BANK OF CANADA

Annual Report
1995

R. William Lawson, OC, former Senior Deputy Governor of the Bank of Canada, died in September at the age of 77.

A native of Manitoba and a Rhodes Scholar, Bill Lawson joined the Foreign Exchange Control Board in 1940 and served with the Canadian army in northwest Europe during the Second World War. In 1950 he transferred from the Control Board to the Bank's Research Department, becoming Department Chief six years later. In 1973 he was appointed Senior Deputy Governor under Gerald Bouey.

During his 34 years at the Bank, Bill was a key architect of the Bank's international role and made major contributions in many other areas. His personality and manner made him an effective manager – one who left a strong imprint on the Bank's management style. He significantly influenced the evolution of monetary policy and, with his keen communications skills and love of language, made great strides in explaining it to the public.

Following his retirement from the Bank in 1984, he was appointed an Officer of the Order of Canada.

Bill Lawson's legacy to the institution is ongoing, and his colleagues remember him with fondness and respect.

Photographs of employees by
Martin Ort of the Bank's Monetary
and Financial Analysis Department.

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Bank of Canada • Banque du Canada

Gordon G. Thiessen
Governor - Gouverneur

Ottawa K1A 0G9

29 February 1996

The Honourable Paul Martin, P.C., M.P.
Minister of Finance
Ottawa

Dear Mr. Martin,

In accordance with the provisions of the Bank of Canada Act, I am submitting the Bank of Canada's *Annual Report* for the year 1995 and the Bank's audited financial statements as at 31 December 1995.

Yours sincerely,

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Annual report of the Governor to the Minister of Finance and financial statements for the year 1995

HIGHLIGHTS

- The Bank once again achieved its inflation-control target.
- A new semi-annual *Monetary Policy Report* was introduced to increase the clarity of the Bank's policy and operations.
- Legislation has been introduced in Parliament to give the Bank a more explicit role in overseeing certain clearing and settlement systems.
- Treasury bills were added to the Debt Clearing Service of The Canadian Depository for Securities Ltd., an important step in improving the reliability and safety of our financial system.
- A fundamental reappraisal of the distribution system for bank notes was carried out.
- The number of new notes produced during 1995 decreased by 19 per cent because of the planned introduction of a $2 coin.
- Responsibility for the government's retail debt program was assigned to the new Canada Retail Debt Agency – a major change in the Bank's role in debt management services.
- A comprehensive activity review was conducted in 1995, which will result in a smaller, more focussed and flexible organization.
- The Bank remitted net revenue of $1.8 billion to the government.

Statement from the Governor

Money is a crucial ingredient in a sophisticated economy like Canada's. As the country's monetary authority, the Bank of Canada plays a central role in Canada's economic and financial life.

The Bank's objective is to contribute to the economic well-being of Canadians. It does so in three principal ways: by managing the growth of money in a way that preserves its value; by contributing to the safety and soundness of our financial system; and by meeting the everyday needs of Canadians for currency. The Bank also provides banking and debt management services to the federal government.

Gordon Thiessen

"Not only has the Bank again met its inflation-control target, but Canada is establishing a reputation as a low-inflation country."

This report is an accounting to Canadians of what their central bank has been doing and why.

Let me begin by reviewing the economic environment within which we have been conducting monetary policy. Most Canadians see these as difficult times, and they are concerned about the future. They see only a small increase in jobs and frequent announcements of downsizing. Both the Canadian dollar and interest rates have at times been subject to intense pressures, and it has been difficult for Canadians to make decisions about buying a house or a car and about where to invest their savings.

But there *have* been a number of very positive developments in the economy over the past few years. One of the most important has been the modernization of Canadian businesses. Investment in new technology and in improved machinery and equipment, as well as other changes in business operations, has made firms more efficient and more effective. Another important development has been a much greater emphasis on cost control. And finally, Canadian businesses have become more focussed on the importance of selling their products outside Canada.

Together, these developments have meant that Canadian businesses are now capable of producing more and better goods and services at lower cost. Their success has resulted in productivity gains for our economy, with the potential for further significant gains. This may seem a rather technical observation, but it is not. The importance to our economy of rising productivity cannot be overstated. It is the only way Canadians are likely to improve their standard of living over time. The economy is already benefiting from these changes through increased international competitiveness and rising exports to other countries. Indeed, exports have been the main source of economic expansion over the past few years.

Notwithstanding these positive elements, Canadians remain nervous about the future and are worried about their jobs as businesses continue to restructure their operations in an effort to become more competitive. In many cases, this has meant that jobs have changed or have disappeared completely. While these adjustments in the job market are stressful, they are part of a necessary process of change that will result in a more vigorous Canadian economy, with stronger employment creation. During the adjustment period, however, unemployment has remained high, and Canadians have become cautious in their spending, especially on major items.

An additional problem for our economy has been the burden of accumulating government deficits over many years and the resulting increase in public sector indebtedness to a very high level by international standards. Concerns about this indebtedness, coupled with the uncertainties in our political situation, have meant that interest rates in Canada, especially for medium and longer terms, have been higher than they would otherwise have been. And high interest rates have made the process of economic adjustment longer and more uncertain. Governments have found themselves caught in a vicious circle of rising debts and debt service costs, and consumers have found further reason to be cautious.

Over the past year, governments in Canada have taken major steps in sorting out their budgetary and debt problems, and that has helped to bring down interest rates. However, to make further headway in lowering medium- and long-term interest rates, fiscal progress must continue. If it does, and the economic situation is not disrupted by political uncertainty, I believe that Canada's modernized business sector will be in a position to deliver better economic performance than we have seen in this country for many years.

The remainder of this report provides information on the Bank's responsibilities and how they have been carried out over the past year. Here I would like to give just a brief summary of our activities and achievements.

"Our aim continues to be to keep inflation under tight control in order to prevent rising prices from undermining the value of money in Canada."

With respect to monetary policy, our aim continues to be to keep inflation under tight control in order to prevent rising prices from undermining the value of money in Canada. Tight inflation control is the best contribution that monetary policy can make to Canada's prosperity because confidence in the value of money systematically contributes to better savings, investment and production decisions. More specifically, our objective is to hold inflation inside a target range of 1 to 3 per cent.

Not only has the Bank again met its inflation-control target, but Canada is establishing a reputation as a low-inflation country. And the improvements to the Canadian economy that I described above have been encouraged by this low-inflation environment. The Bank's firm commitment to its targets has also offered an important degree of comfort to savers and investors in these unsettled times.

Since the Bank has been successful in bringing inflation down to a low level, the emphasis over the past year has been to keep inflation low and to ensure that monetary policy is operating as effectively as possible. For the economy to reap the full benefits of a low-inflation policy, Canadians must be well-informed about the direction of monetary policy, and financial markets must understand the basis for the Bank's actions. For some years now, the Bank has been increasing its efforts to be more transparent in explaining its policy objectives, its views on the economy, and the nature of its actions.

During 1995 the Bank issued its first semi-annual *Monetary Policy Report*. Throughout the year, in speeches, conferences and meetings with various groups, we have tried to be clearer and more forthcoming about our operations. And to ensure regional input to the Bank's decision-making, we continued to emphasize our outreach program, an undertaking that brings senior Bank officials into regular contact with financial institutions, economists, the media, business leaders, provincial officials, and community and interest groups across the country. These regional contacts ensure a frank exchange with a large number of Canadians, allowing us not only to explain the Bank's policies and activities but also to gather information on local economic and financial developments.

To contribute to the safety and soundness of the financial system, the Bank continued to be closely involved in three projects designed to reduce risk and improve the efficiency of financial transactions and of payments generally. The systems I am referring to in the areas of payments, securities transactions and foreign currency transactions can be thought of as the plumbing of our financial system. As we all know, it is important to have a completely reliable plumbing system – one that does the job effectively and can be counted on not to break down.

"Throughout the year, in speeches, conferences and meetings with various groups, we have tried to be clearer and more forthcoming about our operations."

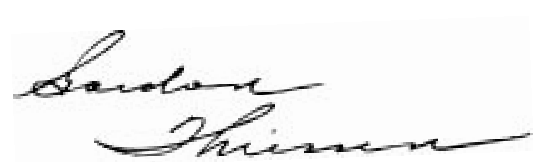
One of the Bank's major responsibilities is the provision of currency to meet the needs of the economy in a secure and cost-effective way. In 1995 we completed a fundamental reappraisal of the distribution system for bank notes in Canada. As explained more fully later in this report, we are working with financial institutions to make better use of private sector expertise and facilities. The responsibility for storage of bank notes across the country and the exchange of notes that are fit for reissue among financial institutions (activities that are currently carried out by the Bank of Canada) will be largely taken over by the financial institutions.

In providing debt management services to the federal government, the Bank's focus in 1995 was on improving the arrangements for the sale and servicing of Canada Savings Bonds and on building the systems required for a wider array of debt instruments aimed at attracting the savings of individual Canadians.

I would also like to report to Canadians on the financial management of the Bank of Canada. Like many other public institutions, the Bank has been carefully examining its operations to ensure that they are efficient and effective. For some years, the Bank has squeezed cost savings from many of its operations, but in 1995 we conducted an activity review that took a more fundamental look at how we carry out our responsibilities. We have identified those services that are no longer a priority or that can be cut back; we are re-engineering some of our operations; and we are reorganizing the Bank to better reflect these changes. The result will be more attention to client service, a greater focus on primary central banking activities, and lower costs.

The changes taking place at the Bank of Canada will result in a much smaller institution, and many employees will be leaving the Bank during 1996.

I would like to take this opportunity to say to all those employees who are leaving us how much your contribution and commitment have meant. For those carrying on, we have many challenges ahead. I am confident that we will meet these challenges successfully through the skills, motivation and teamwork of our staff.



The Bank at a Glance

"As the country's monetary authority, the Bank of Canada plays a central role in Canada's economic and financial life."

– G. Thiessen

The Bank has trading rooms in Ottawa, Montreal and Toronto.

What the Bank Does

The Bank of Canada's primary responsibilities, as set out in the Bank of Canada Act, can be grouped into four broad functions. The key responsibilities of these corporate functions are outlined below. In the balance of the section we describe how the Bank works and is held accountable.

Monetary policy

The Bank's primary function and most important responsibility is monetary policy. Monetary policy is concerned with managing the rate of monetary expansion in a way that is consistent with preserving the value of money.

Central banking services

The Bank carries out a variety of activities that support Canada's systems for clearing and settling payments and other financial transactions. We also operate deposit accounts for major financial institutions and for the federal government, and manage the government's foreign exchange reserves.

Bank notes

The Bank is responsible for issuing bank notes in Canada – undoubtedly our best-known product. This responsibility involves note design (including features that enhance security against counterfeiting) as well as printing, distributing and eventually replacing bank notes.

Debt management services

As fiscal agent, the Bank advises the government on matters relating to the public debt and is responsible for issuing debt, maintaining bondholder records and making payments on behalf of the government for interest and debt redemption.

What Is Money?

Money is anything that is generally accepted in exchange for goods and services or for the settling of debts. Over the years it has taken many forms – from beads and seashells to coins, playing cards, bank notes, bank deposits, and now electronic “smart cards.”

While the form of money has changed, its functions have not. It solves the many problems of barter. It provides a standardized way to express prices, incomes, debts and assets – the information on which production, spending, savings and investment decisions are made. And it is a means of holding wealth for future use.

Today, money used by the public to settle transactions is most commonly in the form of cash (bank notes and coins) or chequable deposits in financial institutions. As a store of wealth, money also includes assets, such as savings deposits, term deposits and money market mutual funds, that can be easily converted for transaction purposes.

The Bank of Canada has two main responsibilities with respect to money.

The first is to protect its value from being eroded by inflation. It does this by managing the growth of the money supply. The Bank’s monetary policy actions immediately affect short-term interest rates and indirectly influence the expansion of money, credit and spending in the economy. By encouraging a rate of spending that does not put upward pressure on prices, the Bank promotes a well-functioning economy.

The second responsibility is to provide one of the major forms of money – bank notes. The Bank must provide Canadians with notes that will be readily accepted without concerns about counterfeiting. Canadian bank notes are among the most secure in the world.

Students from Chelsea Elementary School in Quebec were among many who visited the Bank’s Currency Museum in 1995.

How the Bank Works

“The Bank’s responsibilities are carried out by a staff with a wide variety of talents.”

The Bank’s responsibilities are carried out by a staff with a wide variety of talents. Economists, translators, analysts, clerks – these and many others pool their skills at the Bank of Canada, and it is their expertise and creativity that enable the central bank to fulfil its role in a highly professional and efficient manner.

Although the Bank’s responsibilities are expressed in terms of four functions, the Bank is organized into twelve departments, with many interdepartmental links. Department Chiefs, who report to Deputy Governors, are directly responsible for operations in their own areas.

The Deputy Governors sit on the Governing Council, which takes collective responsibility for managing the Bank. In this forum, the Governor, Senior Deputy Governor and the four Deputy Governors deal with broad organizational and strategic issues. This group is also responsible for the formulation and implementation of monetary policy.

The Governing Council and the Department Chiefs meet as a group to prepare the Bank’s medium-term plan and annual budget for approval by the Board of Directors.

Members of the Governing Council, L-R: Sheryl Kennedy, Bernard Bonin, Charles Freedman, Paul Jenkins, Tim Noël, Gordon Thiessen

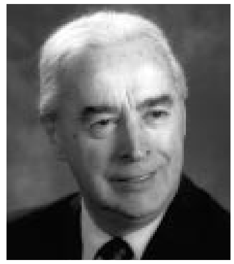
The Board of Directors

Under the Bank of Canada Act, overall responsibility for the Bank's operations is assigned to the Board of Directors.

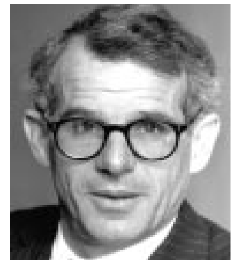
The Board is composed of twelve Directors from outside the Bank as well as the Governor, Senior Deputy Governor, and the Deputy Minister of Finance (a non-voting member).

The principal role of the Board is to ensure that the Bank is well managed. Directors appoint the Governor and the Senior Deputy Governor (subject to approval by order-in-council), as well as the Deputy Governors. The Board plays an active role in charting the strategic direction of the Bank and in determining its broad corporate policies. It approves the annual budget and medium-term plan. The Board also monitors the financial performance of the Bank and receives the reports of the external auditors.

The Directors come from every province and have experience in a diversity of fields. While they are not required to be experts in monetary policy, the Directors provide an important link between the Bank and their respective regions. Directors are appointed by order-in-council for three-year terms, on the recommendation of the Minister of Finance.



Fernand G. Dubé, QC *
Campbellton
New Brunswick



Joseph Kruger II
Corner Brook
Newfoundland

Harold H. MacKay, QC
Regina
Saskatchewan

Paul Massicotte
St-Laurent
Quebec

Donald J. Matthews *
London
Ontario

Judith Maxwell, OC
Ottawa
Ontario

James S. Palmer, QC
Calgary
Alberta

Charles Pelletier, FCA *
Charlesbourg
Quebec

Donald S. Reimer *
Winnipeg
Manitoba

Barbara F. Stevenson, QC
Charlottetown
Prince Edward Island

David A. Dodge *
Deputy Minister of Finance
(Ex officio)

Two positions were vacant on 31 December 1995.

* Members of the Executive Committee

Department Chiefs meet regularly with the Governing Council in the Planning Forum.

The Board of Directors meets a minimum of seven times a year, with one meeting usually held outside Ottawa. Between Board meetings, the Directors are involved in Bank operations on a regular basis through a committee system.

An Executive Committee, composed of the Governor, Senior Deputy Governor, four Directors and the Deputy Minister of Finance, meets regularly and submits its minutes at the next Board meeting. Other committees meet according to the requirements of their subject areas. These include a Planning and Budget Committee, an Audit Committee, a Human Resources and Compensation Committee, and a Premises Committee.

Charting a Course

"The Bank's objective is to contribute to the economic well-being of Canadians."

– G. Thiessen

Charting a Course

“*The way in which the Bank proposes to implement some elements of its strategy has changed significantly in the past year.*”

The Bank’s strategy for promoting the economic well-being of Canadians incorporates three key elements:

- maintaining the value of money
- contributing to the safety and soundness of Canada’s financial system
- meeting the needs of Canadians for bank notes

In the Bank’s other major area of responsibility, our goal is to deliver responsive, cost-effective debt management services to the federal government.

The way in which the Bank proposes to implement some elements of its strategy has changed significantly in the past year. For the most part, these changes have been driven by the results of in-depth reviews of the Bank’s activities. The most significant example is found in the bank note area.

Maintaining the value of money

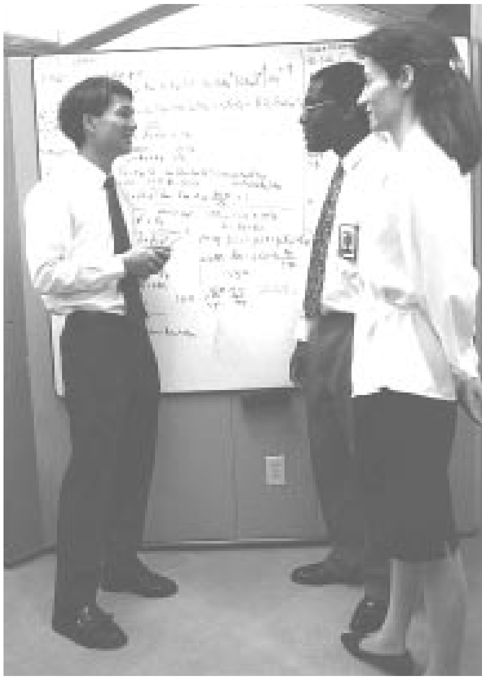
Price stability was reaffirmed as the goal of monetary policy in December 1993 in a joint statement issued by the government and the Bank of Canada. At that time, a target range for inflation control of 1 to 3 per cent was specified for the 1995-98 period. By 1998, a decision will be reached on a future target range that is consistent with price stability.

The targets contribute to the goal of achieving and maintaining price stability by reinforcing the commitment of the Bank and the government to that goal. The targets also make the Bank’s monetary policy actions more understandable to financial market participants and to the general public and provide a basis for judging the Bank’s performance. This is part of the Bank’s commitment to open communication in its conduct of monetary policy.

The methods that the Bank uses to implement monetary policy depend in part on the way the flow of cheques and other payments are settled daily among financial institutions. When a new system for electronically transferring large value payments is implemented to replace the current paper-based system (likely in 1997), these methods will change. In keeping with its objective to promote understanding of its actions in the market, the Bank is consulting with market participants on the changes to be made.

Contributing to the safety and soundness of the financial system

The safety and soundness of Canada's systems for clearing and settling payments and other financial market transactions are critical to the health of the economy. The massive increases in the value of transactions flowing through the financial system, as well as the expanding linkages between Canadian and foreign financial systems, have led the Bank to greatly increase its efforts to guard against possible risks to these systems. The Bank has been working closely with the private sector and with other public sector bodies on measures to contain risk. The proposed Payment Clearing and Settlement Act will give the Bank a more explicit role in overseeing certain clearing and settlement systems that could pose systemic risk.



Economists at the Bank are engaged in research and policy analysis.

Meeting the needs of Canadians for bank notes

There are two major aspects to meeting the needs of Canadians for bank notes:

- the need to distribute notes across Canada efficiently and effectively
- the requirement for high standards of note quality and counterfeiting protection at minimized costs

Through its network of agencies across the country, the Bank provides bank notes to financial institutions. A comprehensive study of the bank note distribution system completed in 1995 found that system-wide efficiencies could be realized by making better use of private sector expertise and facilities. Discussions on this proposed approach are under way with the financial institutions. The result will be a fundamental change in the way bank notes are distributed. The Bank plans to focus its activities on the production, storage and issue of new notes and the destruction of unfit notes. The remaining activities – determining the fitness of notes, distributing and storing fit notes – would become the responsibility of the financial institutions (or would be offered by the Bank for a fee to recover costs). Over the medium term, the Bank plans to discontinue note-processing operations in its small and medium-sized agencies (starting with the Ottawa agency in the summer of 1996).

"The average life of bank notes has been extended by almost 50 per cent over the past five years."

The Bank must continually balance the need for note quality that is acceptable to financial institutions and the public against the potential savings that accrue from keeping notes in circulation longer. As a result of new, sophisticated note verification and sorting equipment, fewer good notes are destroyed, and the average life of bank notes has been extended by almost 50 per cent over the past five years. The Bank is now investigating the feasibility of more durable substitutes for the paper

The Bank's Internal Communications Committee

currently used for bank notes. The initial experience of some other countries suggests that this approach could significantly increase the average life of bank notes.

Canadian bank notes, with the reflective patch on higher denominations, remain among the most up-to-date and secure in the world. A key element of any anticounterfeiting strategy is public education, an area on which the Bank has begun putting more emphasis.

Technological advances are increasing the feasibility of "smart cards" as a means of payment. The impact on bank note activity as well as on monetary policy and the financial system is still uncertain. The Bank is monitoring developments closely and is jointly studying the issues with other central banks.

Providing responsive and cost-effective debt management services

The strategy introduced by the federal government in 1995 to place more of its debt with individual investors has significantly changed the Bank's responsibilities as fiscal agent in the retail debt area. This past year, the government set up the Canada Retail Debt Agency (CRDA) to take responsibility for product development, distribution and marketing functions. While the Bank's role in the past was quite broad, its main responsibility now is to provide the bondholder register and support services for the CRDA. A major multiyear project is under way at the Bank that will renew its systems and business processes, and so enhance the responsiveness and cost-effectiveness of its services.

Meeting the Challenges

"A key management thrust over the next few years will be to foster a work environment that is stimulating and supportive."

Our aim is to be an innovative, resourceful and forward-looking institution that is accountable for its actions. The course that the Bank has charted demands a sharper focus on activities central to the Bank's public policy role, on the needs of our clients, and on the efficiency and effectiveness of our operations. One consequence is that staff resources will be 20 per cent lower by year-end 1998 than in 1995, some 35 per cent below the peak in 1990.

The challenges presented by these changes are considerable, and the skills, talent and motivation of the Bank's staff are critical to achieving our goals. Thus, a key management thrust over the next few years will be to foster a work environment that is stimulating and supportive. This means ensuring that the necessary information, tools, rewards and recognition are in place; that opportunities for professional growth and development are a priority; and that flexibility and teamwork are attributes of the organization.

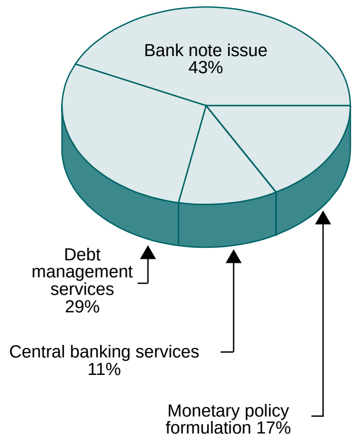
An Account of Our Stewardship

"The Bank has been carefully examining its operations to ensure that they are efficient and effective."

– G. Thiessen

Monetary Policy

Operating costs by function



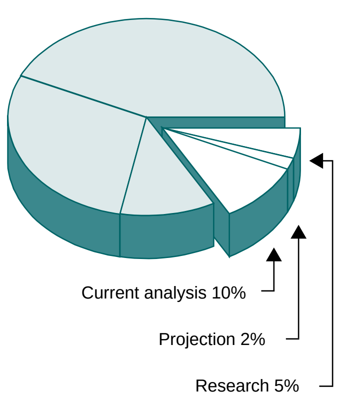
The formulation of monetary policy accounted for $33 million of the Bank's expenses in 1995. This amount is slightly less than in 1994.

The Bank's major accomplishment in this area was to keep inflation within the target range. During the early part of the year, both the total consumer price index (CPI) and the Bank's measure of core inflation (the total CPI excluding food, energy and the effect of indirect taxes) moved into the upper half of our 1 to 3 per cent inflation-control target range. By year-end, both measures had moved back down into the lower half of the range.

A less tangible, but no less important, accomplishment was the growing public understanding and acceptance of the goal of price stability. One measure of success in this regard was the reduction in long-term inflation expectations as indicated by the narrowing of the spread between the yields on government 30-year conventional bonds and Real Return Bonds. Surveys of short-term inflation expectations also indicate a public outlook for inflation consistent with the Bank's inflation-control targets.

Further steps were taken in 1995 to explain monetary policy and to increase the clarity of the Bank's policy operations. The new *Monetary Policy Report*, issued in May and November, details the conduct of monetary policy and provides an assessment of the outlook for inflation. A four-page summary of the report is also available, and both the report and its summary can be accessed through the Bank's home page on the Internet (www.bank-banque-canada.ca). Senior Bank officials discussed the report in meetings across the country, in major international financial centres and before the Finance Committee of the House of Commons.

Operating costs related to monetary policy formulation



The Bank continued to elicit feedback and gather valuable information on the state of the economy from financial market participants, industries, associations, economists and government officials. On the international front, the Bank participated in regular meetings of major international economic and financial organizations, sharing and gathering information to contribute to domestic policy deliberations.

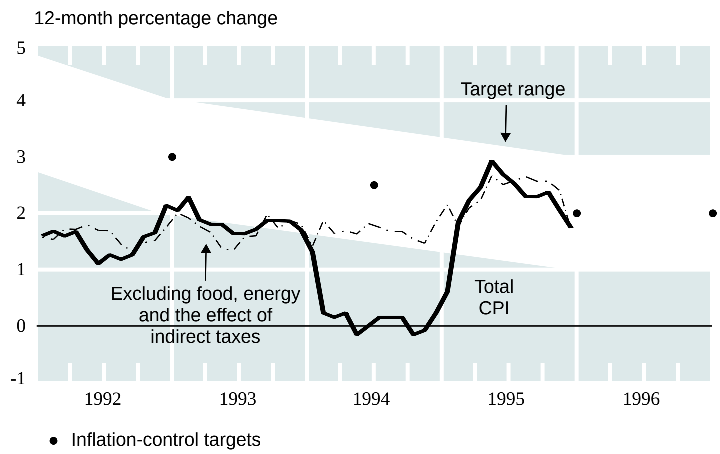
In addition, Bank staff continued to publish research and analysis, and senior officials increased the number of their presentations to the public.

Three main activities support the formulation of monetary policy: analysis of current developments, research, and economic projections and policy analysis. In 1995, the Bank undertook a full review of these activities. This included a detailed assessment of the information critical to the analysis of current economic and financial developments. In some areas, it was concluded that the scope or frequency of analysis could be reduced. In other areas, expanded use of new technology has resulted in savings in the way information is being processed and reported.

The review reaffirmed the importance of well-focussed economic and financial research in maintaining the Bank's ability to respond to unexpected developments. It also confirmed the necessity for economic projections and policy analysis so that monetary policy can be conducted in a forward-looking context.

"Surveys of short-term inflation expectations ... indicate a public outlook for inflation consistent with the Bank's inflation-control targets."

Consumer price index



Central Banking Services

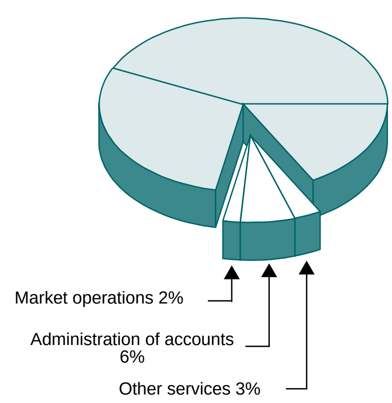
Central banking services accounted for $20.8 million of the Bank's expenses in 1995, slightly more than in 1994. About half was spent handling the flow of transactions through various deposit and safekeeping accounts, with the balance split almost equally between the support of the Bank's financial market operations and other services.

Administration of accounts and cash management

The Bank of Canada maintains deposit and safekeeping accounts for approximately 100 clients, including the federal government, major financial institutions, other central banks and international financial institutions.

As the federal government's banker, the Bank ensures that the government's operating accounts at financial institutions have enough cash to meet daily requirements, while at the same time taking steps to minimize the cost to the government of holding these balances. Managing the government's cash balances also involves raising funds to meet anticipated short-term needs and reinvesting funds in excess of daily operating requirements in term deposits that earn interest at a higher rate.

Operating costs related to central banking services



In November, the Bank hosted a conference on money markets and central bank operations in Canada. The proceedings of this conference will be published in 1996.

The Bank uses its ability to shift government operating balances between accounts at the Bank and those at financial institutions to influence the level of liquidity in the Canadian system and, therefore, very short-term interest rates. This mechanism is our principal means for implementing monetary policy.

During 1995, the Banco de México made several drawings upon the bilateral swap facilities that had been established with the Bank of Canada. These drawings, which reached a maximum of $333 million out of total available resources of $1.5 billion, were made in the context of the North American Framework Agreement. As of the end of December 1995, $216 million remained outstanding under the Canadian facilities. This amount was fully repaid in late January 1996.

The Bank of Canada also participated during 1995 in a multilateral U.S.$1 billion short-term credit facility for the Banco Central de la República Argentina. The Bank of Canada's share of U.S.$60 million was provided, as were the shares of other participating central banks, with the co-operation of the Bank for International Settlements. The facility, which was repaid in full, expired at the end of September.

Market operations

The Bank also engages in financial market operations to implement monetary policy. In 1995 interventions involving direct sales or purchases of treasury bills were down from 1994 levels. The bulk of the interventions occurred early in the year, when short-term rates rose sharply, and at midyear, when the Bank intervened again to slow the subsequent decline in rates. The Bank was more active in one-day resale and repurchase transactions to keep the overnight interest rate (the rate on which it exerts the most direct influence in the short-term market) within its established operating band. It intervened 65 times to keep the rate from going above the upper limit of the band; 22 times to prevent it from falling below the lower limit; and 14 times to signal changes in the band.

Acting as agent for the Minister of Finance, the Bank intervenes in the foreign exchange market, buying or selling Canadian dollars to moderate rapid movements in the value of the dollar. Beginning in April 1995, the Bank, on behalf of the Minister, inaugurated a new set of criteria that call for less frequent intervention. As a result, the proportion of working days on which there were interventions declined to 15 per cent, compared with about 50 per cent that would have taken place under the former regime. The Bank is also active in managing the government's foreign exchange reserves, including their investment in foreign markets, the buying of foreign exchange to cover the foreign currency requirements of government departments, borrowing foreign currencies on behalf of the government to replenish reserves, and engaging in gold transactions. At the end of 1995, international reserves were approximately U.S.$15.25 billion, an increase of U.S.$2.75 billion from 1994 levels. The total includes U.S.$1.4 billion in net new borrowing.

Since 1983, the Bank has conducted a triennial survey of foreign exchange market activity in Canada (see p. 41). The latest survey was done in April 1995 and, for the first time, included derivatives markets. Similar comprehensive surveys were undertaken by 25 other central banks and monetary authorities around the world. In Canada, the survey shows that the average daily turnover in the Canadian foreign exchange market, at U.S.$30 billion, has continued to grow rapidly but at a slower pace than during the 1980s. The results also indicate that in Canadian derivatives markets, trading is dominated by foreign exchange and interest rate contracts, notably swaps, forwards, futures and options. Daily turnover in foreign exchange derivatives markets in April 1995 constituted nearly two-thirds of the total given above, while daily turnover in interest rate contracts was $15 billion.

Data management is essential to central banking.

A discussion paper was issued in November 1995 (see p. 41) setting out a proposed framework for implementing monetary policy in the context of a new electronic system for the transfer of large value payments, and this was followed by extensive consultations with market participants.

This work also contributed to a decision to set the Bank Rate, as of 22 February 1996, at the upper limit of the Bank's operating band for the overnight rate instead of linking it to weekly auctions of 3-month treasury bills.

Payment, clearing and settlement systems

The Canadian Payments Association expects to introduce the Large Value Transfer System, or LVTS, in the first half of 1997. When in place, this system will greatly enhance the safety of the payments system, eliminating the uncertainty created by the current lags in clearing and settling payment items.

"A triennial survey of foreign exchange market activity in Canada ... was done in April 1995."

The Bank continued to work closely with The Canadian Depository for Securities Ltd. (CDS) and with the financial community to improve risk-containment mechanisms and to expand the scope of the clearing and settlement systems for securities, known as the Debt Clearing Service (DCS). In October, a major step was taken when Government of Canada treasury bills were added to the DCS; government bonds had been placed on the system in mid-1994.

Work continued on the development of a new international netting system (Multinet) to process large value foreign exchange

"In 1995 the Bank of Canada responded to approximately 7,000 inquiries from the public concerning unclaimed balances and paid 3,200 accounts, totalling $4.4 million."

transactions. In 1995 the Bank and the Canadian participants in the system agreed on an interim arrangement for settling the Canadian dollar portion of transactions prior to the implementation of the LVTS.

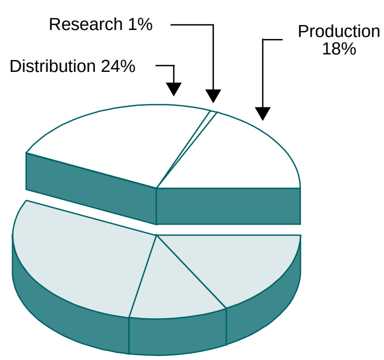
The Bank held a series of discussions throughout the year with interested parties to clarify the more formal role the Bank would play in the supervision of risk-control arrangements in clearing and settlement systems such as DCS, LVTS and Multinet, following the passage of the proposed Payment Clearing and Settlement Act. In this regard, new reporting and monitoring procedures are being developed.

Other services

Chartered banks are required to transfer to the Bank of Canada unclaimed balances that have been inactive for 10 years. The Bank maintains a national register of these balances for review by the public. In 1995 the Bank of Canada responded to approximately 7,000 inquiries from the public concerning unclaimed balances and paid 3,200 accounts, totalling $4.4 million. At the end of 1995 the Bank held approximately 900,000 unclaimed balances totalling about $142 million, which are included in "Other deposits" on the Bank's statement of assets and liabilities.

Bank Notes

Operating costs related to bank note issue



The largest portion of the Bank's expenses are incurred in the production, distribution and replacement of Canada's bank notes. In 1995 this amounted to $80 million, 21 per cent less than in 1994. This significant decrease in expenses was caused primarily by a lower requirement for new notes. A further reduction is expected in 1996.

Production

In February 1996 the Bank stopped issuing the $2 bank note and the Royal Canadian Mint placed a new $2 coin in circulation. Anticipating this change, the Bank reduced the production of $2 notes in 1995. A further decline in the demand for new notes resulted from the Bank's investment in bank note verification and sorting equipment. Improvements in this equipment have prompted refinements in our measures of note quality, which have enabled the Bank to keep notes in circulation longer. In the past five years, average note life has been extended from 13 to 19 months.

In 1995, significant efficiency gains were made in both the manufacture and application of the small reflective patch on the upper left-hand corner of the higher-denomination notes – the Optical Security Device (OSD). A 45 per cent decrease in direct cost was achieved by using different materials and modifying the manufacturing process. Almost all of the $20, $50 and $100 notes now in circulation (500 million notes) bear the OSD.

Cash processing and distribution

Approximately one billion bank notes were in circulation during 1995. The number of notes deposited by financial institutions for processing at the Bank's agencies in 1995 decreased by about 1 per cent to 2.2 billion.

The expenditures related to cash processing and distribution decreased by about $4 million in 1995. The decrease reflected two principal elements: the newly adopted straight-line method of depreciation, which better reflects the decline in the value of buildings and equipment over time; and the fact that start-up costs incurred in 1994 for the new note-processing facility in Mississauga were not a factor in 1995.

Another cost-saving factor was the success of a pilot project undertaken to facilitate the handling of bank notes in Newfoundland. In the past, notes used in Newfoundland were processed at the Bank's agency in Halifax. Under the pilot project, a cash supply centre operated by a security company on behalf of five chartered banks and the Bank of Canada was set up in St. John's.

The experience gained in the pilot study was also important in considering alternatives to the current system for distributing bank notes in Canada. As outlined in the previous section, a comprehensive study of bank note distribution was a key accomplishment in 1995 and will lead to significant changes in the future. The Bank has been working closely with the financial institutions to work out the details of the new system.

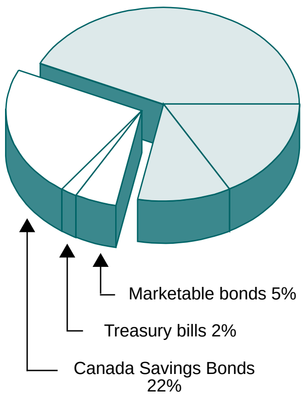
Research

Expenditures on bank note research remained relatively low in 1995 at about $1 million. The research program focussed primarily on testing the more durable substitutes for bank note paper that are being developed by the private sector. These alternatives may also offer new opportunities for anticounterfeiting devices, and research expenditures will increase with more detailed assessment of the products.

The Bank responds to questions through its Public Information service.

Debt Management Services

Operating costs related to debt management services



Expenditures on behalf of the federal government for public debt administration and advisory services amounted to $54 million in 1995, slightly below 1994 expenses. Within this amount, increased expenditures were undertaken during the year to improve the Bank's capacity to service debt products held by individual investors. (Excluding these initiatives, overall spending on debt management services declined by 7.4 per cent in 1995.)

Government retail debt services

During 1995 the federal government established the Canada Retail Debt Agency (CRDA). The CRDA is responsible for the government's strategy and program for placing debt at the retail level. The Bank now has a reduced responsibility for the Canada Savings Bond (CSB) operation, and the CRDA, rather than the Bank, will have principal responsibility for pursuing any new government retail products.

Nevertheless, the Bank remains heavily involved in administration and other services related to retail debt, acting as an agent for the CRDA. Bank expenditures in support of government retail debt accounted for close to 80 per cent of total spending on debt management services in 1995. Activities included the servicing of millions of CSB accounts, as well as the development of a major new infrastructure to enhance the Bank's ability to handle retail debt products.

CSB information is available on the Internet at www.bank-banque-canada.ca/csb-oec/

Many other initiatives were undertaken during the year. A new RRSP option for CSBs was successfully developed in conjunction with a private sector firm. The 1-800 Call Centre was expanded to provide presales marketing support for the fall CSB campaign, and a new imaging system enabled customer service representatives to respond more efficiently to bondholder inquiries. A pilot project to market CSBs directly to the public generated a modest amount of sales. Also, a further consolidation of CSB accounts reduced computing and mailing costs and improved customer service. Finally, clients can now contact us by electronic mail, and a Web site for CSB information was created on the Internet.

Other government debt services

Although treasury bills and marketable bonds account for the bulk of federal government debt outstanding, only 20 per cent of the Bank's debt management expenditures relate to these instruments. This is because the holders of this debt are mainly institutions that own large amounts but represent only a small number of accounts. Also, the Bank's handling and processing costs in this area have decreased in recent years as marketable bond and treasury bill transactions have been cleared and settled through the computerized debt clearing system of CDS. The introduction in 1995 of “global” certificates lodged with CDS for all new treasury bill and marketable bond issues will further reduce the use of paper certificates and lower processing costs.

The Bank advises the government on new financings and runs auctions for the issue of treasury bills and marketable bonds. During 1995 there were 98 of these auctions, including regular weekly offerings of treasury bills, 22 issues of short-term treasury bills for government cash management purposes, and 24 auctions of marketable bonds. Two of those auctions involved Real Return Bonds; two syndicated offerings of these bonds were also managed by the Bank. In addition to these domestic market issues, the Bank was involved in raising U.S.$3 billion for the Exchange Fund Account (EFA) through two global bond issues, as well as in managing the ongoing Canada Bills program to provide the EFA with short-term U.S. dollar funding.

Canada Savings Bonds are processed and registered at the Bank of Canada.

Financial Results Summary

As previously discussed, 1995 was a year of fundamental review and transition for the Bank of Canada. The outcome of this review has had a significant impact on the Bank’s expenses for the year and will continue to be felt for a number of years.

Operating expenses

Operating expenses by function
Millions of dollars

	1990	1994*	1995
Monetary policy	38.7	33.8	33.0
Central banking services	19.7	19.3	20.8
Bank notes	84.4	101.4	80.0
Debt management services	63.2	54.7	54.0
Subtotal	206.0	209.2	187.8
Workforce adjustment program	–	–	33.0
Total	206.0	209.2	220.8

* *Because of a reclassification of expenditures among functions, the numbers for 1994 differ slightly from those presented in the 1994* Annual Report.

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Operating expenses for 1995 increased by $12 million, or 6 per cent, to $221 million. This rise was more than accounted for by the $33 million cost of a workforce adjustment program associated with the Bank's review of activities. The first phase of this workforce adjustment program involves the early retirement and voluntary departure of about 375 employees during the course of 1996; over the next three years the total planned reduction is 500 positions. In accordance with Generally Accepted Accounting Principles (GAAP), all the disbursements related to this program were expensed in 1995 as an extraordinary item. It is estimated that once all the planned changes from the activity review are completed, the direct annual savings to the Bank will be in the order of $40 million – an amount equivalent to 20 per cent of 1994 operating expenses. However, some of these savings will be offset by investments in new initiatives, mainly related to the provision of retail debt management services for the federal government.

Excluding the workforce adjustment program, operating expenses in 1995 were down $21 million, or 10 per cent, to $188 million. As noted earlier, the bulk of this decline occurred in the bank note function as a result of a sharp drop in the production of new bank notes (largely because of the introduction of the $2 coin) and various efficiency gains. The savings from the activity review will mount over time, taking full effect by the end of 1998.

Revenue

Total revenue of $2 billion for 1995 was 19 per cent higher than in 1994, mainly as a result of a higher average return on the Bank's holdings of federal government securities. Net remittance to the Government of Canada was $1.8 billion, up $320 million from the previous year.

To improve understanding of the Bank's operations and the clarity of its financial statements, expenses for 1995 are presented by function. This approach includes a full allocation of all internal costs by function and places the emphasis more appropriately on what the Bank does and how much it costs to do it. (A breakdown of the Bank's expenses by object of expenditure continues to be provided in a note to the financial statements.)

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1995

AUDITORS OF THE BANK OF CANADA
VÉRIFICATEURS DE LA BANQUE DU CANADA

C. P. 813, SUCCURSALE B | P.O. BOX 813, STATION B

OTTAWA, CANADA
K1P 5P9

RAYMOND, CHABOT, MARTIN, PARÉ | COOPERS & LYBRAND

AUDITORS' REPORT

We have audited the statement of assets and liabilities of the Bank of Canada as at 31 December 1995 and the statement of revenue and expense for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 1995 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accompanying summary of significant accounting policies applied on a basis consistent with the preceding year except for the change in method of depreciation as described in note 6.

Raymond, Chabot, Martin, Paré

Coopers & Lybrand

Chartered Accountants
Ottawa, Canada
19 January 1996

Bank of Canada
Statement of revenue and expense

Year ended 31 December 1995

	1995	1994
	Millions of dollars	
REVENUE		
Revenue from investments, net of interest paid on deposits of $23.3 million ($19.1 million in 1994)	**2,037.0**	1,704.9
EXPENSE by function (notes 1, 3 and 4)		
Monetary policy	**33.0**	33.8
Bank notes	**80.0**	101.4
Central banking services	**20.8**	19.3
Debt management services	**54.0**	54.7
	187.8	209.2
Workforce adjustment termination benefits (note 11)	**33.0**	–
	220.8	209.2
NET REVENUE PAID TO RECEIVER GENERAL FOR CANADA	**1,816.2**	1,495.7

(See accompanying notes to the financial statements)

Bank of Canada
Statement of assets and liabilities

As at 31 December 1995

ASSETS	1995	1994
	Millions of dollars	
Deposits payable in foreign currencies		
U.S.A. dollars	**328.7**	521.1
Other currencies	**219.8**	4.2
	548.5	525.3
Advances to members of the Canadian Payments Association (note 10)	**545.4**	446.8
Investments – at amortized values (note 5)		
Treasury bills of Canada	**18,072.0**	19,146.6
Other securities issued or guaranteed by Canada maturing within three years	**1,523.9**	1,879.2
Other securities issued or guaranteed by Canada not maturing within three years	**3,767.9**	4,049.8
Other investments	**5,293.0**	3,575.4
	28,656.8	28,651.0
Bank premises (note 6)	**225.0**	233.3
Other assets	**224.9**	193.3
	30,200.6	30,049.7

(See accompanying notes to the financial statements)

LIABILITIES	1995	1994
	Millions of dollars	
Capital paid up (note 7)	**5.0**	5.0
Rest fund (note 8)	**25.0**	25.0
Notes in circulation	**28,777.7**	28,328.7
Deposits		
Government of Canada	**17.6**	26.4
Chartered banks	**478.8**	586.2
Other members of the Canadian Payments Association	**38.9**	33.0
Other deposits	**629.2**	639.9
	1,164.5	1,285.5
Liabilities payable in foreign currencies		
Government of Canada	**185.4**	373.0
Other liabilities	**43.0**	32.5
	30,200.6	30,049.7

Governor, **G.G. THIESSEN**

Chief Accountant, **J.-P. AUBRY**

Bank of Canada
Notes to the financial statements

Year ended 31 December 1995

1. Bank functions

The Bank of Canada's primary responsibilities are set out in the Bank of Canada Act and can be grouped into four broad functions. Beginning with 1995, net operating expenses in the Statement of revenue and expense are reported on the basis of these four corporate functions, which are described below. Net operating expenses by major objects of expenditure are presented in Note 3.

Monetary policy

This is the Bank's primary function. Monetary policy is concerned with managing the rate of monetary expansion in a way that is consistent with preserving the value of money; that is, by maintaining stability in the general level of prices.

Bank notes

The Bank has the sole right for issuing bank notes in Canada. This responsibility involves note design (including features that enhance security against counterfeiting) as well as printing, distribution and eventually replacing bank notes.

Central banking services

As central banker, the Bank of Canada is responsible for operating deposit accounts for major financial institutions and for the federal government. In effect, the Bank acts as their banker. The Bank also manages Canada's foreign exchange reserves and carries out a variety of activities aimed at enhancing the efficiency and stability of the Canadian financial system. In addition, the Bank maintains the registry of bank accounts that have been dormant for 10 years or more and is the registrar for chartered banks' Notices of Intention to take security for loans in the form of certain types of property.

Debt management services

As fiscal agent, the Bank advises the federal government on matters relating to the public debt and is responsible for issuing debt, maintaining bondholder records and making payments on behalf of the federal government for debt redemption and interest.

2. Significant accounting policies

The financial statements of the Bank conform to the disclosure and accounting requirements of the Bank of Canada Act and the Bank's by-laws. The significant accounting policies of the Bank are:

a) Revenues and expenses

Revenues and expenses are accounted for on the accrual basis except for interest on advances to a bank ordered to be wound up where interest is recorded as received.

b) Investments

Investments, consisting mainly of Government of Canada treasury bills and bonds, are recorded at cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition are included in revenue.

c) Translation of foreign currencies

Assets and liabilities in foreign currencies are translated to Canadian dollars at the rates of exchange prevailing at the year-end. Foreign currency assets and liabilities covered by forward contracts are converted to Canadian dollars at the contracted rates. Gains and losses from translation of, and transactions in, foreign currencies are included in revenue.

d) Bank premises

Bank premises, consisting of land, buildings and equipment, are recorded at cost less accumulated depreciation. As well, computer software costs exceeding $2.0 million are capitalized and amortized over the estimated useful life of the software, ranging from 3 to 5 years. Depreciation is calculated using the straight-line method and is applied over the estimated useful lives of the assets, as shown below.

Buildings	25 to 40 years
Computer equipment/software	3 to 7 years
Other equipment	5 to 15 years

A full year of depreciation is charged against assets in the year of acquisition, except for projects in progress which are depreciated from the point of substantial completion. No depreciation is taken on assets in the year of disposal.

e) Pension plan

Pension plan expense is recorded on the basis of actuarial valuations conducted in accordance with the funding requirements of the Pension Benefits Standards Act, 1985.

f) Insurance

The Bank does not insure against direct risks of loss to the Bank, except for potential liabilities to third parties and where there are legal or contractual obligations to carry insurance. Any costs arising from these risks are recorded in the accounts at the time they can be reasonably estimated.

3. Expense by object of expenditure

	1995	**1994**
	Millions of dollars	
Salaries	**77.6**	80.1
Other staff expenses	**20.4**	19.3
Bank note costs	**22.6**	34.9
Other expenses (note 4)		
Premises maintenance – net of rental income	**31.3**	33.8
Services and supplies	**15.5**	15.8
Depreciation (note 6)	**20.4**	25.3
	187.8	209.2
Workforce adjustment termination benefits (note 11)	**33.0**	–
Total	**220.8**	209.2

Wages and benefits of Bank staff engaged in premises maintenance are not included in the Salaries or Other staff expenses categories, but rather as part of Premises expenses.

4. Recoveries of expenses

Expenses by function are net of expenses recovered through fees for a variety of services provided by the Bank ($3.0 million in 1995 and $2.6 million in 1994). This netting is reflected in Other expenses under the object of expenditure presentation in Note 3.

5. Investments

Investments may include securities of the Government of Canada held under Purchase and Resale Agreements (PRA). As at 31 December 1995, there were no securities held under PRA ($434.9 million at the end of 1994).

6. Bank premises

	1995			1994		
	Millions of dollars					
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Land and buildings	**253.4**	**101.6**	**151.8**	250.9	94.8	156.1
Computer equipment/software	**50.6**	**42.1**	**8.5**	46.3	38.7	7.6
Other equipment	**144.2**	**83.6**	**60.6**	143.1	74.1	69.0
	448.2	**227.3**	**220.9**	440.3	207.6	232.7
Projects in progress	**4.1**	**–**	**4.1**	0.6	–	0.6
	452.3	**227.3**	**225.0**	440.9	207.6	233.3

During the year, the Bank changed from the declining balance to the straight-line method of depreciating assets to more appropriately reflect the pattern of asset use. This change has been made prospectively from 1 January 1995 and, accordingly, has reduced depreciation expense for the year ended 31 December 1995 by $5.4 million to $20.4 million when compared with what depreciation expense for 1995 would have been under the declining balance method.

7. Capital paid up

The authorized capital of the Bank is $5.0 million divided into 100,000 shares with a par value of $50.00 each. The shares are fully paid and in accordance with the Bank of Canada Act have been issued to the Minister of Finance, who is holding them on behalf of Canada.

8. Rest fund

The rest fund was established by the Bank of Canada Act and represents the general reserve of the Bank. In accordance with the Act, the rest fund was accumulated out of net revenue until it reached the stipulated maximum amount of $25.0 million in 1955. Subsequently all net revenues have been paid to the Receiver General for Canada.

9. Commitments

a) Bank premises

As at 31 December 1995, outstanding commitments under contracts for new computer systems, building upgrades and equipment purchases totalled $12.2 million ($0.6 million at the end of 1994). These contracts call for payments over the next year.

b) Foreign currency contracts

In the ordinary course of business, the Bank enters into commitments involving the purchase and sale of foreign currencies. In particular, the Bank enters into short-term foreign currency swap arrangements with the Exchange Fund Account (EFA) of the Government of Canada as part of its cash management operations within the Canadian banking system. These transactions, which are made with the concurrence of the Minister of Finance under a standing authority, involve the temporary acquisition by the Bank of foreign currency assets from the EFA. These assets are paid for in Canadian dollars at the prevailing exchange rate with a commitment to reverse the transaction at the same rate of exchange at a future date.

As well, the Bank of Canada is a participant in two foreign currency swap facilities with foreign central banks. The first, amounting to U.S.$2 billion, is with the U.S. Federal Reserve. The second, amounting to Can.$1.5 billion, is with the Banco de Mexico.

A summary of outstanding commitments follows.

		1995	1994
		Millions of dollars	
Foreign currency contracts	- purchases	**64.2**	66.1
	- sales	**5,646.2**	3,669.9

As at 31 December 1995, outstanding foreign currency contracts included sale commitments of $5,365.4 million ($3,603.8 million at the end of 1994) under swap arrangements with the EFA and $216.7 million (nil at the end of 1994) under the swap facility with the Banco de Mexico.

c) Investment contracts

In the ordinary course of business, the Bank enters into commitments involving the purchase and sale of securities. A summary of these outstanding commitments follows.

		1995	1994
		Millions of dollars	
Investment contracts	- purchases	**–**	–
	- sales	**–**	434.9

As at 31 December 1995, there were no outstanding investment contracts (i.e. sale commitments) under Purchase and Resale Agreements ($434.9 million at the end of 1994).

10. Legal matters

Advances include a total of $27.9 million, unchanged from 1994, provided to the Canadian Commercial Bank and the Northland Bank, for which winding-up orders have been issued by the courts. On the basis of the available information, it is the opinion of the Bank of Canada that this amount will be fully repaid from the proceeds of the liquidations.

The Bank of Canada's security for these advances includes the loan portfolios of those institutions. In the case of the Canadian Commercial Bank, the liquidator's conclusion that loans made form part of the Bank of Canada's security has been challenged with respect to portions of the portfolio and these issues are before the courts. In the Northland Bank liquidation, an issue regarding a clearing settlement made by Northland Bank to the Bank of Canada is before the courts. In the event of a final legal determination that part of the Canadian Commercial Bank's loan portfolio is not included in the security or that the Northland Bank clearing settlement is not covered under the Bank of Canada's security, it could result in some adjustment to amounts which have been recorded in income. The information available at the present time is not sufficient to estimate the magnitude of any potential adjustments.

11. Workforce adjustment termination benefits

The Bank plans to eliminate approximately 500 staff positions. This significant reduction in employment level is the result of extensive reviews of the Bank's activities and will be accomplished via early retirements, voluntary departures and some layoffs. The termination benefits are comparable to those offered recently by the federal government and are being charged to expense this year.

SENIOR OFFICERS

Gordon G. Thiessen, Governor*

Bernard Bonin, Senior Deputy Governor*

Deputy Governors

Charles Freedman*
W. Paul Jenkins*
Tim E. Noël*
Sheryl Kennedy*

Advisers

Serge Vachon[1]
Janet Cosier
Pierre Duguay
Vaughn O'Regan

L. Theodore Requard, Secretary

Associate Advisers
Jacques Clément, Chief, Montreal Div., Financial Markets Department
Donald R. Stephenson

Financial Markets Department
Bruce Montador, Chief
Ronald M. Parker, Deputy Chief
Nicholas Close, Chief, Foreign Exchange Operations
Patrick E. Demerse, Chief, Market Analysis and Open Market Operations
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David E. Rose, Research Adviser
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John G. Selody, Chief
Kevin Clinton, Research Adviser
Clyde A. Goodlet, Research Adviser
James F. Dingle, Research Adviser[2]

International Department
John D. Murray, Chief
James E. Powell, Deputy Chief
Paul R. Fenton, Research Adviser

Department of Banking Operations
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William R. Melbourn, Deputy Chief
Gordon B. May, Deputy Chief

Public Debt Department
Roy L. Flett, Chief
William G. Percival, Deputy Chief
Edward P. Fine, Deputy Chief

Secretary's Department
L. Theodore Requard, Secretary
Guy Thériault, Deputy Secretary
DEBT SYSTEMS
James M. McCormack, Program Co-ordinator

Automation Services Department
Daniel W. MacDonald, Chief
F. J. Bruce Turner, Deputy Chief

Personnel Department
George M. Pike, Chief
Claude Montambault, Deputy Chief

Department of Premises Management
Colin Stephenson, Chief
Janet M. McEwan, Deputy Chief

Comptroller's Department
Jean-Pierre Aubry, Comptroller and Chief Accountant
Frank J. Mahoney, Deputy Comptroller

Audit Department
Carman L. Young, Auditor
Peter Koppe, Deputy Auditor

* Member of the Bank of Canada Governing Council

1. Also Chairman of the Board of Directors of the Canadian Payments Association

2. Also Deputy Chairman of the Board of Directors of the Canadian Payments Association

Note: Positions as of 2 January 1996

REGIONAL REPRESENTATIVES AND AGENTS

Regional Representatives

Financial Markets Department

Montreal
Jacques Clément, Chief, Montreal Division
Toronto
Donald R. Cameron, Chief, Toronto Division
David J. S. Morgan, Foreign Exchange Adviser
Vancouver
Michael D. Stockfish, Western Canada Representative

Regional Agents

Department of Banking Operations

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Calgary
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Vancouver
William H. Watson

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Further Information About the Bank of Canada

Internet

http://www.bank-banque-canada.ca

The Bank's home page offers general background as well as timely access to press releases, speeches by the Governor and many of our major publications. Current exchange rates are updated daily.

Publications

Bank of Canada Review
A quarterly publication that combines economic commentary and feature articles with a set of statistical tables. By subscription.

Monetary Policy Report
Provides a detailed summary of the Bank of Canada's policies and strategies as well as a look at the current economic climate and its implications for inflation. Published semi-annually. Without charge.

Weekly Financial Statistics
A 16-page package of banking and money market statistics. By subscription.

For information about these and other publications, contact Publications Distribution.
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Public Information

For general information on the role and functions of the Bank, contact our Public Information office.
Telephone: (613) 782-7201
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