



BANK OF CANADA
BANQUE DU CANADA



Code of Business Conduct and Ethics

for Directors



August 2013

Scope

The Board of Directors (“the Board”) of the Bank of Canada (“the Bank”) is composed of the Governor and Senior Deputy Governor, each appointed by the Board with the approval of the Governor in Council for a term of seven years, and twelve other Directors, each appointed by the Minister of Finance with the approval of the Governor in Council for a term of three years. The Governor is the Chairperson of the Board (“Chairperson”). The Deputy Minister of Finance or his or her alternate is a non-voting member of the Board.

This Code of Business Conduct and Ethics for Directors (the “Directors’ Code”) is applicable to Directors appointed by the Minister of Finance with the approval of the Governor in Council (the “Directors”). The Governor and Senior Deputy Governor, as senior officers of the Bank, are subject to the Bank’s Code of Business Conduct and Ethics (the “Bank Code”).

Guiding Principles

The Bank is a public institution with a public policy mandate and functions. Directors occupy a position of public trust and have responsibilities to fellow Directors, officers and employees of the Bank, Parliament, and the public. Directors should be guided by high standards of business conduct and ethical behaviour in the performance and exercise of their responsibilities, in order to maintain and enhance public confidence in the integrity of the Bank.

Each Director should understand the business of the Bank and the statutory framework within which it operates and should be familiar with the processes, structures and information used for directing and overseeing the management of the Bank. A Director is expected to act honestly and in good faith with a view to the best interests of the Bank, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each Director should review the requirements and obligations imposed by the Bank of Canada Act and the Conflict of Interest Act and should become familiar with the Bank, its business and its organizational structure. The General Counsel and Corporate Secretary is available to assist Directors with their statutory and other requirements and obligations.

The purpose of the Directors' Code is to assist Directors in understanding, and to promote adherence to, the standards of conduct and ethical behaviour expected of them. No code can offer a complete guide to cover all situations that might arise, and Directors must exercise judgment in applying principles to any given situation. The provisions in the Directors' Code are a guide but not a substitute for any other obligation a Director may have according to common law, statute, regulation or Government guideline.

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Part I: Introduction

1.1 Role of the Bank

As Canada's central bank, the Bank is a public institution with important public policy functions. Directly or indirectly, the Bank's actions affect the business and livelihoods of many people. The Bank is accountable to Parliament and to the Canadian public.

The Bank of Canada Act describes the Bank's legislative framework and sets out the governance of the Bank as well as its mandate "to promote the economic and financial welfare of Canada." The Bank's functions include setting monetary policy, promoting the safety and efficiency of the financial system, overseeing the payment and settlement system, issuing currency, and acting as the federal Government's banker and lender of last resort.

The Bank conducts monetary policy in a way that fosters confidence in the value of money by keeping inflation low, stable and predictable. The Bank works with other government agencies and market participants to promote the safety and efficiency of the financial system. As the country's sole supplier of bank notes, the Bank is responsible for keeping Canada's currency secure against counterfeiting. As the federal Government's banker, the Bank manages government funds and the public debt. It also provides banking services to commercial banks, other financial institutions and foreign central banks.

1.2 The Bank's Values

The Bank has adopted the Bank Code, which applies to all employees, including officers, contractors, consultants and agents of the Bank. The Bank Code reflects the Bank's core values of excellence, integrity and respect.

Excellence

We strive for excellence through leading-edge research and analysis, through collaboration within the Bank and with outside organizations, and through innovation in all aspects of our work.

Integrity

We communicate our objectives openly and effectively, and stand accountable to Canadians for our words and actions. We hold ourselves to the highest standards.

Respect

We respect one another and succeed by recognizing the value of a diversity of people and ideas, as well as our lives outside of work.

These core values are also intended to be applicable to Directors and should form a guide to their conduct and relationships.

1.3 Compliance with the Code and Applicable Legislation

The Directors' Code sets out ethical principles and refers to the legislation applicable to Directors, but it cannot provide rules for every situation that a Director may encounter. When faced with a situation where the proper conduct is not self-evident, a Director may consult the General Counsel and Corporate Secretary. Where necessary, Directors should seek independent advice to assist them in fulfilling their responsibilities.

Directors are subject to the relevant provisions of the Bank of Canada Act and the Conflict of Interest Act. Appendix C contains excerpts from the Conflict of Interest Act that are relevant to the conduct of Directors and have been incorporated by reference in this Directors' Code.

1.4 Affirmation

Each Director, upon his or her appointment, shall be provided with a copy of the Directors' Code and he or she shall acknowledge his or her understanding of and commitment to abide by its provisions. In addition, every year, each Director shall complete a form disclosing his or her affiliations with other entities, and declare that he or she has read the Directors' Code and is in compliance with it.

1.5 Breaches of the Codes of Conduct

A Director shall report to the Governor any information that the Director believes, in good faith, could show that a breach of the Directors' Code has been, or is about to be, committed by another Director, or that another Director has been asked to take action that could constitute a breach of the Directors' Code.

A Director shall also report to the General Counsel and Corporate Secretary any information that the Director believes, in good faith, could show that a breach of the Bank Code has been, or is about to be, committed by an officer, employee or agent of the Bank, or that an officer, employee or agent of the Bank has been asked to take action that would constitute a breach of the Bank Code.

Part II: Confidentiality and Communications

2.1 General

No Director shall communicate or allow to be communicated to any person not legally entitled to it any information relating to the affairs of the Bank, including the proceedings of the Board and its committees.

2.2 Oath of Secrecy

Each Director, upon his or her appointment, is required to swear an Oath or make a Solemn Affirmation of Office using the form provided in Appendix A.

The obligation to keep information confidential continues after a Director leaves office.

2.3 Communications

Only the Governor, Senior Deputy Governor or other Bank-designated spokespersons are authorized to issue statements or make comments about the Bank's position on a given subject. Any enquiries from the media received by a Director should be directed to the Bank's Communications Department.

Part III: Conflicts of Interest and Disclosure of Material Interests

3.1 General Duty to Avoid a Conflict

A Director shall avoid or withdraw from participation in any activity or situation that places the Director in a real, potential or apparent conflict of interest relative to that Director's duties and responsibilities.

3.2 Disclosure of Material Interests and Material Contracts

A Director who:

- (a) is a party to a material contract or transaction or a proposed material contract or transaction with the Bank,
- (b) is a director or officer of, or has a material interest in, any person who is a party to a material contract or transaction or a proposed material contract or transaction with the Bank,
- (c) is or is likely to be materially affected by any action taken or proposed to be taken by the Bank or the Governor under the Payment Clearing and Settlement Act, or
- (d) is a director or an officer of, or has a material interest in, any person who is or is likely to be materially affected by any action taken or proposed to be taken by the Bank or the Governor under the Payment Clearing and Settlement Act,

shall disclose to the Bank in writing or by requesting to have it entered in the minutes of a meeting of the Board, the nature and extent of such interest.

The disclosure required above shall be made as soon as the Director becomes aware of the contract, transaction or action.

A Director who is required to make a disclosure shall not vote on any resolution to approve the contract, transaction or action unless it relates to Directors' fees. (See Appendix C for relevant sections of the Conflict of Interest Act: section 6—Decision-making.)

For the purposes of the required disclosure, a general notice to the Board by a Director, declaring that the Director is a director or officer of, or has a material interest in, a person, and is to be regarded as interested in a contract or transaction entered into with that person or an action that affects that person, is a sufficient declaration in relation to a contract or transaction with that person, or action that affects that person.

3.3 Prohibited Relationships

A Director of the Bank may not be a director, partner, officer or employee of a Restricted Entity as defined in Appendix B.

The Bank will, from time to time, provide Directors with an updated list of Restricted Entities.

A Director may not be employed on a full-time basis, in any capacity in the federal public administration or public service of a province or hold any office or position, other than as a part-time member of any board or advisory body of an agency or department of the government of Canada or a province, for which any salary or other remuneration is payable out of public moneys, except that a director may perform temporary services for the government of Canada or a province for which he or she may be reimbursed actual travel and living expenses.

3.4 Other Activities

Each Director shall promptly notify the General Counsel and Corporate Secretary of the Bank regarding (i) all directorships to which that Director is or has been appointed, and (ii) any political activity in which the Director intends to participate that would involve the Director either (i) as principal or (ii) in a publicly partisan role.

3.5 Using Influence

No Director shall use or permit to be used the fact that he or she is a Director in such a manner that could lead to the perception that the Bank supports, approves or otherwise sanctions any particular undertaking. (See Appendix C for the relevant section of the Conflict of Interest Act: section 9—Influence.)

3.6 Gifts, Hospitality and Other Advantages

No Director or any member of his or her family may ask for or accept any gift, hospitality or other advantage that might reasonably be seen to have been given to influence the Director in the exercise of his or her duties for the Bank.

A Director may accept a gift, hospitality or other advantage that is received as a normal expression of courtesy or is within customary standards. Gifts, hospitality or advantages in excess of customary standards should be refused, where possible, or disclosed to the General Counsel and Corporate Secretary on behalf of the Bank for appropriate disposition. (See Appendix C for the relevant section of the Conflict of Interest Act: section 11(1), (2) and (3)—Gifts and other advantages.)

Part IV: Personal Financial Transactions

4.1 Management of Personal Financial Transactions

Directors are expected to manage their own personal financial affairs prudently and to arrange them in a manner that prevents real, potential or apparent conflicts of interest from arising. (See Appendix C for the relevant section of the Conflict of Interest Act: section 5—General duty.)

4.2 Prohibitions on Share Ownership in Restricted Entities

Any person who beneficially owns a share in a Restricted Entity at the time of being appointed a Director of the Bank shall dispose of the beneficial ownership interest within three months after appointment. A Director of the Bank shall not otherwise beneficially own a share of a Restricted Entity.

4.3 Exceptional Trading Restrictions

At any time, the Governor may, on an exceptional basis, and for such period or periods as considered appropriate, classify (and declassify) securities or other instruments as prohibited investments for a Director.

A Director must not acquire an interest in any securities or other instruments while they are classified as prohibited investments. In the event that a Director already has an interest in such securities or other instruments at the time they become classified, the Director must not dispose of, exercise any voting right attached to, or otherwise deal in any way with, those securities or other instruments during the applicable period of classification, without first consulting with the General Counsel and Corporate Secretary.

4.4 Insider Trading and Tipping

No Director shall use, in any personal or other capacity, information acquired from or through the Bank that is not generally available to the public. (See Appendix C for relevant sections of the Conflict of Interest Act: section 8—Insider information; section 34(2)—Improper information.)

A Director may obtain access to material information in relation to a public issuer before it is announced to the public. It is generally against the law in these circumstances to buy or sell securities of that issuer while in possession of undisclosed material information or to pass on, intentionally or not, material information to another person

Part V: Information Management

5.1 Records Management

Each Director should use care in the collection, use, storage, disclosure and disposal of information and documents acquired from the Bank during his or her term in office. A Director requiring advice, information or assistance in the retention or disposal of records should contact the General Counsel and Corporate Secretary.

5.2 Access

A Director should not allow any other person access to Bank confidential information in his or her possession. The requirement to keep information confidential continues after his or her term in office expires.

Appendix A

Oath or Solemn Affirmation of Office

I, _____, do solemnly swear (or affirm) that I will faithfully and to the best of my judgment and ability perform the duties that relate to any office or position in the Bank held by me.

I also solemnly swear (or affirm) that I will not:

- communicate or allow to be communicated, to any person not entitled to it, any confidential information that relates to the business or affairs of the Bank that I may learn in the course of performing those duties;
- use any such information for any purpose other than to perform those duties; or
- allow any person to inspect or have access to any books and records that belong to, or that are in the possession of, the Bank and that relate to the business or affairs of the Bank, unless the person is legally entitled to inspect them or to have access to them.

Appendix B: Definitions

Restricted Entities means:

- (a) a direct clearer as defined in the bylaws of the Canadian Payments Association;
- (b) a clearing house of a clearing and settlement system designated under subsection 4(1) of the Payment Clearing and Settlement Act;
- (c) a participant in the Large Value Transfer System, or its successor, operated by the Canadian Payments Association;
- (d) an investment dealer that acts as a distributor of new Government of Canada securities; or
- (e) an institution that controls, or is controlled by, an institution referred to in any of paragraphs (a) to (d).

Control: for the purposes of the definition of Restricted Entities:

- (a) an institution controls a body corporate if securities of the body corporate to which are attached more than fifty per cent of the votes that may be cast to elect Directors of the body corporate are beneficially owned by the institution and the votes attached to those securities are sufficient, if exercised, to elect a majority of the Directors of the body corporate;
- (b) an institution controls a trust, fund or partnership (other than a limited partnership) or an unincorporated association or organization, if more than fifty per cent of the ownership interests, however designated, into which the trust, fund, partnership, association or organization is divided are beneficially owned by the institution and the institution is able to direct the business and affairs of the trust, fund, partnership, association or organization; and
- (c) the general partner of a limited partnership controls the limited partnership.

Appendix C: Conflict of Interest Rules

Excerpts from the Conflict of Interest Act (S.C. 2006, c. 9, s. 2)

Conflict of interest

4. For the purposes of this Act, a public office holder is in a conflict of interest when he or she exercises an official power, duty or function that provides an opportunity to further his or her private interests or those of his or her relatives or friends or to improperly further another person's private interests.

General duty

5. Every public office holder shall arrange his or her private affairs in a manner that will prevent the public office holder from being in a conflict of interest.

Decision-making

6. (1) No public office holder shall make a decision or participate in making a decision related to the exercise of an official power, duty or function if the public office holder knows or reasonably should know that, in the making of the decision, he or she would be in a conflict of interest.

Abstention from voting

(2) No minister of the Crown, minister of state or parliamentary secretary shall, in his or her capacity as a member of the Senate or the House of Commons, debate or vote on a question that would place him or her in a conflict of interest.

Preferential treatment

7. No public office holder shall, in the exercise of an official power, duty or function, give preferential treatment to any person or organization based on the identity of the person or organization that represents the first-mentioned person or organization.

Insider information

8. No public office holder shall use information that is obtained in his or her position as a public office holder and that is not available to the public to further or seek to further the public office holder's private interests or those of the public office holder's relatives or friends or to improperly further or to seek to improperly further another person's private interests.

Influence

9. No public office holder shall use his or her position as a public office holder to seek to influence a decision of another person so as to further the public office holder's private interests or those of the public office holder's relatives or friends or to improperly further another person's private interests.

Offers of outside employment

10. No public office holder shall allow himself or herself to be influenced in the exercise of an official power, duty or function by plans for, or offers of, outside employment.

Gifts and other advantages

11. (1) No public office holder or member of his or her family shall accept any gift or other advantage, including from a trust, that might reasonably be seen to have been given to influence the public office holder in the exercise of an official power, duty or function.

Exception

(2) Despite subsection (1), a public office holder or member of his or her family may accept a gift or other advantage

- (a) that is permitted under the *Canada Elections Act*;
- (b) that is given by a relative or friend; or
- (c) that is received as a normal expression of courtesy or protocol, or is within the customary standards that normally accompany the public office holder's position.

Forfeiture

(3) When a public office holder or a member of his or her family accepts a gift or other advantage referred to in paragraph (2)(c) that has a value of \$1,000 or more, the gift or other advantage is, unless otherwise determined by the Commissioner, forfeited to Her Majesty in right of Canada.

Contracting

14. (1) No public office holder who otherwise has the authority shall, in the exercise of his or her official powers, duties and functions, enter into a contract or employment relationship with his or her spouse, common-law partner, child, sibling or parent.

Public sector entity — public office holders

(2) No public office holder, other than a minister of the Crown, minister of state or parliamentary secretary, who otherwise has the authority, shall permit the public sector entity for which he or she is responsible, or to which he or she is assigned, to enter into a contract or employment relationship with his or her spouse, common-law partner, child, sibling or parent except in accordance with an impartial administrative process in which the public office holder plays no part.

Fundraising

16. No public office holder shall personally solicit funds from any person or organization if it would place the public office holder in a conflict of interest.

Improper information

34. (2) No former public office holder shall give advice to his or her client, business associate or employer using information that was obtained in his or her capacity as a public office holder and is not available to the public.