



BANK OF CANADA
BANQUE DU CANADA

MEDIUM-TERM PLAN 2007-2009

MOVING FORWARD: BUILDING THE FUTURE

TOGETHER



THE BANK'S COMPASS

As a public institution and a workplace, we take our bearings from our commitment to Canadians, to excellence, and to one another.

Our commitment to Canadians

To promote the economic and financial welfare of Canada, we

- ▶ conduct monetary policy in a way that fosters confidence in the value of money
- ▶ supply quality bank notes that are readily accepted and secure against counterfeiting
- ▶ promote the safety and efficiency of Canada's financial system
- ▶ provide efficient and effective funds-management services
- ▶ communicate our objectives openly and effectively and stand accountable for our actions

Our commitment to excellence

Building on our strengths, we aim to meet our commitment to Canadians through performance that is second to none among the central banks of the world.

We strive for excellence through leading-edge research and analysis, through partnerships within the Bank and with outside organizations, and through

- ▶ innovation in all aspects of our work
- ▶ leadership that spurs us on to new success
- ▶ integrity in our business and in our actions
- ▶ diversity of people and ideas

Our commitment to one another

We aim to achieve our best in a workplace where we

- ▶ communicate clearly and openly
- ▶ share knowledge and experience
- ▶ develop our talents and careers
- ▶ recognize those who live up to our commitments
- ▶ respect one another and our lives outside work



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On our cover

(clockwise from top)

Anastasia Vakos, *Financial Markets*
John Murray, *Executive*
Sharon Kozicki, *Research*
Danny Dela Cruz, *Corporate Services*
Thi Anh Vo Van, *Corporate Services*
Neville Arjani, *Monetary and Financial Analysis*
Imeh Inyang, *Corporate Services*
Ron Ridley, *Banking Operations*
Roshni Loknath, *Banking Operations*

Governor's Message



Governor David A. Dodge

Moving Forward: Building the Future Together

The Bank's new medium-term plan, *Moving Forward: Building the Future Together*, charts our course for the next three years. Building on the considerable achievements of the last medium term, this plan sets out an ambitious agenda to guide and focus our work over the next planning period.

In *The Way Forward* we set our sights high—to be second to none among the world's central banks. We adopted our Compass, a clear statement of our commitment to Canadians, excellence, and one another. These two documents remain the foundation of our new medium-term plan.

We have worked hard, and we can be proud of all we have accomplished. Work remains to be done to advance our culture of knowledge sharing, to continue to attract and retain quality staff, to strengthen business-continuity and security plans, and to reduce counterfeiting. At the same time, our assessment of the external environment and our recent Work Environment Check-Up (WECU) survey have identified new challenges for the period ahead.

"Our new plan establishes three priority areas: renewing our infrastructure, creating a superior work environment, and staying at the forefront of good governance."

Efforts to meet these challenges will affect each of our core functions—monetary policy, currency, financial system, funds management, and corporate administration. To help us, our new plan establishes three priority areas: renewing our infrastructure, creating a superior work environment, and staying at the forefront of good governance. The details of these priorities and the desired outcomes across all functional areas they will support are the heart of this plan. They are described in the pages that follow.

We have gathered a great deal of input from across the Bank to develop our plan, and we have identified what we want to accomplish. Our Board of Directors has expressed its strong support for both the plan's substance and its spirit.

Clarifying our desired outcomes helps us identify the strategies and business-line activities needed to deliver those outcomes. It also helps us set clear priorities, which is how we can best address issues raised through the WECU, such as managing workload. We also have to be clear about the type of work environment we are striving to achieve: one that supports the values expressed in our Compass. Indeed, the hallmarks of the Bank—integrity, the pursuit of excellence, collegiality, and accountability—spring from the values and culture that gave rise to the Compass in the first place.

"We have gathered a great deal of input from across the Bank to develop our plan, and we have identified what we want to accomplish."

Finally, let me address what it means to be second to none. In the process of striving to achieve that goal, we have come a long way towards defining it.

Being second to none means continually raising the quality of our work to a level where we are sought out, both nationally and internationally, as an innovative source of informed and thoughtful advice. It means being recognized as an institution whose credibility and integrity are rock solid. It means earning a reputation for achieving the policy outcomes we define. And it means allocating our resources to the highest-value-added activities, streamlining processes, and generally being efficient and cost effective. In fact, just as we promote efficiencies and rising productivity across the economy, we promote these same goals in all our activities as part of our effort to be second to none.

This is our plan. Every part of it—every goal and priority in every function—will help guide this institution through the years to come. Join with me as we embark on a new chapter in the life of the Bank, *Moving Forward: Building the Future Together*.

A handwritten signature in black ink, appearing to read 'D. Dodge', with a stylized flourish at the end.

Bank-Wide Priorities

From a Bank-wide perspective, we face a set of important external challenges over the next three years. Globalization, and integration of national economies and financial markets, are at the root of significant change in the global economy, with ramifications for Canada's economy. Rapid change is

under way in the financial services sector in terms of consolidation, restructuring, and the development of new financial instruments, market practices, and regulation. Technological innovations continue to pose important challenges to our currency function. In addition, demographic trends underscore the changing nature of our workforce.

With the increase in the number of disruptive system-wide events, including the 11 September terrorist attacks, the SARS outbreak, and the Ontario power outage, has come a heightened sense of the importance of security and business-continuity planning. Governance and accountability continue to be key areas of focus in the public sector.

To meet these challenges, first and foremost, we must build on our accomplishments of the past four years. We must vigorously pursue innovative research and the integration of that research into analysis to support our policy decisions across all functions. We must strengthen our partnerships inside and outside the Bank. We must continue to look for ways to enhance the effectiveness of our communications, and be open to learning from the experience of others.

To help us accomplish our goals, *Moving Forward: Building the Future Together* outlines three Bank-wide priorities.

Renewing Our Infrastructure

To position the Bank to continue to carry out our responsibilities over the medium term, we have planned several major investments in our infrastructure. Included are investments to simplify and standardize our business processes to reduce complexities and contain costs, thereby providing more resources for future investments.

Information technology (IT)

- ▶ Investments will significantly reduce the "run costs" of our IT environment to provide greater scope for future investments in support of business-line innovation and productivity enhancements. We will also invest in key business systems.

Banking services split operations

- ▶ Investments will strengthen our business-continuity strategy by splitting our banking services operations between head office and our backup site.

Financial data

- ▶ Investments in financial data and the systems that support these data will enhance our research and analytic capabilities in the monetary policy, financial system, and funds-management functions.

Currency

- ▶ Investments in the bank-note distribution system, the next generation of bank notes, and our partnerships will further our progress in reducing counterfeiting.

Creating a Superior Work Environment

We plan to invest in a number of areas to strengthen our work environment. While the overall results of our Work Environment Check-Up survey were positive, the survey identified gaps between where we are and where we want to be. To reduce those gaps, we need to give managers adequate time to advance their leadership skills, to set priorities and create work plans effectively, and to develop their roles as coaches. We must also engage all staff in a dialogue to find the right work-life balance. To achieve these goals, we plan to invest in manager and leadership development, knowledge sharing, recognition, and initiatives to attract and retain high-quality staff.

A superior work environment is also one in which facilities and security issues are addressed. Investments in health and safety will continue to receive priority attention.

Staying at the Forefront of Good Governance

Good governance is an investment in preserving the trust of Canadians in our ongoing stewardship of the Bank. It means being accountable for our actions, decisions, and use of public funds; being clear about our goals and setting priorities accordingly; and recognizing that resources are limited. For these reasons, staying at the forefront of good governance is a priority in this medium-term plan.



Janet Cosier
(Executive)

Our priority to achieve a superior work environment recognizes employees as our greatest asset. Without talented people and the right tools to support their work, the Bank would not be able to meet its current and future objectives. Management recognizes the challenges we are facing and the importance of striking the right work-life balance.

Executive Management Committee



| Sheila Niven | Tiff Macklem | Paul Jenkins | David Longworth | Mark Jewett | Sheryl Kennedy | David Dodge | Pierre Duguay | Sheila Vokey | Janet Cosier |
|--|-----------------|------------------------|-----------------|-------------------------------------|-----------------|-------------|-----------------|--|---|
| Chief of the Corporate Services Department | Deputy Governor | Senior Deputy Governor | Deputy Governor | General Counsel/Corporate Secretary | Deputy Governor | Governor | Deputy Governor | Chief of the Financial Services Department | Adviser on Strategic Planning and Risk Management |



From Project Management Leadership Forum, left to right: David Senger (Financial Markets), Andrew Marshall (Financial Markets), Louise Fleming (Corporate Services), Martin Billingham (Banking Operations)



From Financial Services, left to right: Daniel Barona, Annie Guilbault, Shelley Leigh, Winnie Wong, Kim Rochon, Jennifer Sadler

Financial Plan

In creating the plan, we have tried to strike a balance between our responsibilities, including accountability for our use of public funds, and a manageable workload. If we are to achieve this balance, it is clear we can't do everything.

We have set a budgetary growth limit of 4 per cent in our operating expenditures, or about \$25 million, over the three years of the plan. With this limit, we have had to make choices and trade-offs among competing demands, and we have had to set clear priorities so that we can manage workload.

We have also made a commitment to identifying areas in which we can achieve efficiencies and productivity gains over the course of the plan. That will be a challenge, but one that will focus our efforts to allocate resources to high-value-added activities, to direct our expenditures to priority investments, and to live within available resources. Areas we will look at include

- ▶ information technology (IT): simplifying and standardizing our IT environment, and optimizing servers
- ▶ corporate administration: promoting greater rigour in our procurement of goods and services; simplifying our annual planning, budgeting, and stewardship exercise; and integrating internal communications across the Bank
- ▶ economic function: reviewing management of economic and financial data, and streamlining research and analysis feeding into monetary policy
- ▶ currency and banking operations: realizing operational efficiencies in banking operations, and refurbishing bank-note processing systems

The following table presents the main elements of the financial plan.

Medium-Term Plan (MTP) Estimates Summary of Financial Projection¹ (\$ millions)

| | 2006 Budget | 2007 MTP | 2008 MTP | 2009 MTP |
|--------------------------------------|----------------|--------------|--------------|--------------|
| Previous year total | | 209.0 | 219.5 | 225.5 |
| Compensation and operating increases | | 7.0 | 7.5 | 7.5 |
| Bank-wide priorities | | 5.0 | 3.5 | 5.0 |
| Efficiencies/savings | | (1.5) | (5.0) | (5.0) |
| Total | 209.0 | 219.5 | 225.5 | 233.0 |
| Year-over-year growth | | 5% | 3% | 3% |

¹ Excluding the bank-note order, non-current deferred benefits, and retail debt costs

PLANS BY FUNCTION

- ▶ Monetary Policy
- ▶ Currency
- ▶ Financial System
- ▶ Funds Management
- ▶ Corporate Administration





From Research, left to right: Sharon Kozicki, Claude Lavoie, Oana Secrieru, Rhys Mendes

Monetary Policy

Responsibility

The Bank conducts monetary policy in a way that fosters confidence in the value of money.

Trends and Challenges

Increased globalization of products and financial markets and the emergence of large new economic powers are not only contributing to significant change in the global economy, but are also leading to important adjustments in the Canadian economy.

The implications of technological change for productivity growth, and the effects of an aging society on long-term labour force growth, are two important trends that may affect the outlook for potential output growth.

The ever-increasing richness of data, and the greater complexity of—and new expectations for—information, communication, and security, are driving major upgrades to computing technology for policy analysis.

Desired Outcome

The monetary policy function continues to contribute to Canada's solid economic performance and to rising living standards for Canadians.

Strategy to Achieve Desired Outcome

- ▶ Keep inflation low, stable, and predictable by the use of a clearly defined inflation target

Outcome Goals

- ▶ Achieve a 2 per cent target for inflation
- ▶ Recommend a monetary policy framework that can best support price stability

Priorities

- ▶ Improve our understanding of the implications of globalization for the Canadian economy, including its implications for the inflation process in Canada
- ▶ Analyze the sectoral and regional aspects of the adjustment process, and their macroeconomic implications
- ▶ Reassess the outlook for potential output growth in the context of changing demographics and challenges related to productivity
- ▶ Enhance our understanding of the real and financial linkages in the monetary policy transmission mechanism
- ▶ Research inflation targeting and price stability to determine the best monetary policy framework for the future
- ▶ Explore the bounds of transparency and enhanced communications, and assess whether the Bank's accountability for its monetary policy actions can be further improved

Performance Measures

- ▶ Success in achieving our target for consumer price index inflation, both on an annual basis and over extended periods
- ▶ Canadians' expectations regarding inflation
- ▶ External assessments of the quality of our research and analysis
- ▶ Qualitative and quantitative indicators of the Bank's communications performance

Business-Line Activities

1) Current Analysis, Projection, and Research Activities

OBJECTIVES

- Assess the economic situation and outlook, including risks, to provide sound advice for monetary policy decision making
- Perform high-quality, original research on a wide range of issues relevant to the Canadian and global economies
- Integrate research and analysis to inform monetary policy decisions and provide thoughtful advice on the monetary policy framework

CORE ACTIVITIES

- Analyze domestic and international economic and financial developments



James Rossiter
(International)

I feel very fortunate to work on a dynamic team where ideas are valued, co-workers are supportive, and our work feels relevant to the Bank's success.



From International, left to right: Denise Côté, Sylvie Morin, Yang Zhang, Graydon Paulin, Lawrence Schembri



From Communications, left to right: Christian Vezeau and Yann Grenier

- Provide analytical support for decisions related to the fixed announcement date (FAD)
- Share information within the domestic and international communities to obtain information and insights, and to contribute to better policy outcomes
- Undertake research to address issues relevant to monetary policy concerns

NEW INITIATIVES

- Develop alternative economic models for selected priorities, including a global economic model, undertake new research on how monetary policy should be conducted under conditions of significant uncertainty, and expand the capacity to examine active roles for credit, asset prices, and other financial channels as part of the monetary policy transmission mechanism
- Conduct further research, in partnership with external organizations, to improve our understanding of the factors linked to longer-term trends in productivity and labour force growth
- Implement a medium-term research program for inflation-target renewal, focusing on the costs and benefits of alternative monetary policy arrangements, including a lower targeted inflation rate and price-level targeting
- Strengthen our analytical and managerial capabilities to enhance talent development and improve the work environment

2) Communication Activities

OBJECTIVE

- Support the conduct of monetary policy through effective communication

CORE ACTIVITIES

- Communicate the reasons for the Bank's monetary policy decisions in a clear, open, and timely way

- Pursue an effective dialogue with Canadians to further their understanding of monetary policy, to foster public support for our goal of low, stable, and predictable inflation, and to keep abreast of the public's views
- Communicate with financial markets to support the effective implementation of policy actions

NEW INITIATIVES

- Explore how, and to what extent, we should increase transparency
- Consider a wider range of vehicles for delivering our messages
- Investigate ways to enhance the Bank's contribution to public awareness of economic concepts and financial literacy

Risk Management

- ▶ Consider different views and models of the economy, and alternative statistical methods
- ▶ Ensure an appropriate FAD process to focus analysis on the most relevant issues
- ▶ Uphold the security of market-sensitive information and decisions
- ▶ Maintain a program of ongoing and integrated communications on monetary policy in support of clear accountability
- ▶ Ensure that the attraction, retention, and development of high-quality staff remain priorities



Louise Rickey, Communications



Vincent Garneau, Banking Operations

Currency

Responsibility

The Bank issues Canada's bank notes. It is responsible for the design (including security features), production, and distribution of new notes, as well as for the replacement of those that are old or worn. The Bank is also engaged in counterfeit deterrence through bank-note-related education, communication, and compliance.

Trends and Challenges

The demand for bank notes is expected to continue to grow, even though alternatives to cash are becoming more popular.

Advancing technology is improving the quality of reprographic equipment, adding to Canada's current anti-counterfeiting challenges.

Public awareness of how security features work is low, and few retailers routinely authenticate bank notes.

Desired Outcome

Canadians use bank notes with confidence.

Strategy to Achieve Desired Outcome

- ▶ Reduce counterfeiting below a clearly defined threshold

Outcome Goal

- ▶ Reduce the counterfeiting level to fewer than 100 detected counterfeits for each million genuine notes in circulation, by 2009

Priorities

- ▶ Develop a significantly more secure next generation of bank notes, which the Bank will begin issuing in 2011
- ▶ Increase verification of notes by retailers
- ▶ Fully engage prosecutors, law-enforcement officers, and other participants in the judicial system to improve counterfeit deterrence
- ▶ Replace notes from older series, and improve the efficiency and effectiveness of note operations

Performance Measures

- ▶ The number of detected counterfeit notes per year for each million genuine notes in circulation (parts per million)
- ▶ Our readiness to start production of the next generation of bank notes, with significantly enhanced new security features, beginning in 2010

Business-Line Activities

1) Research and Development

OBJECTIVE

- Establish a comprehensive and ongoing research and development program that will enable the Bank to begin issuing new bank notes by 2011 that are not only significantly more secure from counterfeiting threats, but that are also easier to authenticate than the current series



From Halifax Regional Office, left to right (back row): Daniel de Munnik, David Amirault, Trevor MacKay, Tara Ainsworth, Allan Paquet; (front row): Monique LeBlanc and Anne Gillan



Charles Regnier, Banking Operations
(Ottawa Support Centre)



From Banking Operations (Ottawa Support Centre),
left to right: Gilbert Marois and Greg Collins

CORE ACTIVITIES

- Conduct applied scientific research and development to support bank note security
- Continuously monitor counterfeiting threats

NEW INITIATIVES

- Develop the next generation of bank notes
- Conduct research to better understand bank note usage, counterfeiting, and alternative payment methods and technologies

2) Communication

OBJECTIVE

- Instill confidence in bank notes by encouraging early detection of counterfeits by retailers

CORE ACTIVITIES

- Conduct education regarding bank note security
- Manage relationships with the media, the retail sector, law-enforcement personnel, and other stakeholders
- Conduct market and media research and analysis

NEW INITIATIVES

- Redirect education to encourage retailers to authenticate notes
- Publicize the Bank's Legal Tender Status project and the withdrawal of notes from older series, if enacted
- Improve Currency Museum facilities to preserve the National Currency Collection

3) Compliance

OBJECTIVE

- Achieve increased deterrence of bank-note counterfeiting through better-focused and more visible law enforcement

CORE ACTIVITIES

- Manage relationships with, and advocate deterrence efforts carried out by, law-enforcement personnel, prosecutors, and the judicial community
- Share technical information and metrics with law-enforcement personnel, and solicit input for the Bank's Currency Research Program
- Track and analyze investigations, seizures, prosecutions, and sentencing

NEW INITIATIVES

- Work with education and training institutions to incorporate the deterrence of counterfeiting and economic crime into curricula
- Establish a common database of counterfeiting information with the RCMP

4) Operations and Distribution

OBJECTIVES

- Ensure that 80 per cent of notes in circulation meet the Bank's quality standards
- Improve processing efficiencies by at least 8 per cent by the end of the medium-term plan period

CORE ACTIVITIES

- Manage bank note inventories and distribution
- Analyze bank note circulation and strategies related to the withdrawal of older-series notes

NEW INITIATIVES

- Refurbish aging note-processing equipment
- Enhance the bank note distribution system to prevent recirculation of counterfeit notes and improve management of quality levels

Risk Management

- ▶ Work closely with police and other partners in counterfeiting deterrence
- ▶ Develop security features that remain relevant over the longer term
- ▶ Monitor counterfeiting threats and maintain a robust contingency strategy
- ▶ Monitor the use of alternative means of payment



Toronto Agency Operations Centre (TAOC), left to right: Maria Oliveira, Blair Dalziel, Javie Catalig
Montréal Agency Operations Centre (MAOC), left to right: Pauline Guénette, Hala Melcone, Daniel Fortier, Daniel Chauvin
From Communications, left to right: Sandra Cordon, Jamie MacKinnon, Christian Vezeau, Jane Ing, Joan Goyette



From *Financial Markets*, left to right: Fousseni Chabi-Yo, Jun Yang, Marc Pellerin

Financial System

Responsibility

The Bank works to promote the safety and efficiency of Canada's financial system.

Trends and Challenges

Globalization, financial system integration, and financial innovation are key trends facing the financial system function over the medium term. As well, rapidly growing emerging-market economies are increasingly affecting the global financial system.

The financial services sector is also experiencing change in terms of consolidation, restructuring, and the development of new financial instruments, market practices, and regulation.

Finally, a number of major disruptive events in past years have reinforced the need for robust business-continuity plans and tools to analyze financial system vulnerabilities and risks.

Desired Outcome

The Bank contributes to maintaining a stable and efficient financial system in Canada.

Strategy to Achieve Desired Outcome

- ▶ Use the Bank's position at the centre of Canada's financial system, its statutory role in the major clearing and settlement systems, its membership in international bodies, and its ability to produce objective research and advice, to provide essential banking services and to influence public sector agencies and private sector behaviour so as to improve the safety and efficiency of the financial system within Canada and internationally

Outcome Goals

- ▶ Control risk efficiently in designated clearing and settlement systems
- ▶ Produce a significant body of research, analysis, and policy advice
- ▶ Provide highly reliable banking services to clearing and settlement systems and their participants

Priorities

- ▶ Assess and respond to the implications of increased cross-border clearing and settlement system linkages
- ▶ Implement a strategy to improve the collection and use of financial data
- ▶ Develop a framework to assess financial system stability
- ▶ Examine the efficiency of the Canadian financial sector
- ▶ Enhance emergency preparedness by implementing operations at a second site

Performance Measures

- ▶ Sound performance of designated clearing and settlement systems
- ▶ External party evaluation, where applicable, of research and policy
- ▶ A reader survey of the *Financial System Review*
- ▶ Cost savings related to information technology (IT) investments
- ▶ Operational measures, including the number of events affecting the safety of operations

Business-Line Activities

1) Oversight of Clearing and Settlement Systems

OBJECTIVE

- Control risk efficiently in designated clearing and settlement systems

CORE ACTIVITY

- Identify the clearing and settlement systems that could pose systemic risks, and oversee the efficient management and control of these risks

NEW INITIATIVES

- Research the implications of cross-border clearing and settlement system linkages
- Assess the implications of concentration in financial services for clearing and settlement systems
- Build models of clearing and settlement systems to inform policy
- Develop staff expertise and organizational capacity to maintain the effective and efficient oversight of designated systems



Nikil Chande
(*Monetary and Financial Analysis*)

I enjoy the opportunity to interact at a global level with other central banks, government agencies, private associations, and academic institutions. The Bank is a place where I can put my knowledge and experience to use in a way that has a significant impact.



From Monetary and Financial Analysis (MFA) and Banking Operations (DBO), left to right: Paul Corrigan (MFA), Nikil Chande (MFA), Sean O'Connor (MFA), Geoffrey Hill (MFA), Varya Taylor (DBO)



From Financial Markets, left to right: Norman Weis, Lafhel Nourredine, Frank Furlan

2) Policy Advice and Research

OBJECTIVE

- Conduct research and develop policy approaches to reduce the risk of damaging financial disturbances and to promote sound and efficient financial systems

CORE ACTIVITIES

- Conduct research on key financial system mechanisms and developments
- Influence policy discussion with partners at federal, provincial, and international levels

NEW INITIATIVES

Financial system stability

- Develop a framework to assess financial system stability
- Assess the implications of large, complex financial institutions for financial safety net policy

Financial system efficiency

- Research the efficiency of the financial institution industry
- Research financial market behaviour and trends, and identify the implications for market efficiency and soundness

Financial system data

- Improve the Bank's financial system databases, applications, and tools

International financial architecture

- Contribute to the development of major international financial institutions and their associated infrastructure, including the role and governance of the International Monetary Fund, and to an improved framework for sovereign debt restructuring and for the resolution of international financial crises

3) Settlement Operations

OBJECTIVE

- Provide highly reliable mechanisms that permit clearing and settlement system participants to exchange payments safely and efficiently

CORE ACTIVITIES

- Provide banking services to support the operations of clearing and settlement systems and their participants
- Conduct research relevant to improving the safety, reliability, and efficiency of these operations

NEW INITIATIVES

- Improve operational-risk management through research, the development of benchmarks and measures, and the enhancement of governance and practices
- Strengthen emergency preparedness by implementing operations at a second site and by assessing the need for additional enhancements

Risk Management

- Oversee designated clearing and settlement systems
- Conduct research and provide policy advice
- Promote sound financial infrastructure and macroeconomic policy abroad
- Maintain a disaster-recovery plan that provides for a two-hour recovery of the Bank's mainframe processing capacity
- Continue to strengthen existing business-continuity plans
- Strive to attract and retain highly specialized staff



From Financial Markets, left to right: Wendy Chan, Elena Nemykina, Foussemi Chabi-Yo



From Financial Markets, left to right: Jun Yang and Yuliya Romanyuk



From Financial Markets, left to right: Yuliya Romanyuk, Ingrid Lo, Marc Pellerin



Manon Dubois, Financial Markets

Funds Management

Responsibility

The Bank is responsible for providing efficient and effective funds-management services.

Trends and Challenges

The evolving needs of the Government of Canada are shaping the way we provide financing and banking services in our role as fiscal agent, while technological changes are having an impact on our funds-management activities.

Globalization, consolidation, and new standards of practice are altering financial market structures and tools.

Desired Outcome

The Bank achieves

- ▶ stable, low-cost funding of Government of Canada debt
- ▶ a balance between risk and return in the management of financial assets
- ▶ comprehensive monitoring, management, and reporting of risks and performance
- ▶ cost-effective, appropriate, and reliable service delivery

Strategies to Achieve Desired Outcome

- ▶ Maintain effective partnerships and relationships with financial market participants
- ▶ Develop and apply new analytical tools and research results
- ▶ Regularly review services, processes, and systems
- ▶ Ensure clear and effective governance

Outcome Goal

- ▶ Working within a strong risk-management framework, implement sound policy decisions, both in the Bank's role as fiscal agent and when the Bank is acting on its own account

Priorities

- ▶ Renew our systems, improve processes, and enhance our analytical capabilities
- ▶ Strengthen continuity of operations

Performance Measures

- ▶ The reliability of our operations
- ▶ Feedback from internal and external stakeholders and clients

Business-Line Activities

1) Domestic Debt and Treasury Management

OBJECTIVE

- Obtain stable, low-cost, Canadian-dollar-denominated financing for the Government of Canada through the implementation of sound policy advice

CORE ACTIVITIES

- Conduct auctions and buyback operations of Government of Canada domestic debt
- Manage government domestic cash balances
- Gather information, and enhance knowledge and understanding of domestic financial markets
- Conduct research and analysis leading to advice on debt and treasury management
- Provide back-office operations for wholesale debt

NEW INITIATIVES

- Support liquidity and maximize the supply of Government of Canada benchmark bonds
- Conduct further research into debt-management issues
- Renew certain key information technology (IT) systems



Eric Tuer
(Financial Markets -
Toronto Regional
Office)

The Bank has a very strong collegial environment, where innovation and serious debate are encouraged. We understand our objectives and, together, we strive to attain them.



Meagan Gales, Communications

2) Foreign Reserves Management

OBJECTIVE

- Provide cost-effective foreign reserves and sound policy advice

CORE ACTIVITIES

- Fund the asset portfolio using foreign currency liabilities
- Manage the Government of Canada's liquid foreign currency assets
- Gather information, and enhance knowledge and understanding of global financial markets

NEW INITIATIVES

- Consider revisions to eligible asset classes to enhance return or manage risk
- Develop asset and liability management tools for foreign reserves

3) Banking Services

OBJECTIVE

- Provide the Government of Canada, the Bank, other central banks, and foreign official financial institutions with secure, reliable, and efficient banking services

CORE ACTIVITIES

- Provide banking services operations
- Conduct operational analysis and reporting
- Maintain effective relationships with clients

NEW INITIATIVES

- Include aspects of funds-management operations in the statistical reporting package
- Review operational processes and leverage recent IT investments in order to improve efficiencies and productivity
- Work collaboratively with our partners to implement the Canadian Payments Association's (CPA's) Cheque Imaging and Straight-Through-Processing Initiatives
- Review ancillary activities to determine the best approach for service delivery

4) Risk Management

OBJECTIVE

- Monitor, report on, and manage financial and operational risk

CORE ACTIVITIES

- Monitor and report on financial-risk exposure
- Apply risk- and performance-measurement tools to business proposals

NEW INITIATIVES

- Enhance risk- and performance-measurement tools
- Apply risk-management knowledge more broadly within the Bank
- Review need to update governance arrangements

5) Retail Debt

OBJECTIVE

- As fiscal agent to the Government of Canada, provide cost-effective back-office operations and policy advice in support of the government's Retail Debt Program

CORE ACTIVITY

- Provide back-office operations through an outsourcing relationship

NEW INITIATIVES

- Develop and implement an appropriate business model that encourages continued cost reduction and longer-term stability
- Implement the CPA's Cheque Imaging Initiative

6) Management of Bank of Canada Balance Sheet and Pension Trust Fund Assets

OBJECTIVES

- Maintain a diversified portfolio of high-quality, liquid assets on the Bank of Canada's balance sheet
- Achieve long-term target investment returns set out for the Pension Fund

CORE ACTIVITIES

- Acquire Government of Canada securities and undertake market operations as required to ensure adequate levels of liquid assets on the Bank's balance sheet
- Rebalance asset allocation, assess risk and return performance, and oversee fund managers for the Pension Fund

NEW INITIATIVE

- Expand the potential allocation of actively managed assets in the Pension Fund's portfolio, and enhance rebalancing capabilities

Risk Management

- ▶ Monitor the potential for changes in responsibilities in the Bank's role as fiscal agent
- ▶ Consider investments in systems renewal
- ▶ Analyze the governance and accountability framework of the Retail Debt Program



Financial Markets, left to right:
Stéphane Lavoie, Michal Kozak, Joseph Nesrallah, Ramzi Issa



From Communications, left to right: Pierre-Yves de la Garde, Caroline Pouliot, Lynne Bergeron

Corporate Administration

Responsibility

Corporate administration supports the sound management of human, information, communications, technological, physical security, and financial resources through the development of corporate policies and the maintenance of cost-effective, integrated systems and practices.

Trends and Challenges

Diversity, competition for skilled resources, and an aging population present significant challenges in terms of workplace, compensation, and knowledge management.

A major cultural challenge lies in balancing the ever-increasing complexities of information technology (IT) solutions with the need to simplify the Bank's systems and processes.

Accountability in the use of public funds continues to represent a critical challenge for all public institutions.

Desired Outcome

The Bank achieves its objectives with the efficient and effective support of the corporate administration function within a governance framework that maintains the trust of Canadians.

Strategies to Achieve Desired Outcome

- ▶ Further develop the Bank's policy and accountability framework to enhance effectiveness and efficiency
- ▶ Deliver streamlined services, policies, and systems
- ▶ Enhance the Bank's work environment
- ▶ Focus on highest-value-added activities

Outcome Goal

- ▶ Provide cost-effective services and sound policy advice on the management of Bank resources

Priorities

- ▶ Implement work-environment priorities
- ▶ Position the Bank to respond to changing demographics
- ▶ Reduce IT run costs to maximize funding for innovation
- ▶ Promote cultural change that supports effective governance and cost efficiencies
- ▶ Ensure a safe and secure work environment

Performance Measures

- ▶ Reduction of IT run costs across the Bank to below 75 per cent of total IT spending
- ▶ Improved management skills across the Bank, as indicated by Work Environment Check-Up survey results. Training participation rates will indicate management commitment to the initiative
- ▶ Bank governance policies and practices that compare favourably with best practices

Business-Line Activities

1) Governance

OBJECTIVE

- Provide expert guidance, policies, programs, and services that enable good governance and the effective and efficient management of resources across Bank functions

CORE ACTIVITIES

- Provide expert advice and services to staff, the Executive Management Committee, and the Board of Directors to enhance risk management, internal controls, and the corporate governance framework
- Respond to external trends, and to legislative and policy changes, enabling best practices in governance
- Deliver efficient and standardized programs and services that support Bank priorities



Dale Arseneault
(Corporate Services)

The Bank's vision of a superior work environment is pivotal in helping us to continue creating an adaptable organization that supports all employees, over the medium term and beyond.

NEW INITIATIVES

- Implement work-environment priorities
- Enhance risk management and key operational risk indicators
- Adapt evolving internal-audit practices to the Bank

2) Human Resources

OBJECTIVE

- Provide employees and pensioners with quality human resources (HR) services, and work with managers to attract, retain, and engage quality staff

CORE ACTIVITIES

- Deliver core HR policies and programs within service levels and budget allocation, and in compliance with legislation
- Provide clients with HR advice and assistance in implementing their policies and programs
- Monitor adherence to the Bank's HR policy, and ensure that the policy is updated as required
- Optimize HR service delivery

NEW INITIATIVES

- Assist the Bank in responding to changing demographics
- Implement corporate HR work-environment priorities

3) Knowledge and Information Management

OBJECTIVE

- Provide expertise and services that help Bank staff effectively access and share quality information and knowledge

CORE ACTIVITIES

- Develop and build awareness of policies, standards, and best practices to ensure effective and efficient stewardship of information

- Ensure that employees have relevant information to conduct high-quality research
- Develop staff capacity to exchange knowledge more effectively, in order to improve productivity
- Ensure that employees are able to capture, access, and preserve key corporate information to support effective decision making

NEW INITIATIVES

- Upgrade library and archives systems
- Enhance enterprise-document and records-management systems
- Implement a realigned Knowledge Program that improves the Bank's capacity to access and exchange knowledge

4) Communications

OBJECTIVE

- Strengthen communication across the Bank through the promotion of a collaborative, open, and respectful work environment

CORE ACTIVITIES

- Use a variety of communication vehicles to share information about issues affecting the Bank and its work environment
- Advise and guide departments regarding ways to communicate with the Bank community or the public

NEW INITIATIVE

- Leverage *Banque Centrale* tools to target messages to employees based on their areas of interest

5) Information Technology

OBJECTIVE

- Provide and sustain reliable, standardized IT services and environments, and deliver advanced technologies that enhance business value and support the Bank's priorities

CORE ACTIVITIES

- Deliver dependable technology-related services and support, and safeguard the Bank's digital assets
- Ensure that IT activities are aligned with the Bank's key priorities
- Ensure that the technology systems and services related to the Bank's Continuity of Operations Program are integrated and tested

NEW INITIATIVES

- Reduce IT run costs to maximize funding for innovation
- Implement the enterprise-portfolio-management approach
- Deliver advanced technologies that support key business innovations

6) Facilities and Security

OBJECTIVE

- Provide a flexible, functional, safe, and secure work environment

CORE ACTIVITIES

- Develop and implement security and facilities policies and standards
- Assist clients in interpreting and implementing policies and standards
- Contribute to the effective management, operation, and maintenance of the Bank's assets
- Implement and manage the Bank's Continuity of Operations Program



Sharon Sanderson
(Corporate Services)

I am proud to say that I work for the Bank of Canada. This is an organization committed to Canadians.



From Corporate Services, left to right : Robert Corrigan and Gwen Goodwin

NEW INITIATIVES

- Implement infrastructure improvements to ensure ongoing compliance with legislative requirements
- Enhance technology controls and safeguards to strengthen the confidentiality, integrity, and availability of the Bank's information assets
- Enhance the Bank's security posture

7) Financial Services

OBJECTIVE

- Support sound decision making and accountability through a clear and consistent policy framework, controls, and procedures related to the management of the Bank's financial resources



From Communications, left to right:
Michelle Beauchamp, Helen Jacques, Joane Le Voguer



From Corporate Services, left to right:
Danny Dela Cruz, Michel Lavigne, Yves Barrette



From Executive and Legal Services, left to right:
Kathy Cauchon, Chantal Demers, H  l  ne MacLean,
Colleen Leighton



From Corporate Services, left to right:
Neal Kushwaha and Christine Gareau



From Corporate Services: Carolyn Tapp (back) and Ginette Boulerice (front)

CORE ACTIVITIES

- Provide financial, accounting, and procurement services and reports to departments, the Executive Management Committee, and the Board of Directors
- Provide advice on accounting, procurement, and planning policies and practices

NEW INITIATIVES

- Simplify and consolidate the Bank's accounting and procurement operations
- Monitor the consistency of accounting standards, and deliver enhanced reports on strategic priorities and risk mitigation
- Develop a framework of internal controls for the Bank's financial reporting processes

Risk Management

- ▶ Enhance security, business-continuity, and contingency plans
- ▶ Focus on workload management and work-life balance
- ▶ Strive to minimize any negative impact of efficiency initiatives on the work environment
- ▶ Adjust HR strategies and enhance knowledge transfer to address labour market challenges



Joanne Gagnon-Delorme
(Communications)

Being a member of the Bank's communications team has not only helped me to better understand monetary policy, but to see first hand how the Bank honours its commitment to Canadians.

Saulina DeCastro
*(Banking Operations -
Ottawa Support Centre)*

I enjoy contributing in a way that has a direct impact on our team's business objectives, on moving things forward, and on changing things for the better.



Michel Lavigne
(Corporate Services)

The Bank is becoming a place of greater and greater transparency—a place where information is shared openly across all departments.



Sanjiva Sondagar
(Corporate Services)

I am really motivated by our goal of being "second to none". I believe that we can meet this objective by establishing productive relationships with colleagues and by working together.



Fousseni Chabi-Yo
(Financial Markets)

The Bank fosters the kind of environment that makes it easy to collaborate with colleagues, conduct independent research, and share what you have learned with others.



Denis Schuthe
(Communications)

Meeting the many challenges set out in our new medium-term plan will require that we continue to work at being good communicators, both inside the Bank and with the public. Good communication will enrich our work environment and strengthen our reputation as an institution serving Canadians.