

in paragraph (b) is a partner, director or officer, as the case may be.

(5) The amount of each agreement approved by the board under subsection (3) and the name of the person, firm or corporation with whom the agreement is entered into shall be included in the annual report that the corporation is required to submit under subsection 75(3) of the *Financial Administration Act*."

He said: Mr. Speaker, in committee there was considerable discussion about provisions dealing with potential conflict of interest situations. I undertook in the committee to bring before the House new language which would meet some legitimate concerns. The amendment before the House may be further improved. I believe the hon. member for Gatineau (Mr. Clermont) also wishes to present other amendments to the House.

The main purpose of this amendment is to incorporate in Bill C-14 the proposal made in committee on November 12, namely, that it shall be made a requirement of the act that every application for financial assistance which involves a director or a member of a regional advisory council of the corporation, or a person related to that director or member, be submitted to the board for approval and that information regarding the total amount of assistance given by the corporation under such circumstances be reported in the corporation's annual report. The amendment, I believe, also accomplishes the following: it corrects a weakness in the present wording of clause 36. As clause 36 now reads, a director is prohibited from voting on a resolution relation to a transaction with the bank that involves either that director or a firm or corporation of which that director, or one of the relatives referred to in paragraph (b) or (c) of clause 36, is a partner or shareholder. But that director is not prohibited from voting on a resolution relating to a transaction with the bank that involves any of those relatives acting in a personal capacity. This omission is remedied by the inclusion of subclause (4)(b) of the proposed amendment.

Second, it reinforces the requirement that a director must not vote on a resolution relating to a transaction involving a corporation of which that director is a shareholder, by adding the further requirement that he cannot vote if he is a director or officer of that corporation. The added words "director or officer" will be found in subclause (4)(c). Third, it adds a reference to assistance in the form of a lease, which did not appear in clause 36. This will be found in the definition of "applicant" in subclause (1) of the amendment.

It should be noted that in subclause (2) of the amendment, a corporation that applies to the bank for financial assistance is required to disclose whether a director or officer of that corporation is an interested person, but the corporation is not required to disclose whether a shareholder of the corporation is an interested person. I think further improvements can be made in this area, as previously indicated. Similarly, in subclause (4)(d) of the amendment the word "shareholder" has been omitted, since a director of the bank cannot be expected to know the names of all the companies in which any one of the persons related to him has shares. That was our original view but on second thought we saw that it was not a strong argument. For that reason the hon. member for Gatineau will be proposing an amendment.

Federal Business Development Bank Act

I understood Your Honour to say that we should speak to both motion No. 2 and motion No. 3. If that is correct, may I make a general statement on motion No. 3, standing in the name of the hon. member for York-Simcoe (Mr. Stevens). In my view, the motion which has been proposed by the government, as well as the amendment to be offered by the hon. member for Gatineau, cover the problem areas which we dealt with in committee. For that reason I believe motion No. 3 to be redundant: I believe we have fully covered the concern expressed by its mover. Motion No. 2 fully deals with the situation of a director having an interest in a loan being required to disclose that interest.

Mr. Sinclair Stevens (York-Simcoe): Mr. Speaker, if I may deal with motions Nos. 2 and 3 together, in accordance with Your Honour's direction, let me say I was surprised to hear the Minister of Industry, Trade and Commerce (Mr. Gillespie) suggest that motion No. 2, the government's proposal encompasses motion No. 3. Actually, both motions are different in purport. Motion No. 2, as I understand it, provides that a director of the Federal Business Development Bank may borrow from the bank provided the loan is cleared at the board level and, second, the loan must be disclosed to those involved. On the other hand, motion No. 3 states categorically that the following shall not be granted a loan:

- (a) (i) a director or a member of a regional advisory council
- (ii) the spouse or a child, brother, sister or parent of a director or a member of a regional advisory council or
- (iii) the spouse of a child, brother, sister or parent of a director or member of a regional advisory council, or
- (b) a firm or corporation in which the beneficial interest of any person or persons described in paragraph (a) exceeds 50 per cent individually or collectively . . .

The fundamental question is, should the bank, which is really a newly constituted Industrial Development Bank, be allowed in any circumstances to lend moneys to a director? A serious question of principle is involved. Chapter I-9 of the Revised Statutes of Canada, under which the Industrial Development Bank is incorporated, provides for the board of directors of the bank to include the board of directors of the Bank of Canada and the Deputy Minister of Industry, Trade and Commerce. I mention that because the Industrial Development Bank is a wholly-owned subsidiary of the Bank of Canada and because the directors of the Bank of Canada, in turn, sit on the board of the Industrial Development Bank, as well as the Deputy Minister of Industry, Trade and Commerce.

The new bank which is to be established by Bill C-14 is to be differently constituted. First, the new bank will come under the aegis of the Department of Industry, Trade and Commerce; second, the Bank of Canada will no longer be directly connected with the new bank. Further, ten persons from outside the public service of Canada will be selected to sit as directors of the new bank. In addition, the president and four other persons from the public service of Canada will be included on the board. As well, regional councillors from various regions of Canada are to be appointed as the governor in council shall decide. These could be five to ten in number, depending upon the number of regions designated.