

42. In view of the greater responsibilities that will be placed on directors and particularly on independent directors, comprehensive indemnification provisions will be permitted, as in the *Bank Act*, to ensure that qualified people are willing to serve in this important capacity.

43. Boards of directors of commercial companies coming under the umbrella of a Bank Holding Company can include directors or appointees of the Bank Holding Company, subject to the general provisions of established corporate practice.

● *Self-Dealing*

44. As an operating principle in terms of related-party transactions, the Committee favours an outright ban except for networking relationships and fee-based services.

45. To the extent that this ban on related-party transactions counters standard or accepted business practice, the Committee recommends that a panel composed of representatives of primary regulators, of the CDIC, of professional associations and of financial institutions be involved in drawing up a list of exceptions to this ban, including an outline of the conditions and procedures under which such transactions can proceed.

46. The role of the Business Conduct Review Committee (BCRC) is to review in advance allowable exceptions to the ban on related-party transactions, networking arrangements and fee-based services contracts. The BCRC will be charged to ensure both that these transactions do not expose minority shareholders and consumers to abuse and that they are carried out at prices that fairly reflect those which would occur in arm's length transactions.

47. The structure and operation of the BCRC will follow the guidelines incorporated in the recommendations of our 1986 Report (see Appendix A).

48. For newly chartered trusts and domestic Schedule II banks, there will be no exceptions to the ban on related-party transactions. This absolute ban will remain in place until the trusts have a 35 per cent public float and the Canadian-owned Schedule II banks become widely held and then only when the primary regulators are satisfied that appropriate corporate governance procedures are in place.