

APPENDIX L-86/1

CONFLICT OF INTEREST PROVISIONS FOR OUTSIDE DIRECTORS

Within sixty days of appointment and thereafter annually, directors should report in writing and in confidence to the Chairman, all direct or indirect interests they hold in member institutions.

Directors are required to divest themselves of their direct or indirect interests in any shareholding that is in excess of ten percent of the outstanding shares of any class of shares of a member institution.

A director owning directly or indirectly, a beneficial interest in less than ten percent of the outstanding shares of any class of shares of a member institution may be subject to a divestment requirement where the Chairman, is of the view that the shareholding constitutes a significant interest in the member institution.

Subject to the Chairman's approval, a director is not obliged to divest shares that are pledged to a lending institution as collateral for loans made to the director.

Divestment is accomplished by selling the shares in an arm's length transaction or by placing the shares in a trust which removes from the director any control over the management or disposition of the assets. Subject to the approval of the Chairman, a director may be reimbursed by the Corporation for reasonable costs incurred in complying with these guidelines.

Subject to advising the Chairman in writing, the steps taken by a director to achieve compliance with these guidelines shall remain confidential unless a director and the Chairman disagree about the appropriate arrangements or steps taken to achieve compliance with these guidelines. In such event, the Chairman shall report the matter to the Board and the Board, after hearing the director, shall determine the appropriate arrangements. Where a director does not comply with the guidelines, the Chairman may report the non-compliance to the Clerk of the Privy Council.

Public confidence in the impartiality of the Corporation's decisions requires that directors conduct be such as to avoid actual or perceived conflicts. To this end, directors are encouraged to seek the confidential advice of the Chairman or of the Corporation's General Counsel.

February 4, 1986