

D. Other Issues

37. The Committee recognizes that the entry of BCE Inc. into the financial sector may confer a unique competitive advantage on BCE Inc. because it can combine banking and telecommunications. However, we also note that major computational and telecommunications companies in other countries are entering the financial sector. In general, the Committee's position is that if there is a concern here it is a competition policy issue, not a financial policy issue.

CHAPTER 5

Regulatory Oversight, Self-Dealing and Corporate Governance

A. Introduction

38. The Committee will not frame any recommendations relating to deposit insurance. This does not reflect a view on our part that all is well with deposit insurance. On the contrary, this is an area that deserves further attention, particularly since novel approaches are beginning to surface. If appropriate agencies do not take up this challenge, the Committee may well revisit the general area of deposit insurance in the near future.

B. Corporate Governance

● *The Composition of Boards of Directors*

39. The number of board members that may be drawn from among the officers and executives of the financial institution or its affiliates (inside directors) will be limited to 15 per cent, subject to regulatory exemption for small boards for which this constraint would be burdensome.
40. At least one-half of the directors will be required to meet stringent criteria establishing their independence of the corporation. These criteria include:
- that they are not officers, employees or significant shareholders of the financial institution or companies related to it;
 - that they do not have significant business links with the institution or companies related to it, directly or indirectly (which includes being an officer of a significant borrower);
 - that they do not belong to firms acting as major legal advisers to the institution; and
 - that they are not immediately related by birth or marriage to any person in the above categories.
41. The above recommendation is not meant to create two classes of directors. All directors shall be required to act in good faith with a view to the best interests of shareholders, depositors and, as the case may be, beneficiaries, and they shall exercise the care, diligence and skill that a reasonable prudent person would exercise in comparable circumstances.