

1970 the minimum rate is the bank rate less three quarters of 1%.

Assets and liabilities of the Bank of Canada at December 31, 1971-73 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 of the Bank of Canada Act, there existed some uncertainty about the exact relationship between the central bank and the government. The 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 and the Minister of Finance as well as for a formal procedure whereby, in the event of a disagreement between the government and the Bank which cannot be resolved, the government may, after further consultation has taken place, issue a directive to the Bank as to the monetary policy that it is to follow. Any such directive must be in writing, it must be in specific terms, and it 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 the ultimate responsibility for monetary policy and it provides a mechanism for that purpose but the central bank is in no way relieved of its responsibility for monetary policy and its execution.

The Bank is under the management of a Board of Directors composed of a Governor, a Deputy Governor and twelve directors. The Governor and Deputy Governor are appointed for terms of seven years each by the directors, with the approval of the Governor in Council. The directors are appointed by the Minister of Finance, 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 is in Ottawa. It has agencies in Halifax, Saint John, Montreal, Ottawa, Toronto, Winnipeg, Regina, Calgary and Vancouver and is represented in St. John's and Charlottetown.

The Industrial Development Bank, a federal Crown corporation and a subsidiary of the Bank of Canada, was established by Act of Parliament in 1944 to provide capital assistance to develop new businesses and to finance the expansion programs of existing small- and medium-sized businesses which are unable to obtain financing elsewhere in Canada under reasonable conditions and terms.

The President of the Industrial Development Bank (IDB) is the Governor of the Bank of Canada and the directors are the directors of the Bank of Canada and the Deputy Minister of Industry, Trade and Commerce. The authorized capital of the IDB is \$75 million and it may also raise funds by the issue of bonds and debentures provided that its total direct liabilities and contingent liabilities in the form of guarantees and underwriting agreements do not exceed 10 times the aggregate of its paid-up capital and reserve fund. The total amount of commitments of the IDB in the form of loans, guarantees, etc., in excess of \$200,000 each, may not exceed \$200 million. Assets and liabilities of the IDB are given in Table 19.3.

The purpose of the IDB is to promote the economic welfare of Canada by ensuring the availability of credit to industrial enterprises which may reasonably be expected to prove successful, by supplementing the activities of other lenders and by providing financial assistance to industry with particular emphasis in meeting the needs of small enterprises. The IDB may, among other things, lend money, guarantee loans to other lenders and purchase shares of a corporation with a view to the resale of the shares. The IDB can lend to virtually any industry, trade or other business undertaking of any kind and meet any sort of financial need.

The IDB Act stipulates that the amount invested or to be invested in the industrial enterprise by persons other than the IDB should be such as to afford it reasonable protection. A loan proposal is then assessed on the grounds of its business viability and creditworthiness.

Through its advisory services program, the IDB helps promote good management practices in small businesses. A series of booklets on various aspects of business management are distributed without charge and seminars on business management are conducted by the IDB in smaller communities across Canada.