

Federal Business Development Bank Act

● (1550)

The bill provides that not more than 12 members can sit on this regional advisory council, so it might easily be that 50 or 60 members could be involved in a possible conflict of interest since they would be entitled to borrow from the new bank. I might mention that under the Bank of Canada Act it is specifically laid down that the directors must divest themselves of all interests which appear to be in conflict with their role as directors of that bank. For example, they are required to divest themselves of any connection they may have with an investment dealer who in turn deals with the Bank of Canada; they are expected to relinquish any interest they might have in a brokerage firm or any other bank.

I mention this because I believe it illustrates the manner in which earlier parliaments, in their wisdom, chose to make the board of the Bank of Canada a very isolated board to ensure against the possibility of any conflict of interest arising. I would point out, too, that the Industrial Development Bank is wholly owned by the Bank of Canada and that the directors of the IDB at the present time are also directors of the Bank of Canada. In any case, the existing legislation was framed to ensure that there would be no conflict of interest and, indeed, there has been no conflict of interest under the existing law with respect to the Industrial Development Bank and the Bank of Canada.

However, under the bill before us today, not only may we surmise that there is a possibility that loans may be made to directors but, as set out in clause 36, we find there is specific provision for such an eventuality. The clause provides:

A director shall not vote on a resolution relating to, or be present at a meeting of the board during the time at the meeting when the board is considering, a loan to, a guarantee to, a guarantee of a loan to, an underwriting agreement with, or a purchase from, that director or a firm or corporation of which

- (a) that director
- (b) the spouse or child, brother, sister or parent of that director, or
- (c) the spouse of a child, brother, sister or parent of that director, if a partner, or shareholder, as the case may be.

The point I am making is that the bill before us is very different from the Industrial Development Bank Act presently on the statute books. There is no suggestion there that a director should have the right to borrow from that bank. In fact, the reverse is the case. In the bill before us, on the other hand, we even find a formula set out as to the manner in which a director should handle the question of conflict of interest if he wishes to borrow from the bank.

This is why we challenged the whole concept in committee. I would remind hon. members that we are dealing with a bank which is, after all, a subsidized bank owned by the people of Canada, a bank which is supposed to be devoted to helping small business in this country. There ought not to be the slightest suggestion that those who are honoured by appointments to the board of that bank, or who act as members of a regional council, should feel they are able to borrow from the bank. Surely this is a very strange and dangerous example to be setting for Crown corporations in this country.

[Mr. Stevens.]

Replying to our arguments in the committee, the minister suggested he would attempt to rectify the situation, not by prohibiting loans to directors or councillors but by seeing it was done in such a way that people would know what was happening. I agree that if he is to allow these loans to be made, it would be preferable not to proceed in a secretive way. But why should this practice be permitted at all? We, as members of parliament, are being asked to endorse the creation of a new bank, supposedly to help small business. Its assets will amount to \$2.2 billion. At the same time, we are being asked to agree that those who sit on the board should have the privilege of borrowing any amount of funds from the bank. In preparing the bill which is now before us, the minister apparently felt that any suggestion of conflict of interest should be avoided with respect to the president of the bank. In clause 13 we read:

Where a person who is appointed as president has

- (a) a direct or indirect ownership of any shares in a lending institution or in a company authorized to provide management counselling, or
- (b) a pecuniary or proprietary interest in a business firm that provides management counselling,

He shall divest himself of that ownership or interest within three months—

And so on. Why should it be fitting to cover that type of conflict of interest while setting up, in another clause, a framework, an apparatus which may be used by another 50 people to borrow from the very bank we are entrusting them to run? I think it is shameful that the government should be suggesting such a thing. I urge hon. members to break party ranks and show that they will not tolerate any further suggestion of conflict of interest at such a level.

Surely the least we can do when incorporating a bank such as this, a state intrusion into the private banking sector, is to ask that the directors who accept the honour of being directors of the bank shall accept, also, the fact that they may not wheel and deal with the Federal Business Development Bank, as it will be known, while at the same time acting as directors. Surely this is not an unreasonable request, and I am startled that the minister and, presumably, the government should persist in trying to force this type of legislation through the House.

Mr. Lorne Nystrom (Yorkton-Melville): Mr. Speaker, I am happy the minister has at last seen fit to come forward with motion No. 2 after what happened in committee. This is certainly a stricter provision than the one to which objection was taken. I wish to associate myself with the observations of the hon. member for York-Simcoe (Mr. Stevens) with regard to motion No. 3. I do not know why we should leave open the possibility of conflict of interest. The motion gives us a definition of "interested person" and goes on to say that an interested person may apply for a loan, or for financing, but that if he is a director or a member of the council he shall not participate in a vote or be present at a meeting which might result in a loan or financial assistance being given to himself or his spouse or certain other persons related to him.

● (1600)

I think the time has come in this country, especially in view of what has happened in the past few weeks in