

money market dealers. The practice had been to set a purchase and resale agreement rate at one-quarter of 1.0% above the average 91-day treasury bill rate at the latest weekly tender, subject to a minimum of bank rate minus three-quarters of 1.0% and a maximum at the level of bank rate. Under the new practice the maximum rate is bank rate plus one-half of 1.0%.

Assets and liabilities of the Bank of Canada at December 31, 1974-76 are shown in Table 19.2. The bank is not required to maintain gold or foreign exchange reserves against its liabilities.

Prior to the 1967 amendment to the Bank of Canada Act, there was some uncertainty about the exact relationship between the central bank and the government. Changes in the Bank of Canada Act in 1967 were designed to clarify this matter. They provide for regular consultation between the governor of the Bank of Canada and the finance minister as well as for a formal procedure whereby, in the event of a disagreement between the government and the central bank which cannot be resolved, the government may, after consultation has taken place, issue a directive to the Bank of Canada as to the monetary policy that it is to follow. Any such directive must be in writing, must be in specific terms, and must be applicable for a specified period. It must be published immediately in the *Canada Gazette* and tabled in Parliament. The amendment makes it clear that the government must take ultimate responsibility for monetary policy and it provides a mechanism for that purpose, but the central bank still is responsible for day-to-day monetary policy and its execution.

The Bank of Canada is under the management of a board of directors composed of the governor, the deputy governor and 12 directors. The governor and deputy governor are appointed for terms of seven years by the directors, with the approval of the Governor-in-Council. Directors are appointed by the finance minister, with the approval of the Governor-in-Council, for terms of three years each. The deputy minister of finance is a member of the board but does not have the right to vote. There is an executive committee of the board composed of the governor, the deputy governor, two directors and the deputy minister of finance, who is without a vote; this committee has the same powers as the board except that its decisions must be submitted to the board at its next meeting. In addition to the deputy governor who is a member of the board, there may be one or more deputy governors appointed by the board of directors to perform such duties as are assigned by the board.

The head office of the Bank of Canada is in Ottawa. It has agencies in Halifax, Saint John, Montreal, Ottawa, Toronto, Winnipeg, Regina, Calgary and Vancouver and is represented by other institutions in St. John's and Charlottetown. In addition there are representatives of head office departments in Montreal, Toronto, Edmonton and Vancouver.

**The Federal Business Development Bank** was established by an act of Parliament in 1974 as a federal Crown corporation to succeed the Industrial Development Bank. Under the act, which came into force in October 1975, this bank aids establishment and development of business enterprises in Canada by providing financial and management services. It supplements such services available from other sources and it gives particular attention to the needs of smaller businesses.

It extends financial help in various forms to new or existing businesses of almost every type which are unable to obtain required financing from other sources on reasonable terms and conditions. To qualify for this financing, a business should have investment by other lenders and a continuing commitment to the business with reasonable expectation of success.

The bank's management counselling service can help small businesses improve their methods. This service, supplementing counselling services available from the private sector, makes available the experience of retired business persons.

To help improve management skills in small businesses, the bank conducts management training seminars in smaller communities across Canada. It publishes booklets on a wide range of topics pertaining to the management of small business and provides information about assistance programs for small business sponsored by the federal government and others.