, loan or insurance company, a cooperative credit association, or a bank or insurance holding company). |
| FSE | means a financial service entity as defined in subsection 507(1) of the Act, which is an entity, other than a CRE or a leasing entity, where at least 10% of its business (total assets or revenue ²) are in respect of activities referred to in any of paragraph (a) to (h) of the definition of “financial service entity” in subsection 507(1). |
| Material Percentage | is a benchmark for determining whether a FB Conglomerate is materially engaged outside Canada in the business of banking. It assesses the extent to which the assets or revenues of a FB Conglomerate are derived from the operations of Real FBs. The <i>Material Percentage Regulations</i> set that benchmark at 35%. Section 1.2 of the Advisory provides guidance on how OSFI calculates this percentage. |
| Real FB | means a FB described in any of paragraphs 508(1)(a) to (c) of the Act, including a FB that: <ul style="list-style-type: none">(a) is a bank according to the laws of a foreign jurisdiction under which the FB was incorporated or in which the FB carries on business,(b) engages, directly or indirectly, in the business of providing financial services and employs a name that includes the word “bank”, “banque”, “banking”, or “bancaire”, either alone or in combination with other words, or any word or words in any language other than English or French corresponding generally thereto,(c) is, in the opinion of the Minister, after consultation with the Superintendent, regulated as or like a bank; (OSFI is of the view that FBs, such as savings and loan companies or foreign co-operative credit associations, that engage in banking-type activities abroad and are subject to a regulatory framework similar to the one that applies to a bank, are regulated as or like a bank). |

¹ Within the meaning of section 6 of the Act.

² The value of the entity’s assets or revenue are to be determined in accordance with the *Manner of Calculation (Foreign Banks) Regulations*, which provide that the value of the assets and revenue are those reported on the entity’s most recent financial statements that were prepared in accordance with generally accepted accounting principles in Canada, or in the jurisdiction in which the entity was formed or incorporated.

Legislative References:

Part XII – Foreign Banks, sections 507 to 522.33 of the Act

Entity Associated with a Foreign Bank Regulations

Exempt Classes of Foreign Banks Regulations

Exemption from Restrictions on Investments (Banks, Bank Holding Companies and Foreign Banks) Regulations

Information Technology Activities (Foreign Banks) Regulations

Manner of Calculation (Foreign Banks) Regulations

Material Percentage Regulations

Prohibited Activities Respecting Real Property (Foreign Banks) Regulations

Overview: On the next page is a flowchart that provides a broad overview of how OSFI generally assesses the application of Part XII to a FB or an EAFB that wishes to:

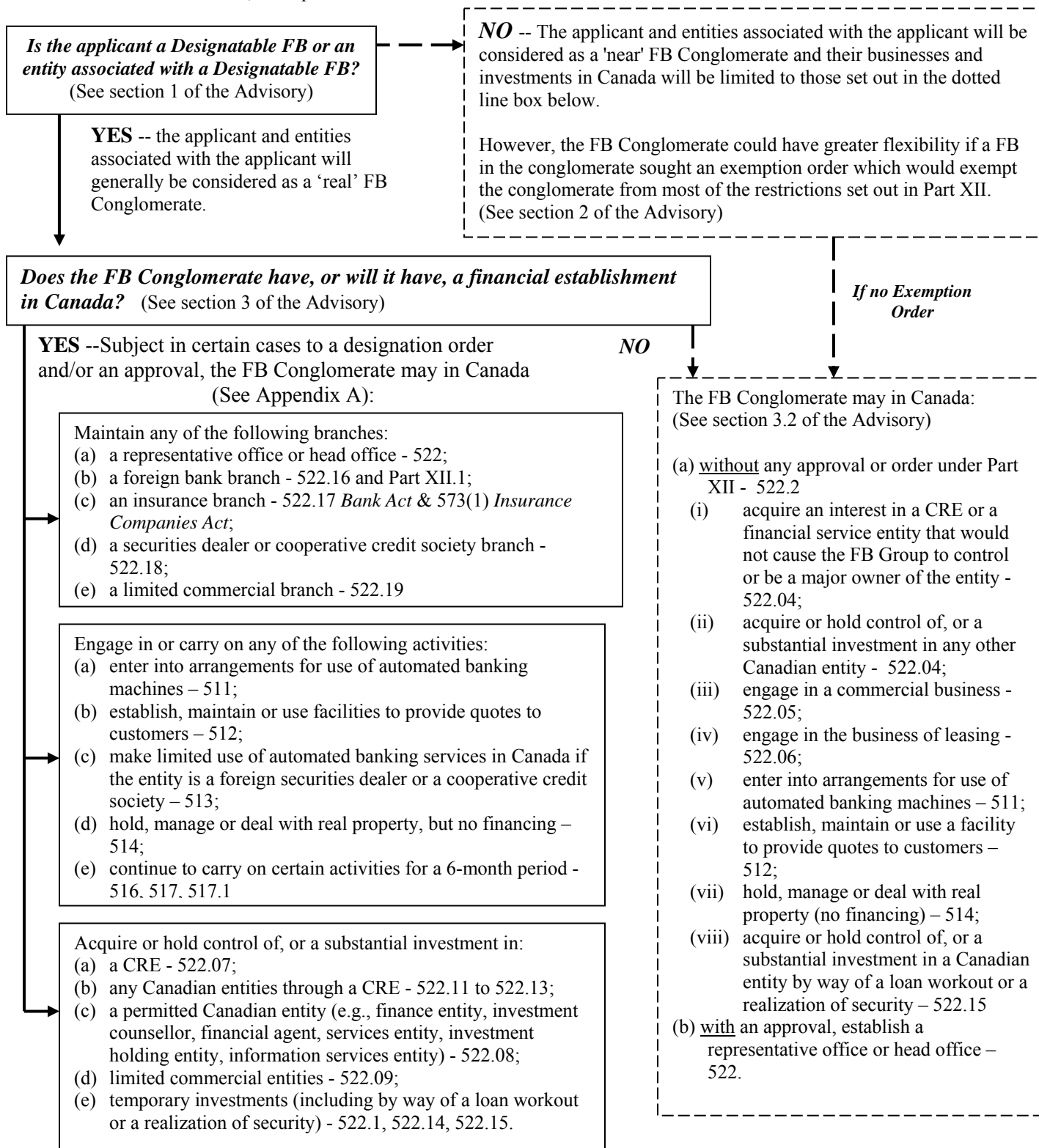
- engage in or carry on a business in Canada,
- maintain a branch in Canada, or
- acquire or hold control of, or a substantial investment in, a Canadian entity.

The Interpretation section of the Advisory provides a detailed description of the framework.

Note: Unless otherwise stated, all references to a Part, section or paragraph in this Advisory are references to the Bank Act.

Flowchart of Part XII of the Bank Act

In this flowchart, “applicant” means a FB or an EAFB that wishes to engage in or carry on business in Canada, maintain a branch in Canada, or acquire or hold investments in Canadian entities.



Interpretation: The public policy objective underlying the foreign bank entry framework is to encourage the entry of foreign banks into Canada in order to foster greater competition in the Canadian financial sector by providing flexibility to foreign banks wishing to operate in Canada, while ensuring that the operating framework for foreign banks is consistent with the one applicable to domestic banks in areas such as permitted investments and business powers.

Technically, the foreign bank entry framework prohibits³ foreign banks and their affiliates from engaging in or carrying on any business in Canada⁴, unless expressly permitted through a series of exceptions. Having regard to the broad definition of the term “foreign bank”, the framework applies to a wide range of foreign conglomerates that engage in financial services. However, it is principally directed to “real” foreign banks; that is, foreign banks regulated in their home jurisdiction as banks, and foreign conglomerates that are materially engaged abroad in the business of banking. Accordingly, in the 2001 legislative amendments to Part XII, a process was introduced to differentiate between “real” and “near” foreign bank conglomerates: the granting by the Minister of “designation” or “exemption” orders.

The framework gives “real” FB Conglomerates (i.e., where at least one member is a Designatable FB) the same opportunities to have financial establishments in Canada as Canadian domestic banks. This is further discussed in Section 1 of the Advisory. However, “real” FB Conglomerates that do not have a financial establishment (i.e., have opted for the commercial path), do not require a designation order and are free to engage in commercial activities or make commercial investments in Canada. This is further discussed in Section 3 of the Advisory.

With regard to “near” FB Conglomerates (i.e., where no member is a Designatable FB), the framework provides that any foreign bank in the conglomerate may apply for an exemption order. This order would allow the conglomerate to engage in financial and commercial activities in Canada without being restricted by Part XII. This is further discussed in Section 2 of the Advisory. The intention is to have “near” FB Conglomerates apply for an exemption order to carry on activities in Canada without restriction. However, “near” FB Conglomerates may, without such an exemption, engage in or carry on non-financial activities in Canada (i.e., the commercial path). This is further discussed in Section 3 of the Advisory.

The framework ensures that FB Conglomerates only engage in Canada in the business of accepting deposit liabilities through a Canadian bank, an authorized foreign bank branch, a Canadian trust or loan company, or a Canadian cooperative credit society.

The framework also provides exemptions from the status of FB or EAFB as follows:

1. In certain cases the government of a foreign country or a political subdivision of a foreign country (e.g., an embassy or consulate) may be a FB or an EAFB (e.g., where the government controls a FB). However, Part XII does not apply to these governments and

³ The broad restrictions are listed in sections 510, and 518 to 520 of the Act.

⁴ In determining whether a FB Conglomerate engages in or carries on any business in Canada, OSFI generally assesses the particulars of each case against factors comparable to those often considered by judicial bodies in interpreting the concept of “carrying on business in Canada”. Please refer to [Rulings](#) on business in Canada posted on the OSFI Web site.

political subdivisions if they do not directly carry on in Canada a business that includes an activity referred to in any of paragraphs (a) to (h) of the definition of “financial services entity” in subsection 507(1) of the Act⁵, but Part XII applies to FBs controlled by them and entities controlled by these FBs.

2. Where a Canadian entity is an EAFB only because it controls a FB, the Canadian entity and entities controlled by that Canadian entity are also exempt from Part XII if the conditions set out in any of paragraphs 2(c) to (f) of the *Entity Associated with a Foreign Bank Regulations* are met. For example, where the Canadian entity is:
 - (a) a FRE, the FRE and its subsidiaries, other than Real FBs and entities controlled by Real FBs, are exempted from the status of being an EAFB; and
 - (b) not a FRE, the Canadian entity and its subsidiaries are exempted from the status of being an EAFB as long as the FB does not enter in Canada.

Essentially, the business opportunities that is available to FB Conglomerates hinge on three key concepts:

1. Designatable FB
2. Exempted FB
3. Financial establishment in Canada (Defined in subsections 507(9) to (13))

Section 1. Designatable FB (Section 508)

This section provides guidance on how to determine whether a member of a FB Conglomerate is a Designatable FB and how to calculate the Material Percentage. It also elaborates on the framework applicable to the activities, businesses and investments in Canada of Designatable FBs and their affiliates.

1.1 How to determine whether a member of a FB Conglomerate is a Designatable FB

There are three scenarios under which a FB is a Designatable FB. These are:

- A. Where a Real FB, or any of its subsidiaries, has or will have a presence in Canada.
- B. Where an EAFB, or a subsidiary of a Real FB, has or will have a presence in Canada, is not a Real FB or a subsidiary of a Real FB, but is a member of a FB Conglomerate that is materially engaged abroad in the business of banking.
- C. Where a FB Conglomerate is controlled by an individual and the individual, or a member of the conglomerate, other than a FB or any of its subsidiaries, has or will have a presence in Canada

⁵ The *Exempt Classes of Foreign Banks Regulations* exempt them from the application of the definition of “foreign bank” and the *Entity Associated with a Foreign Bank Regulations* exempt them from the status of EAFB.

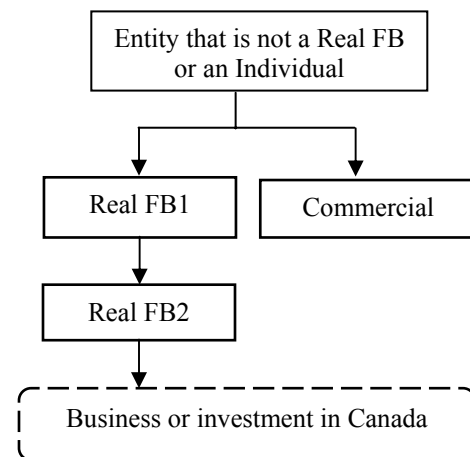
Scenario A: Where a Real FB, directly or indirectly, has or will have a presence in Canada.
(Paragraph 508(2)(a))

The Minister has the discretion to grant a designation order where:

1. the FB is a Real FB because it:
 - (a) is a bank according to the laws of a foreign jurisdiction under which it was incorporated or in which it carries on business,
 - (b) engages, directly or indirectly, in the business of providing financial services and employs a name that includes “bank”, “banque”, “banking”, or “bancaire”, either alone or in combination with other words, or any word or words in any language other than English or French corresponding generally thereto, or
 - (c) is, in the opinion of the Minister, after consultation with the Superintendent, regulated as or like a bank (OSFI is generally of the view that FBs, such as savings and loan companies or foreign co-operative credit associations, that engage in banking-type activities abroad and are subject to the type of regulation that applies to a bank, are regulated as or like a bank.); **and**

2. the Real FB or an entity controlled by the Real FB is or will:

- (a) engage in or carry on business in Canada, other than holding, managing or otherwise dealing with real property;
- (b) maintain a branch in Canada, other than a FB representative office or head office;
- (c) establish, maintain or acquire for use in Canada an automated banking machine, a remote service unit or a similar automated service, or, in Canada, accept data from such a machine, unit or service other than in circumstances described in section 511 or 512;



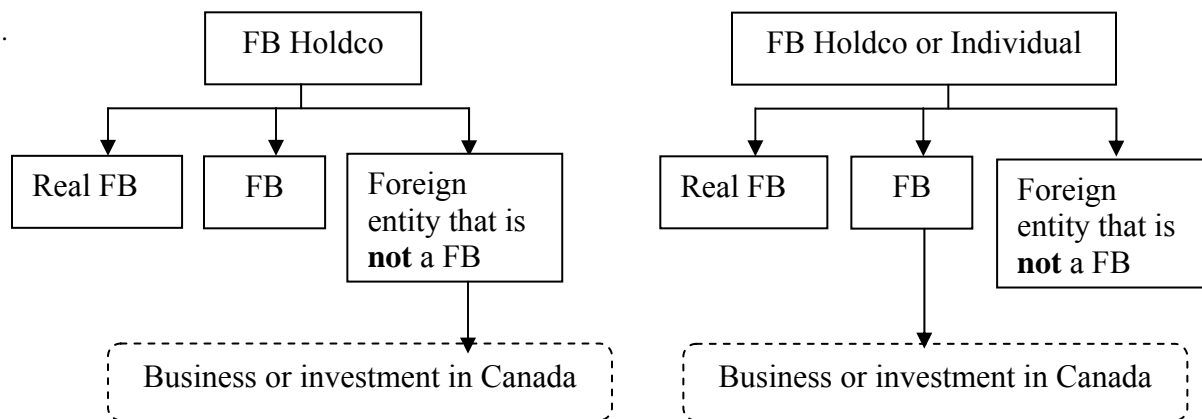
In this example, the designation order would be granted to Real FB1.

- (d) acquire or hold control of, or a substantial investment in, a Canadian entity; or
- (e) acquire or hold any share or ownership interest in a Canadian entity and
 - (i) an entity associated with the Real FB holds control of, or a substantial investment in, the Canadian entity, oran entity associated with the Real FB and one or more other entities associated with the Real FB would, if they were one person, hold control of, or a substantial investment in, the Canadian entity.

The designation order will generally be granted to the Real FB that ultimately controls the business, or entity, that will have a presence in Canada.

Scenario B: Where the FB, or an entity controlled by the FB, directly or indirectly, has or will have a presence in Canada, is not a Real FB but is a member of a FB Conglomerate that is materially engaged abroad in the business of banking (paragraph 508(1)(d)).

1. The Minister has the discretion to grant a designation order where the FB is not a Real FB and the assets or revenue of the FB Conglomerate that are derived from the operations of Real FBs exceeds the Material Percentage.



In these examples, OSFI would recommend that the designation or exemption order be granted to FB Holdco or the FB if there was no FB Holdco.

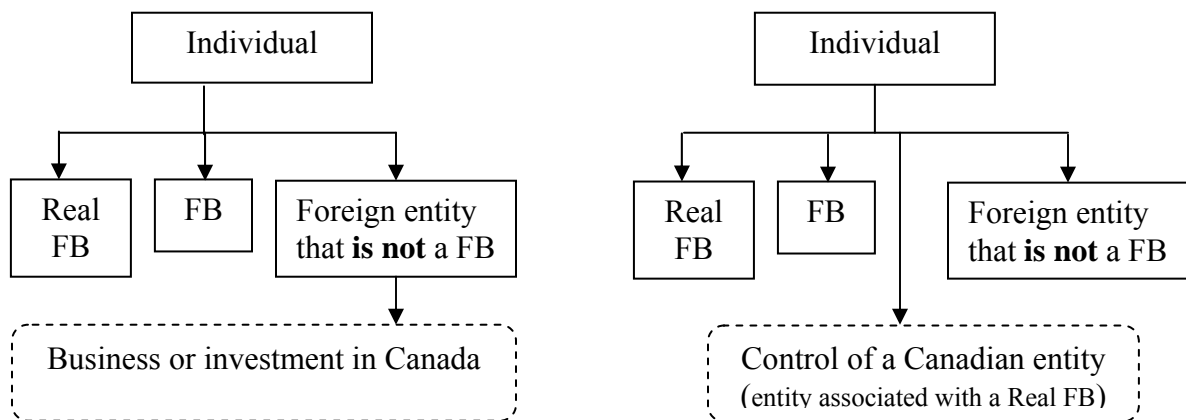
2. Where the Material Percentage is less than 35%, an exemption order will generally be granted to a FB in the conglomerate that is not a Real FB. However, if any Real FB in the conglomerate were to subsequently meet one of the conditions set out in scenario A, a designation order would likely be granted to that Real FB. The granting of that designation order would automatically revoke the exemption order. This is further discussed in section 2 of this Advisory.
3. Where the Material Percentage is equal to or greater than 35% but less than 50%, a designation order may be granted to a Real FB in the conglomerate or an exemption order may be granted to a FB in the conglomerate that is not a Real FB. The decision as to whether a designation or exemption order would be granted to a member of the FB Conglomerate will be made on a case-by-case basis having regard to:
 - (a) the nature and extent of the FB Conglomerate's business outside of Canada relative to the Canadian banking sector;
 - (b) the nature and extent of the FB Conglomerate's proposed business in Canada;
 - (c) the trend in the types of activities of the FB Conglomerate (e.g., is the Material Percentage increasing or decreasing); and
 - (d) the impact that special or short term operations or transactions reported in the financial statements or current economic conditions have had on the calculation of the Material Percentage.

4. Where the Material Percentage is equal or greater than 50%, a designation order will generally be granted to a Real FB in the conglomerate. OSFI will generally recommend that the application be made by the largest Real FB in the conglomerate.

Scenario C: A FB Conglomerate is controlled by an individual and the individual, or a member of the conglomerate, other than a FB or any of its subsidiaries, has or will have a presence in Canada. (paragraph 508(2)(b))

1. The Minister has the discretion to grant a designation order where:
 - (a) an individual controls a Real FB;
 - (b) an entity associated with that Real FB, other than an entity controlled by the Real FB or by another FB that is controlled by the individual, is or will:
 - (i) engage in or carry on business in Canada, other than holding, managing or otherwise dealing with real property,
 - (ii) maintain a branch in Canada, other than a FB representative office or head office,
 - (iii) establish, maintain or acquire for use in Canada an automated banking machine, a remote service unit or a similar automated service, or, in Canada, accept data from such a machine, unit or service other than in circumstances described in section 511 or 512, or
 - (iv) acquire or hold control of, or a substantial investment in, a Canadian entity;

and
 - (c) the consolidated assets or revenues of the FB Conglomerate that are derived from the operations of Real FBs exceeds the Material Percentage. Guidance on how to calculate this percentage is provided in section 1.2 of the Advisory.



In these examples, OSFI would recommend that the designation order be granted to the Real FB or that the exemption order be granted to the FB.

2. Where the Material Percentage is less than 35%, an exemption order will generally be granted to a FB in the conglomerate that is not a Real FB. However, if any Real FB in the conglomerate were to subsequently meet one of the designation conditions set out in scenario A, or any other FB in the conglomerate were to subsequently meet one of the conditions set out in scenario B, a designation order would likely be granted to that Real

FB or other FB. The granting of that designation order would automatically revoke the exemption order. This is further discussed in section 2 of the Advisory.

3. *Where the Material Percentage is equal or greater than 35% but less than 50%*, a designation order may be granted to any FB, preferably a Real FB, in the conglomerate, or an exemption order may be granted to a FB in the conglomerate, other than a Real FB. The decision as to whether a designation or exemption order would be granted to a FB in the conglomerate will be made on a case-by-case basis having regard to:
 - (a) the nature and extent of the FB Conglomerate’s business outside of Canada relative to the Canadian banking sector;
 - (b) the nature and extent of the FB Conglomerate’s proposed business in Canada;
 - (c) the trend in the types of activities of the FB Conglomerate (e.g., is the Material Percentage increasing or decreasing); and
 - (d) the impact that special or short term operations or transactions reported in the financial statements or current economic conditions have had on the calculation of the Material Percentage.
4. *Where the Material Percentage is equal or greater than 50%*, a designation order will generally be granted to a Real FB in the conglomerate. OSFI will generally encourage the largest FB in the conglomerate to apply for the designation order.

1.2 The Material Percentage

OSFI calculates the Material Percentage in accordance with the following formula where

“total consolidated assets” means the total value of the assets as reported on a consolidated basis in the most recently completed financial statements of the entity that were prepared in accordance with generally accepted accounting principles in Canada, or in the jurisdiction in which the entity was formed or incorporated, and

“total consolidated revenue” means the total revenue as reported on a consolidated basis in the most recently completed financial statements of the entity that were prepared in accordance with generally accepted accounting principles in Canada, or in the jurisdiction in which the entity was formed or incorporated⁶.

For the purpose of the designation scenarios B and C, the formula is

$$\% = \text{the greater of } (A \div B) \times 100 \text{ and } (C \div D) \times 100$$

where

A * is the sum of the total consolidated assets of all Real FBs in the FB Conglomerate including Real FBs controlled by a member of the FB Conglomerate but whose total consolidated assets are not consolidated into the financial statements of that member,

⁶ These definitions are similar to the definitions of the terms “total assets” and “total revenue” in the *Manner of Calculation (Foreign Banks) Regulations*.

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- B *** is the sum of the total consolidated assets of all entities in the FB Conglomerate including entities controlled by a member of the FB Conglomerate but whose total consolidated assets are not consolidated into the financial statements of that member,
- C *** is the sum of the total consolidated revenue of all Real FBs in the FB Conglomerate including Real FBs controlled by a member of the FB Conglomerate but whose total consolidated revenue is not consolidated into the financial statements of that member,
- D *** the sum of the total consolidated revenue of all entities in the FB Conglomerate including entities controlled by a member of the FB Conglomerate, but whose total consolidated revenue is not consolidated into the financial statements of that member.

**Note : For the purpose of this calculation, where the assets or revenue of an entity are consolidated in the financial statement of another entity, only the total consolidated assets or revenue of the entity highest in each particular control chain should be included.*

1.3 Framework for Designatable Conglomerate

Activities in Canada (Divisions 2 and 4 of Part XII) If a member of a FB Conglomerate is a Designatable FB, the activities, businesses and investments of the FB and entities associated with that FB (the designatable conglomerate) in Canada are subject to a framework that is similar to the regime for Canadian banks. The designatable conglomerate is precluded from engaging in certain activities in Canada that Canadian banks are restricted from carrying on in Canada (e.g., auto leasing, uninsured high loan-to-value residential mortgages, networking of insurance). In addition, the conglomerate's ability to acquire or hold control of, or a substantial investment in, Canadian entities is subject to an investment regime that is comparable to the regime applicable to Canadian banks. Appendix A provides an overview of the framework and sets out circumstances where a designation order and/or an approval would be required. When making an application for a designation order, a FB should refer to [Transaction Instruction A No. 3.0 – Foreign Bank Designation Order](#).

Investment Canada Act (Section 522.28) The following activities in Canada of a designatable conglomerate are exempted from the application of the *Investment Canada Act*:

- (a) the establishment of a new Canadian business that is authorized by Division 4 of Part XII of the *Bank Act*; and
- (b) the acquisition of control of a Canadian entity in accordance with Division 4 of Part XII of the *Bank Act*.

For additional guidance regarding these activities, please refer to Table II of Appendix A.

Reporting Requirements (Section 522.27) If a designation order is granted to a member of a FB Conglomerate, or a decision⁷ is made under Part XII in respect of a member of a designatable conglomerate, the Designated FB or the member in respect of which the

⁷ Means any decision, order, approval, extension or permission of or by the Minister under Part XII (Section 522.26).

decision has been made must, within six months of its financial year-end, file with the Superintendent the following information unless the Superintendent exempts the Designated FB or the member from this requirement:

- (a) its financial statements and those of each member of the FB Conglomerate that is a non-bank affiliate (i.e., a Canadian entity in which a FB or EAFB holds control or a substantial investment, other than a Canadian bank or a subsidiary of a Canadian bank);
- (b) a list, in a form satisfactory to the Superintendent, of the businesses and activities carried on in Canada by the FB Conglomerate (see Appendix A for list of permitted businesses and activities);
- (c) a list, in a form satisfactory to the Superintendent, of all non-bank affiliates of the FB Conglomerate and a description of the nature of their businesses; and
- (d) any other prescribed information (none have been prescribed to date).

In making their filing under section 522.27, Designated FBs and other entities in respect of which the Minister has made a decision under Part XII are required to use the [Form for Reporting Requirements under section 522.27 of the Bank Act](#).

Section 2. Exempted FB (section 509)

This section provides guidance on how to determine whether a member of a FB Conglomerate is eligible for an exemption order and elaborates on the framework applicable to the activities, businesses and investments in Canada of both FBs that have been granted an exemption order and their affiliates (the exempted conglomerate). It also discusses the obligation of an exempted FB to advise the Minister of any change in circumstances that may affect its eligibility for a designation order.

2.1 Eligibility

Any FB in the FB Conglomerate may apply for an exemption order if no member of the FB Conglomerate is a Designatable FB (i.e., meets the conditions for designation in section 508). When making an application for an exemption order, a FB should refer to [Transaction Instruction A No. 3.1 – Foreign Bank Exemption Order](#).

2.2 Framework for Exempted Conglomerate

The exemption order will exempt all members of the exempted conglomerate from most of the provisions of Part XII. Therefore, the exempted conglomerate would be permitted to engage in or carry on, in Canada, any business, financial or commercial, subject to the following provisions of Part XII:

- (a) section 508 – sets out the conditions under which a FB is eligible for a designation order;
- (b) section 509 – allows the Minister to grant or revoke an exemption order, sets out the effect of an exemption order and requires exempted FBs to advise the Minister in

writing of any change in circumstances that may affect their eligibility for designation order;

- (c) subsection 522.25(3) – allows the Minister to issue an order directing an exempted conglomerate to dispose, within a reasonable period, of:
 - (i) assets used in a business or activity engaged in or carried on in contravention of Part XII or in contravention of terms or conditions imposed by the Minister, or
 - (ii) control of, or a substantial investment in, an entity acquired or held in contravention of Part XII or in contravention of terms or conditions imposed by the Minister;
- (d) section 522.26 – allows the Minister to impose terms and conditions to an exemption order and to vary or revoke that order;
- (e) section 522.28 – exempts the following activities in Canada of the exempted conglomerate from the *Investment Canada Act*:
 - (i) the acquisition of control of a FRE,
 - (ii) the establishment of an authorized foreign bank or foreign insurance branch, and
 - (iii) the acquisition of control of a Canadian entity by a FRE that is controlled by the exempted conglomerate;
- (f) subsection 522.29(2) and section 522.3 – state that orders made under former subsection 507(4) of the Act exempting an entity from the status of being an EAFB or exempting a Canadian entity from the status of being a non-bank affiliate of a foreign bank, continue in force and that the Minister may vary or revoke such order.

2.3 Notice of change in circumstances

As mentioned above, a FB that has been granted an exemption order must advise the Minister in writing of any change in circumstances that may affect its eligibility for a designation order. The notice should be directed to:

Office of the Superintendent of Financial Institutions
Managing Director, Approvals and Precedents
Legislation and Approvals Division
13th Floor
255 Albert Street
Ottawa, ON K1A 0H2
CANADA
Facsimile: (613) 991-0325
Web site: <http://www.osfi-bsif.gc.ca/>

OSFI will assess the change in circumstances and determine whether to recommend to the Minister to revoke the exemption order or to issue a designation order. The issuance by the Minister of a designation order to any FB in the FB Conglomerate would automatically revoke the exemption order.

The following are examples of events that would constitute a change in circumstances that may affect the eligibility of a FB for a designation order:

- (a) where a FB that has been granted an exemption order (the Exempted FB) becomes a Real FB;
- (b) where a Real FB that is associated with an Exempted FB, or an entity controlled by that Real FB, establishes a presence in Canada (i.e., meets one of the circumstances listed in 508(2)(a));
- (c) where the exemption order was granted because the Material Percentage of the FB Conglomerate was less than the 35% threshold and the FB Conglomerate subsequently increases that percentage to or above 35%; or
- (d) where the exemption order was granted despite the fact that the Material Percentage of the FB Conglomerate was above the 35% threshold and there has been a material:
 - (i) increase in the Material Percentage of the FB Conglomerate;
 - (ii) change in the nature and extent of the FB Conglomerate's financial service businesses in Canada; or
 - (iii) change in the nature or extent of the FB Conglomerate's business outside Canada.

Section 3. Financial Establishment in Canada

This section provides guidance on how to determine whether a member of a FB Conglomerate has or is deemed to have a financial establishment in Canada. It also elaborates on the framework applicable to the activities, businesses and investments in Canada of FB Conglomerates that do not have a financial establishment in Canada.

3.1 Financial establishment in Canada (Subsections 507(15) and (16))

A FB Conglomerate has, or is deemed to have, a financial establishment in Canada if:

- (a) a member of the Conglomerate
 - (i) maintains in Canada a foreign bank branch (i.e., is an authorized foreign bank),
 - (ii) maintains a foreign insurance branch (i.e., has obtained an order under Part XIII of the *Insurance Companies Act* to insure, in Canada, risks), or
 - (iii) has received the approval of the Minister under paragraph 522.22(1)(f) to maintain a foreign securities dealer or a foreign cooperative credit society branch;
- (b) the conglomerate controls or owns more than 20% of a class of voting shares or 30% of a class of non-voting shares of a CRE or a body corporate that is a FSE; or
- (c) the conglomerate controls or owns more than 35% of the ownership interest of an unincorporated entity that is a FSE.

3.2 Framework for FB Conglomerate with no financial establishment in Canada

FB Conglomerates (“real” or “near”) that do not have a financial establishment in Canada (i.e., have opted for the commercial path) **do not** require any approval or order under Part XII to:

- (a) acquire control of, or a substantial investment in, any Canadian entity so long as the conglomerate does not hold or acquire more than,
 - (i) 20% of a class of voting shares or 30% of a class of non-voting shares of a CRE or a body corporate that is a FSE, or
 - (ii) 35% of the ownership interest of an unincorporated entity that is a FSE; (section 522.04)
- (b) maintain a branch in Canada or engage in or carry on business in Canada that is predominantly commercial so long as:
 - (i) no more than 10% of its business in Canada (total assets or revenue⁸) are in respect of activities referred to in any of paragraph (a) to (g) of the definition of “financial service entity” in subsection 507(1), and
 - (ii) no more than 10% of its business outside Canada (total assets or revenue⁸) are in respect of activities referred to in any of paragraph (a) to (h) of the definition of “financial service entity” in subsection 507(1); (section 522.05 and section 3 of the *Manner of Calculation (Foreign Banks) Regulations*)
- (c) maintain a branch in Canada or engage in or carry on business in Canada that is limited to the activities of a leasing entity provided that outside Canada it engages only in the activities referred to in the definition of “leasing entity” in subsection 507(1), or in activities other than those referred to in any of paragraph (a) to (h) of the definition of “financial service entity” in subsection 507(1);
- (d) enter into arrangements with one or more Canadian financial institutions by which natural persons not ordinarily resident in Canada who are customers of the FB or an entity associated with the FB may access in Canada their accounts located outside Canada through the use of automated banking machines located in Canada and operated by the Canadian financial institution or institutions; (section 511)
- (e) establish, maintain or use a private telephone service or similar facility to provide quotes to customers in Canada or to enter into verbal agreements with customers in Canada relating to, foreign exchange, deposit or loan rates if there is no accounting or information processing involved in the private telephone service or similar facility; (section 512)
- (f) hold, manage or deal with real property in Canada, excluding the making or acquiring of loans or advances on the security of real property; (section 514, and section 1 of the *Prohibited Activities Respecting Real Property (Foreign Banks) Regulations*)

⁸ The value of the entity’s assets or revenue are to be determined in accordance with the *Manner of Calculation (Foreign Banks) Regulations*, which provide that the value of the assets and revenues are those reported on the entity’s most recent financial statements that were prepared in accordance with generally accepted accounting principles in Canada, or in the jurisdiction in which the entity was formed or incorporated.

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- (g) on becoming a FB or an EAFB, continue to engage in certain activities or hold certain investments for a period of up to 6 months while the FB Conglomerate is taking measures to comply with Part XII of the Act; (sections 516, 517 and 517.1) and
 - (h) acquire or hold control of, or a substantial investment in, a Canadian entity through the realization of a security interest or through a loan work out – that investment can be held for 5 years and with the Minister’s approval for further period or periods, including for an indeterminate period if the entity is an entity referred to in paragraph (a) above. (sections 522.15 and 522.04). [It should be noted that if by virtue of the realization of a security interest or a loan work, the FB Conglomerate controls or becomes a major owner of a FSE, the FB Conglomerate will have a financial establishment in Canada.]

In addition, a FB of a conglomerate that does not have a financial establishment in Canada may, with the approval of the Superintendent, establish representative offices in Canada and, with the approval of the Governor in Council, locate its head office in Canada. (section 522)

Advisories describe how OSFI administers and interprets provisions of existing legislation, regulations or guidelines, or provide OSFI’s position regarding certain policy issues. Advisories are not law; readers should refer to the relevant provisions of the legislation, regulation or guideline, including any amendments that came into effect subsequent to the Advisory’s publication, when considering the relevancy of the Advisory.

Appendix A – Permitted activities, businesses and investments in Canada of Designatable Foreign Bank Conglomerates
This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the Bank Act and relevant Regulations

TABLE I: BRANCHES AND IN-HOUSE ACTIVITIES

| Permitted Activities & Businesses | Designation Order | Approval Requirement | Comments |
|--|---|--|---|
| 1. Authorized foreign bank - bank branch [522.16] | Not required | No approval under Part XII, but Minister's approval required under Part XII.1. | |
| 2. Representative office or head office [522] | Not required | (a) Superintendent's approval for a representative office. [522(a)] (b) Governor in Council's approval for head office. [522(b)] | |
| 3. Foreign insurance company – insurance branch [522.17] | Not required | No approval under Part XII, but Superintendent's approval required under Part XIII of the <i>Insurance Companies Act</i> . | |
| 4. Securities dealer branch or cooperative credit society branch [522.18] | Required [522.21(1)(b), (2)(b), (3)(b) and (4)(b)] | Minister's approval required [522.22(1)(f)]. In addition, if it wishes to establish, maintain or acquire automated banking machines related to its business in Canada, it would require another Minister's approval. [522.22(1)(i)] | The business in Canada must be in accordance with a dedicated provincial legislative framework. |



TABLE I: BRANCHES AND IN-HOUSE ACTIVITIES

| Permitted Activities & Businesses | Designation Order | Approval Requirement | Comments |
|--|---|--|---|
| <p>5. Leasing branch [522.06]</p> | <p>Not required</p> | <p>No approval</p> | <p>Permitted provided that the FB Conglomerate:</p> <ul style="list-style-type: none"> (a) does not have a financial establishment in Canada; (b) engages, outside Canada, only in the activities referred to in the definition of “leasing entity” in subsection 507(1), or in activities other than those referred to in any of paragraph (a) to (h) of the definition of “financial service entity” in subsection 507(1); and (c) does not engage in any other activities in Canada. |
| <p>6. Limited commercial branch or engage in or carry on limited commercial activities [522.05 or 522.19]</p> | <p>Required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(c) and (4)(c)]</p> | <p>Minister’s approval required if the FB Conglomerate has a financial establishment in Canada. [522.22(1)(h)]</p> | <ul style="list-style-type: none"> (a) No more than 10% of its business in Canada (total assets or revenue) may be in respect of activities referred to in any of paragraphs (a) to (g) of the definition of “financial service entity” in subsection 507(1); (b) No more than 10% of its business outside Canada (total assets or revenue) may be in respect of activities referred to in any of paragraphs (a) to (h) of the definition of “financial service entity” in subsection 507(1); (c) If the FB Conglomerate has a financial establishment in Canada, the Minister must be of the opinion that the business in Canada is the same as, or similar, related or incidental to, the business outside Canada of the FB or the entity associated with the FB. [522.05 or 522.19 and section 3 of the <i>Manner of Calculation (Foreign Banks) Regulations</i>] |



TABLE I: BRANCHES AND IN-HOUSE ACTIVITIES

| Permitted Activities & Businesses | Designation Order | Approval Requirement | Comments |
|---|---------------------|---|---|
| <p>7. Establish, maintain or acquire for use in Canada an automated banking machine (ABM) [510(1)(c)]</p> | <p>Not required</p> | <p>(a) Minister’s approval [522.22(1)(i)] required if the foreign entity: - is a securities dealer that has received the Minister’s approval under 522.22(1)(f) to establish a branch in Canada; and - will use the ABM in relation to its business in Canada [513(2)(c)] (b) Minister’s approval is not required for cooperative credit societies; (c) Minister’s approval required for permitted entities [522.08].</p> | <p>This activity is only permitted in the circumstances set out in the Approval Requirement column.</p> |
| <p>8. Enter into arrangements with one or more Canadian financial institution for use in Canada of automated banking machines (ABM). [511]</p> | <p>Not required</p> | <p>No approval</p> | <p>The use of the ABM must only permit customers to access accounts located outside Canada.</p> |
| <p>9. Establish, maintain or use a private telephone service or similar facility to provide quotes to customers in Canada, or to enter with customers in Canada into verbal agreements relating to, foreign exchange, deposit or loan rates. [512]</p> | <p>Not required</p> | <p>No approval</p> | <p>This activity is only permitted if there is no accounting or information processing involved in the private telephone service or similar facility.</p> |



TABLE I: BRANCHES AND IN-HOUSE ACTIVITIES

| Permitted Activities & Businesses | Designation Order | Approval Requirement | Comments |
|--|--------------------------|-----------------------------|---|
| 10. Hold, manage or deal with real property in Canada [514] | Not required | No approval | This activity does not include the making or acquiring of loans or advances on the security of real property in Canada. [section 1 of the <i>Prohibited Activities Respecting Real Property (Foreign Banks) Regulations</i>] |
| 11. Carry on certain activities for a 6-month period [516, 517 and 517.1] | Not required | No approval | Transitional provision to allow an entity that became a FB or an EAFB to continue to engage in certain activities or hold certain investments for a period of up to 6 months while the FB Conglomerate is taking measures to comply with Part XII of the Act. |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|--|--|--|--|
| <p>1. Federally regulated entities (FRE) [522.07]</p> <p>(i.e., a bank, a federally incorporated trust, loan or insurance company, a cooperative credit association, or a bank or insurance holding company)</p> | Not required | Minister’s approval under ownership provisions of the relevant FRE statute. | <p>These entities are not subject to:</p> <p>(a) the general prohibitions set out in section 510; [509.1(a)]</p> <p>(b) the restriction on the business of accepting deposit liabilities. [519(5)]</p> |
| <p>2. Control or substantial investments in an entity acquired or held through a FRE or a Canadian entity controlled by a FRE [522.11]</p> | Not required | No approval under Part XII, but the FRE may require an approval under the investment provisions of the relevant FRE statute. | <p>These entities are not subject to the general prohibitions set out in subsection 510(1). [509.1(b)]</p> |
| <p>3. Provincially regulated financial institutions [522.07]</p> <p>(i.e., a provincially incorporated trust, loan or insurance company, a provincially incorporated cooperative credit society, or a provincially regulated securities dealer)</p> | <p>(a) Designation required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(a)(i) or (4)(a)(i)]</p> <p>(b) Where the FB Conglomerate does not have a financial establishment in Canada, designation required if the acquisition or holding would cause a member of the FB Conglomerate to be a major owner of, or to acquire or hold control of, the entity. [522.21(1)(a)(i) or (2)(a)(i)]</p> | <p>Minister’s approval required only if control is acquired from a person who is not a member of the foreign bank’s group, as defined in subsection 507(14). [522.22(1)(a) or 522.14(4)]</p> | <p>These entities are not subject to the restriction on:</p> <p>(a) engaging or carrying on business in Canada or maintain branches in Canada [515];</p> <p>(b) the business of accepting deposit liabilities [519(5)];</p> <p>(c) the use of automated banking services in Canada [513(2)(a)].</p> <p>They do not need any approval under Part XII to invest in Canadian entities. [522.12]</p> |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|---|--|---|---|
| <p>4. Control or substantial investments in entities acquired or held through a provincially regulated financial institution (PRFI) or <u>Canadian entities controlled by a PRFI</u> [522.12 and 522.13]</p> | <p>Designation may be required for the FB Conglomerate to acquire control of, or be a major owner of the parent PRFI. [see category 3 above]</p> | <p>The PRFI or its Canadian subsidiary <u>does not</u> require an approval. [522.12]</p> <p>The FB Conglomerate may require an approval to acquire control of the parent PRFI. [see category 3 above]</p> | <p>These entities:</p> <ul style="list-style-type: none"> (a) are not subject to the restriction on engaging or carrying on business in Canada or maintaining branches in Canada [515] (b) may be subject to the restriction on the business of accepting deposit liabilities [519] (c) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)] |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|--|--|--|---|
| <p>5. Financial intermediaries [522.08(1)(a)(i)]</p> <p>This class includes <u>unregulated</u> entities engaging in financial intermediary activities that <u>entail market or credit risk</u>, including a:</p> <ul style="list-style-type: none"> (a) factoring entity (defined in the <i>Factoring Entity Regulations</i>) (b) financial leasing entity (defined in 464(1)) (c) Canadian finance entity (“finance entity” is defined in the <i>Finance Entity Regulations</i> as an entity, other than a financial institution⁹, that engages in a business that includes: <ul style="list-style-type: none"> – issuing credit, charge or payment cards, – operating a credit, charge or payment card plan, or – making or refinancing loans, or entering in similar arrangements for advancing funds or credit) | <ul style="list-style-type: none"> (a) Designation required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(a)(ii) or (4)(a)(ii)] (b) Where the FB Conglomerate does not have a financial establishment in Canada, designation required if the acquisition or holding would cause a member of the FB Conglomerate to be a major owner or to acquire or hold control of the entity. [522.21(1)(a)(ii) or (2)(a)(ii)] | <p>Minister’s approval required if:</p> <ul style="list-style-type: none"> (a) the activities of the entity are not limited to activities of a factoring or financial leasing entity, <u>and</u> (b) <u>control</u> is acquired from a person who is not a member of the foreign bank’s group, as defined in subsection 507(14) [522.22(1)(b)] | <p>These entities:</p> <ul style="list-style-type: none"> (a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada; [515] and (b) may, with the Minister's approval, maintain or acquire automated banking services; [513(2)(c) and 522.22(1)(i)] (c) are subject to restrictions: <ul style="list-style-type: none"> – on the business of accepting deposit liabilities [519] – similar to those of Canadian banks in respect of fiduciary, leasing, securities dealing and residential mortgage lending activities [522.08(2)(a) and (b)] – on investment in Canadian entities similar to those that apply to FB and EAFB [522.08(2)(d)] – if the entity is a “finance entity”, its insurance businesses are also subject to restrictions that apply to Canadian banks. [522.08(2)(c)] |

⁹ Financial institution is defined in section 2 of the Act.



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|---|---|-----------------------------|--|
| <p>6. Financial agents</p> <p>This class includes entities whose business consists of:</p> <ul style="list-style-type: none"> (a) acting as financial agent (including as an insurance broker) (b) providing investment counselling services (c) providing portfolio management services (d) networking financial services [522.08(1)(a)] <p>This class also includes</p> <ul style="list-style-type: none"> (a) mutual fund entity (the mutual fund entity must provide investment diversification and professional investment management to the holders of its shares or trust units); or (b) mutual fund distribution entity [522.08(1)(e)] | <ul style="list-style-type: none"> (a) Designation required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(a)(ii) or (4)(a)(ii)] (b) Where the FB Conglomerate does not have a financial establishment in Canada, designation required if the acquisition or holding would cause a member of the FB Conglomerate to be a major owner of, or to acquire or hold control of, the entity. [522.21(1)(a)(ii) or (2)(a)(ii)] | <p>No approval</p> | <p>These entities:</p> <ul style="list-style-type: none"> (a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada [515] (b) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)] <p>However, these entities are subject to restrictions:</p> <ul style="list-style-type: none"> (a) engaging in the business of accepting deposit liabilities [519] (b) similar to those of Canadian banks in respect of fiduciary, leasing, securities dealing and residential mortgage lending activities [522.08(2)(a) and (b)] (c) on investment in Canadian entities similar to those that apply to FBs and EAFBs [522.08(2)(d)] |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|---|---|-----------------------------|--|
| <p>7. Investment holding entities [522.08(1)(b)]</p> <p>This class includes:</p> <p>(a) Specialized financing entity [defined in the <i>Specialized Financing (Foreign Banks) Regulations</i> as an entity that acquires or holds shares of, or ownership interests in, entities that a Canadian bank may acquire control of, or hold, acquire or increase a substantial investment in, under 466(4)]</p> <p>(b) Other investment holding entity [i.e., an entity acquiring and holding investments that a FB or an EAFB is permitted to hold under Division 4 or 8 of Part XII]:</p> <ul style="list-style-type: none"> – less than substantial investments (portfolio investments) – not precluded by section 510 – permitted entities under 522.07 and 522.08 – indirect investments under 522.11 to 522.13 – temporary investments under 522.14 (only if the investment holding entity is controlled by the FB or EAFB) – loan workouts or realization under 522.15 – grand fathered investments under Division 8. | <p>(a) Designation required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(a)(ii) or (4)(a)(ii)]</p> <p>(b) Where the FB Conglomerate does not have a financial establishment in Canada, designation required if:</p> <ul style="list-style-type: none"> – the acquisition or holding would cause a member of the FB Conglomerate to be a major owner of, or to acquire or hold control of, the entity, <u>and</u> – the entity is an entity described in paragraph (h) of the definition of “financial services entity” in subsection 507(1). [522.21(1)(a)(ii) or (2)(a)(ii)] | <p>No approval</p> | <p>These entities:</p> <p>(a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada [515]</p> <p>(b) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)]</p> <p>(c) are subject to restrictions on the business of accepting deposit liabilities [519]</p> <p>Where the entity is a specialized financing entity, its investments are subject to the <i>Specialized Financing (Foreign Banks) Regulations</i>.</p> <p>Where the entity <u>is not</u> a specialized financing entity, its investments are subject to restrictions on investments in Canadian entities similar to those that apply to FBs and EAFBs. [522.08(2)(d)]</p> |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|--|---------------------|--|--|
| <p>8. Non-financial services entities This class includes entities that:</p> <ul style="list-style-type: none"> (a) engage in activities that a Canadian bank is permitted to engage in under sections 410 and 411, including <ul style="list-style-type: none"> – information services or Internet activities – bank-related data processing activities in Canada (defined in <i>Information Processing Activities Regulations</i>) – specialized business management or advisory services – managing, holding or dealing with real property – promoting merchandise or services to card holders – selling lottery or urban transit tickets – acting as custodian of property, receiver, liquidator or sequestrator [522.08(1)(a)(ii)] (b) provide any services exclusively to the FB or a member of the FB’s group and other financial service entities. [522.08(1)(c)] (c) engage in the promotion, sale, delivery or distribution of financial services or products to the public. [522.08(1)(d)] (d) are real property brokerage entities, as defined in subsection 464(1) [522.08(1)(e)] | <p>Not required</p> | <p>Minister’s approval required if the entity:</p> <ul style="list-style-type: none"> (a) engages in promotion, sale, delivery or distribution of financial services or products to the public [522.22(1)(c)]; or (b) engages in information services or Internet activities. [522.22(1)(d)] <p>However, no Minister's approval is required if the conditions set out in the <i>Information Technology Activities (Foreign Banks) Regulations</i> are met. (see class 9 below)</p> | <p>These entities:</p> <ul style="list-style-type: none"> (a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada [515] (b) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)] (c) are subject to the restriction on the business of accepting deposit liabilities [519] (d) are subject to the restriction on investment in Canadian entities similar to those that apply to FBs and EAFBs [522.08(2)(d)] |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|--|--|--|--|
| <p>9. Prescribed entities</p> <p>There is a regulation making authority to authorize a FB or an EAFB to acquire control of, or acquire or increase a substantial investment in, an entity whose business would consist of prescribed activities. [522.08(1)(f)]</p> <p>Currently, the only prescribed activities are found in the <i>Information Technology Activities (Foreign Banks) Regulations</i>.</p> | <p>Designation required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(a)(ii) or (4)(a)(ii)]</p> | <p>Minister’s approval required unless exempted by Regulations. [522.22(1)(e)]</p> | <p>These entities:</p> <ul style="list-style-type: none"> (a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada [515] (b) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)] (c) are subject to restrictions set out in the Regulations, if any |
| <p>10. Limited commercial entities, as defined in subsection 507(1) [522.09]</p> | <p>Designation required if the FB Conglomerate has a financial establishment in Canada. [522.21(3)(a)(iv) or (4)(a)(iv)]</p> | <p>Minister’s approval required if the FB Conglomerate has a financial establishment in Canada. [522.22(1)(g)]</p> | <ul style="list-style-type: none"> (a) No more than 10% of the entity’s business (total assets or revenue) may be in respect of activities referred to in any of paragraphs 522.08 (1)(a) to (f) or paragraphs (a) to (h) of the definition of “financial service entity” in subsection 507(1). (b) These entities are restricted from engaging in any leasing activities. (c) Their businesses must, in the opinion of the Minister, be the same as, or similar, related or incidental to, the business outside Canada of the FB or the EAFB. (d) These entities are not restricted from engaging or carrying on business in Canada or maintain branches in Canada. [515] |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|--|--|--|---|
| <p>11. Temporary investments [522.14]</p> <p>A member of a FB Conglomerate may, by way of a temporary investment, acquire or hold control of, or a substantial investment in, a Canadian entity.</p> <p><u>Holding period</u>: initially 2 years or any other period (less or more) specified by the Minister; this period may be extended by the Minister.</p> | <p>Designation required if the FB Conglomerate has a financial establishment in Canada, or would by virtue of the temporary investment, have a financial establishment in Canada. [522.21(1)(a)(iii), (2)(a)(iii), (3)(a)(iii) or (4)(a)(iii)]</p> | <p>(a) Where the entity is a type of entity for which an approval under 522.22 would normally be required, the Minister's approval must be obtained within 90 days after the acquisition.</p> <p>(b) Where Minister's approval is not required, the member must, within 90 days of the acquisition, notify the Minister in writing of the acquisition. [522.14(4) and (6)]</p> | <p>These entities:</p> <p>(a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada [515]</p> <p>(b) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)]</p> |



TABLE II: ACQUISITION OR HOLDING OF CONTROL, MAJOR OWNERSHIP OR SUBSTANTIAL INVESTMENTS

| Permitted Canadian Entities | Designation Order | Approval/Notice Requirement | Comments |
|--|--|--|--|
| <p>12. Loan workout and realization of a security [522.15]</p> <p>A member of a FB Conglomerate may acquire or hold control of, or a substantial investment in, a Canadian entity</p> <p>(a) as a result of a default that has occurred under the terms of an agreement with respect to a loan made between the member and the Canadian entity, or under any other documents governing the terms of the loan, or</p> <p>(b) through the realization of a security interest for any loan or advance made by the member, or for any other debt or liability owing to it.</p> <p><u>Holding period:</u> initially 5 years, but the Minister may extend the period where necessary.</p> | <p>A designation or an exemption order is required only if by virtue of the realization of a security interest or a loan workout, the FB Conglomerate controls or becomes a major owner of a regulated provincial financial institution or securities dealer. [522.21(1)(a)(i) or (2)(a)(i)]</p> | <p>Where the FB Conglomerate has a financial establishment in Canada, the Minister's approval is only required to extend the holding period. [522.15(2) & (3)]</p> | <p>These entities:</p> <p>(a) are not subject to the restriction on engaging or carrying on business in Canada or maintain branches in Canada [515]</p> <p>(b) may, with the Minister's approval, maintain or acquire automated banking services [513(2)(c) and 522.22(1)(i)]</p> <p>It should be noted that if by virtue of the realization of a security interest or a loan work, the FB Conglomerate controls or becomes a major owner of a FSE, the FB Conglomerate will have a financial establishment in Canada.</p> |

