An Account of Our Stewardship

Monetary Policy

"Low inflation, sounder public sector finances, and a healthier balance of payments have led to a significant drop in domestic interest rates."

The goal of monetary policy is to preserve the value of money. Stability in the value of money promotes economic prosperity by providing a framework in which households and businesses can make sound economic decisions. In a joint statement reaffirming this goal in December 1993, the federal government and the Bank of Canada announced their objective of keeping inflation within a target range of 1 to 3 per cent for the period 1995 to 1998. A decision will be reached by the end of 1998 on a future target range that is consistent with price stability.

The adoption of inflation-control targets represents a key element of the Bank's commitment to reducing uncertainty about monetary policy. These targets help clarify the objective of policy and make it easier for financial market participants and the public at large to understand and assess monetary policy actions. The better those actions are understood, the more effective they will be.

While monetary policy has a determining influence on the course of inflation, its impact is indirect and is felt only over time. Monetary policy must therefore be forward-looking.

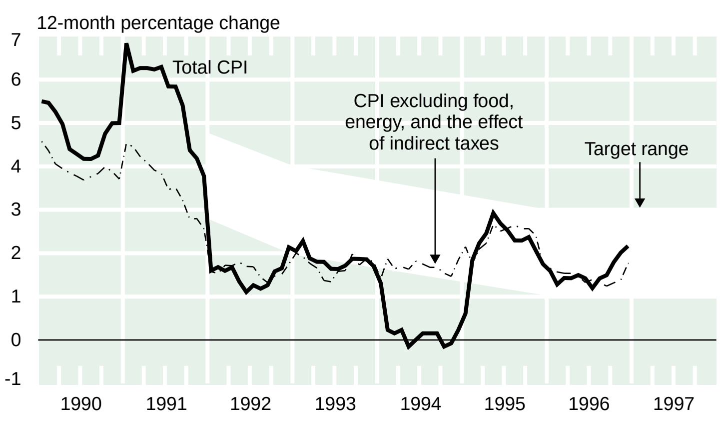
Year in review

In 1996 inflation remained within the target range. The total consumer price index (CPI) rose by 2.2 per cent during the year, and core CPI, which excludes volatile components like food and energy prices and changes in indirect taxation, increased by 1.8 per cent.

Low inflation, sounder public sector finances, and a healthier balance of payments have led to a significant drop in domestic interest rates. Most rates have fallen to their lowest levels since the early 1960s. They dropped below their U.S. counterparts for all maturities under 10 years. These developments reflect a much higher level of confidence in the value of our money on the part of both Canadian and foreign investors.

The Bank has taken further measures to enhance the effectiveness and transparency of its operations. Since February 1996, the Bank Rate has been set at the upper limit of the operating band for the overnight interest rate, the rate over which the Bank has the most direct influence. Whenever the Bank Rate and the operating band are changed, the Bank now issues a press release to inform the public and to explain the reasons for its action.

Consumer price index



In addition, the *Monetary Policy Report*, published in May and November, has offered an increasingly detailed assessment of the economic outlook. After each issue is released, senior Bank officials appear before the Finance Committee of the House of Commons to discuss the *Report*. They also offer briefing sessions in various regions of the country and in major international financial centres.

In November the Bank hosted a conference on the exchange rate and monetary policy. The proceedings of this conference will be published in 1997.

The Bank continued to emphasize its outreach program, under which members of the Board of Directors and senior Bank officials meet with groups of Canadians in all parts of the country. The Bank is also taking steps to strengthen its contacts with various sectors of the economy, associations, government officials, economists, and educational institutions across Canada. In 1997 the Bank's new offices in Halifax and Calgary will be opened, and the staff of economists in Vancouver, Toronto, and Montreal will be expanded.

At the international level, Bank representatives participated in regular meetings of the major economic and financial organizations, sharing and gathering information to contribute to domestic deliberations on economic policy issues. In November an order-in-council named the Governor of the Bank of Canada as the Minister of Finance's alternate on the Board of Governors of the International Monetary Fund.

The formulation of monetary policy relies heavily on analysis and research. The work of Bank staff in these areas is frequently published or presented at conferences. In 1996 the Bank's publications included a collection of articles dealing with the transmission of monetary policy in Canada (Bank of Canada 1996), as well as two technical reports describing the model used by Bank analysts for their economic projections.

The Bank pays close attention to feedback from other economists and to research under way in the private sector, in universities, and at other central banks. To promote the exchange of information and ideas, it hosts a yearly conference on monetary policy issues. The proceedings of these bilingual conferences are published in both official languages. The theme of the 1996 conference was the exchange rate and monetary policy. Topics included the credibility of monetary policy, the effectiveness of exchange market intervention, the role of market speculation, and the relative merits of various exchange rate regimes. The 1997 conference will focus on price stability, inflation targets, and monetary policy. It will provide an opportunity to

PHOTO: ANDREW BALFOUR

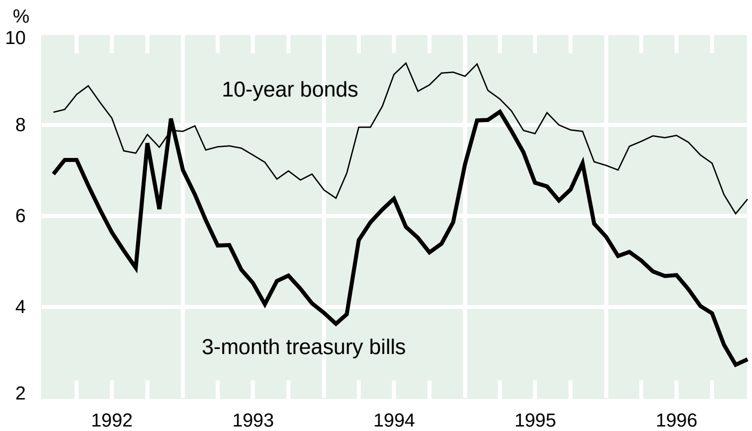
A panel of senior officials with members of the media at a quarterly briefing session

The Bank of Canada and interest rates

The Bank of Canada's operations have an important influence on very short-term interest rates in Canada, and the Bank has established a target band for the overnight rate of interest. However, the direct influence of the Bank's actions diminishes as terms lengthen.

Interest rates at all terms depend on the supply of and demand for funds. From the lender's perspective, interest rates must provide an acceptable return in comparison with other investments. Thus changes in foreign interest rates, particularly U.S. rates, also exert a major influence over Canadian interest rates. Other key factors include the difference between the inflation rate in Canada and in other countries, prevailing economic conditions at home and abroad, and premiums for risk and liquidity.

Canadian interest rates



The Bank of Canada's influence over interest rates for all terms thus derives more fundamentally from the effect of its actions on inflation expectations.

When inflation is lower in Canada than elsewhere, the Canadian dollar can be expected to appreciate without undermining the country's competitive position. The prospect of an appreciation increases the attractiveness of Canadian dollar investments and reduces the interest rate acceptable to investors. Higher inflation, on the other hand, raises the prospect of a depreciating dollar and leads to higher interest rates.

The pronounced drop in medium- and long-term interest rates that occurred in Canada in 1996 primarily reflected a reduction in the risk premiums demanded by investors, in light of the significant improvement in public finances and in Canada's current account.

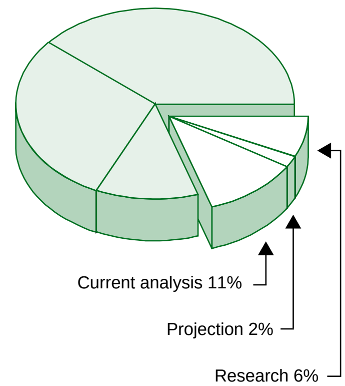
With lower risk premiums and Canada's low inflation, short-term interest rates have fallen to levels that have not been seen for many years.

examine these important issues in depth before a new inflation-control target range consistent with price stability is chosen by the end of 1998.

Operating expenses

The Bank spent $35 million, or approximately 19 per cent of its total operating expenditures, on monetary policy formulation in 1996. There was a further streamlining of operations during the year and a relative shift in resources towards research. Savings helped to offset the increased costs resulting from new investments in computer systems and equipment, including the replacement of the Bank's system for accessing external market information (necessitated by technological change), the integration of its internal information systems, and the upgrading of the computer platform used for analysis and research in support of monetary policy.

Operating expenses related to monetary policy formulation



Central Banking Services

The central banking services provided by the Bank include a wide range of policy, regulatory, and operational activities. These activities support the implementation of monetary policy and contribute to the safety and soundness of Canada's financial system. The Bank also provides services to various clients, including the federal government, financial institutions, and the general public. In carrying out these activities, the Bank is committed to being open about its market operations and to meeting the needs of its clients as efficiently and effectively as possible.

Year in review

The Bank has worked closely with the government to streamline its banking arrangements in anticipation of LVTS implementation.

Bank of Canada market operations

In implementing monetary policy, the Bank carries out transactions in the financial market. In recent years, these transactions have focussed largely on the overnight (one-day) interest rate. The Bank offers one-day resale or repurchase transactions to the market to keep the overnight rate within its operating band of 1/2 of a percentage point. These transactions were offered on 29 occasions in 1996 to keep the rate from rising above the band and 15 times to keep the rate from falling under the lower limit of the band. When the band for the overnight rate and the Bank Rate (which is set at the upper limit of the band) were reduced, the Bank offered one-day transactions at a rate that signalled the change to the market.

With the Bank Rate no longer tied to the interest rate on 3-month treasury bills, there is less reason for the Bank to operate in the treasury bill market and, consequently, less need for the Bank to hold these bills. As a result, the Bank initiated a change in the mix of its assets during 1996. Its holdings of treasury bills were reduced, and those of government bonds were increased, moving the mix closer to that of the government's outstanding debt. This allowed more treasury bills to move into the market to help it adjust to a smaller supply, as overall government borrowing was reduced and the government continued to lengthen the maturity of its debt.

Promoting the safety and soundness of the Canadian financial system

While operating virtually undetected, systems that clear and settle large-value payments and financial transactions involving securities and foreign exchange are crucial to an efficient and well-functioning economy. The increasing values and volumes of transactions flowing through these complex systems raise concerns about possible risks. The Bank is particularly concerned about systemic risk—the potential for problems that affect one participant in a clearing and settlement system to spread to other participants or throughout the financial system. The Bank is working closely with both private and public sector entities to address these

The Payment Clearing and Settlement Act, 1996

The Payment Clearing and Settlement Act gives the Bank of Canada formal and explicit responsibility for the regulatory oversight of major clearing and settlement systems. Specifically, the Bank will review all eligible systems and identify their potential to cause systemic risk. Systems with this potential are subject to designation under the act. Designated systems will have to satisfy the Bank that they have appropriate risk-control mechanisms in place. The Bank may carry out examinations and, in situations where it is judged that systemic risk is being inadequately controlled, the Governor may issue directives to a designated system.

The Bank has focussed on three systems to date: the Large-Value Transfer System (LVTS), being developed by the Canadian Payments Association to handle large-value payments; the Debt Clearing Service, operated by The Canadian Depository for Securities Limited and designed to clear and settle trades in bonds and money market securities; and the Multinet system for clearing and settling large-value foreign exchange transactions. The Bank has worked closely with the designers of these systems to ensure sound risk-containment mechanisms. As well, the Bank is currently reviewing other systems operating in Canada that might be judged capable of posing systemic risk and, hence, would be subject to regulation under the act.

The new act also strengthens the legal arrangements governing the operations of a clearing and settlement system to ensure that it will function as expected in periods of financial stress. For example, the act contains provisions to increase the legal certainty regarding the enforceability of netting arrangements and the settlement rules of designated systems.

The Payment Clearing and Settlement Act also gives the Bank of Canada new powers to provide certain services. In particular, the Bank can now guarantee settlement of designated systems and can pay interest on special deposits from clearing houses or participants.

risks. As a result of new federal legislation that came into force in 1996, the Bank now has explicit responsibility for overseeing certain clearing and settlement systems.

The Large-Value Transfer System (LVTS), being developed by the Canadian Payments Association to handle large-value payments, is expected to become operational in late 1997. During the year the Bank took two initiatives to further preparations for the system. The Bank will guarantee the settlement of the system; a claim on this guarantee is considered to be extremely unlikely because of the commitment by the private sector to cover major losses. The Bank will also offer special interest-bearing deposits as a new form of collateral that would be available to private sector participants to secure any advances required from the Bank to enable them to meet their settlement obligations. The Bank also promoted discussions among participants regarding the links between the LVTS and other major domestic and international clearing and settlement systems.


PHOTO: DAVID NICKERSON, TIMES GLOBE, SAINT JOHN, NB

Deputy Governor Sheryl Kennedy, speaking on the Saint John campus of the New Brunswick Community College

The Debt Clearing Service was designed by The Canadian Depository for Securities Limited (CDS) to clear and settle trades in bonds and money market securities. In 1996 the Bank worked with the CDS to ensure adequate risk-containment arrangements as this system expands to include provincial securities and, at a later date, private sector debt and equity.

The Bank also worked closely with Canadian participants in Multinet, a system to clear and settle large-value foreign exchange transactions. Central banks in the Group of Ten (G-10) countries are co-operating to oversee cross-border or multicurrency netting and settlement arrangements. The U.S. Federal Reserve System is primarily responsible for the oversight of Multinet, since the system will be located in the United States. The Bank of Canada, acting in co-operation with the Federal Reserve, has responsibility for overseeing the soundness of Multinet's procedures for the settlement of Canadian dollar transactions.

Client services

... to the federal government

As the federal government's banker, the Bank ensures that the government's operating accounts have enough cash to meet daily requirements and raises funds to meet anticipated short-term needs. It also takes steps to minimize the cost to the government of holding these balances by investing excess funds in term deposits that earn interest at a higher rate than demand deposits.

In 1996 the Bank conducted 552 term deposit auctions in addition to 52 weekly auctions of shares of the government's demand deposits.

As agent for the Minister of Finance, the Bank intervenes in the foreign exchange market, buying or selling Canadian dollars to moderate movements in the value of the dollar. In April 1995 the Bank, on behalf of the Minister, introduced new criteria that call for less frequent intervention. Coupled with a relatively stable exchange rate, these led to very few interventions in exchange markets in 1996.

The Bank also manages the government's foreign exchange reserves. This includes investing the reserves, buying foreign exchange to cover the requirements of government departments, managing borrowings to replenish reserves, hedging foreign currency positions, and engaging in gold transactions. At the end of 1996, international reserves were approximately U.S.$20.6 billion, an increase of U.S.$5.4 billion from the end of 1995.

The Bank has set up a risk-management unit to monitor and manage the financial risk exposures of the government. This initiative reflects the government's desire to ensure that its risk-management practices and those of its Crown corporations are in line with the "best practices" being followed by financial institutions and by other countries.

... to financial institutions

The Bank of Canada maintains deposit and safekeeping accounts for approximately 100 clients, including major Canadian financial institutions, international financial institutions, and other central banks. The Bank is developing a new generation of computer systems, to be implemented by mid-1997, that will provide on-line access for these clients and will facilitate payments through the LVTS.

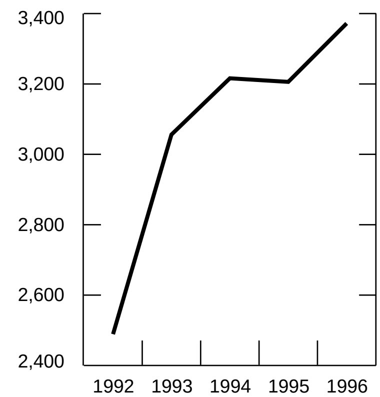
With the closing of many of its agencies, the Bank is restructuring the way it fulfils its responsibilities for the registration of security interests granted under the Bank Act. Alternative arrangements are being developed for implementation in 1997.

In April 1996 charges were introduced for certain custodial services that the Bank provides to institutional clients and that are available to them elsewhere. In total, charges for custodial services generated revenue of close to $1 million in 1996.

In January 1996 the Banco de México repaid in full its outstanding drawings of Can.$216 million made earlier under the bilateral swap facility with the Bank of Canada. No further drawings were made in 1996. This facility was renewed for one year in December 1996 in the amount of Can.$1 billion. A similar

The Bank responded to some 8,700 general inquiries concerning unclaimed bank balances in 1996. It completed 20,600 searches and made payments totalling $3.4 million to more than 3,350 claimants.

Number of accounts claimed



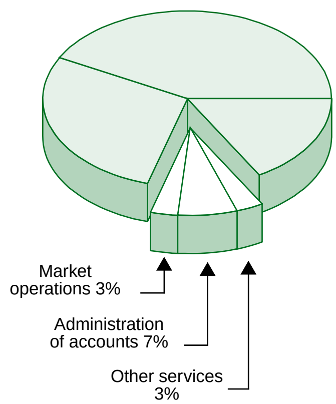
U.S.$2 billion facility between the Bank of Canada and the New York Federal Reserve Bank was also renewed, as was the North American Framework Agreement (NAFA). The NAFA sets out the terms and conditions of a simultaneous draw by one country on the bilateral swap facilities of the other two countries.

... to the general public

Chartered banks are required to transfer to the Bank of Canada all unclaimed bank balances maintained in Canada in Canadian currency that have been inactive for a period of 10 years. As custodian for these unclaimed balances, the Bank responded in 1996 to some 8,700 general inquiries, completed 20,600 searches, and made payments totalling $3.4 million to more than 3,350 claimants.

Early in 1996, the Bank of Canada implemented a new computer system to support the processing of unclaimed balances. The Bank continues to investigate ways to improve the public's access to this information.

Operating expenses related to central banking services



Operating expenses

Expenditures in 1996 on central banking services were just under $23 million, about 13 per cent of the Bank's total operating costs. The streamlining of operations flowing from activity reviews continued in 1996. The resulting savings were more than offset by investment in computer systems necessitated by the development of the LVTS and the need to replace and update systems in the areas of unclaimed balances, foreign exchange operations, and account administration.

Bank Notes

The Bank is committed to providing Canadians with bank notes that they can use with confidence and without concern about counterfeiting. It does this in the most economical and efficient manner possible. The Bank meets this commitment by using private sector partnerships, wherever practical, to produce and distribute notes, while continuing to maintain a high degree of security in the overall operation. Public education on the anti-counterfeiting features of bank notes is an important part of the strategy for keeping bank notes secure.

At the end of 1996, there were about 1.2 billion bank notes, worth over $29 billion, in circulation. The chances of encountering a counterfeit note were 1 in 16,900.

Year in review

The bank note function was the area in which the Bank's recent activity review led to the most dramatic change in the way business is conducted. In 1996 the first phase of a new bank note distribution system was implemented, which will make it possible to discontinue the processing of bank notes in seven of the Bank's nine regional agencies. This change will create major efficiencies and savings that will grow as the system is put in place through 1997. It will result in a workforce reduction of nearly 200 positions from 1994 levels. The closure of cash operations has, in turn, created an opportunity to re-examine all the other operations carried out in the agencies and will lead to further efficiencies.

Other significant changes in 1996 were the replacement of the $2 note by a coin and the contracting out of note-finishing operations (which include inspection, cutting, and packaging) to security printers.

A new approach to bank note distribution

The new method of distributing bank notes was developed, and is now being implemented, in close partnership with financial institutions, which will have more responsibility for note distribution under the new system. These institutions participated in every aspect of the system design, including the procedural framework and the supporting computer network. The new distribution arrangements were launched in Calgary in October 1996 and in the city of Québec in January 1997.

In the past, financial institutions deposited surplus notes at the Bank's nine regional processing centres. The Bank processed these notes—about 2 billion per year—and then stored them until they were withdrawn again when needed by institutions. Under the new system, the Bank and the financial institutions will jointly manage the flow of notes among institutions, but the majority of the notes in circulation will not pass through the

The most important weapon against counterfeiting is the public's ability to recognize a genuine bank note.

Bank's hands until they are no longer fit for reissue. The Bank's management of information instead of physical notes is the key to the major savings, of some $10 million annually, that will accrue to the Bank, and thus to the Canadian public, under the new arrangements.

The Bank's cash operations in Ottawa were discontinued in June 1996; operations in Saint John, Halifax, Regina, Calgary, Winnipeg, and Vancouver will close during 1997 as the new distribution system is implemented. The Bank will continue to introduce new notes into the system through its facilities in suburban Toronto and Montreal.

New regional representation

Although many of the Bank's note-processing operations and other functions in the regions are being consolidated or contracted out, the Bank will maintain an important presence in five regional offices in Halifax, Montreal, Toronto, Calgary, and Vancouver. Communications initiatives related to monetary policy will be carried out by these regional offices, which will also serve as contact points for all of the services provided by the Bank. Officers will maintain liaison with financial institutions in the regions in support of the operation of the new bank note distribution system. For the Canadian public, education programs on anti-counterfeiting measures will be offered, and information will be available on activities such as searches for unclaimed bank balances.

In the first six weeks of 1996, nearly 40,000 sheets of 40 $2 notes, representing a face value of over $3 million, were sold to collectors.

Withdrawal of the $2 bank note

On 16 February 1996, the Bank issued the last new $2 notes and discontinued the sale of sheets of uncut $2 bills. At that time, about 230 million $2 bills were in circulation. The $2 note had a short lifespan, only 14 months, because small-denomination notes changed hands often and wore out rapidly. The withdrawal of the $2 note will generate annual savings of some $7 million in production costs, plus further reductions in distribution and handling costs.

Research and anti-counterfeiting measures

The Bank conducts ongoing research into anti-counterfeiting measures and into production methods aimed at improving cost-effectiveness and increasing the durability of bank notes. This research is carried out in co-operation with private sector suppliers of material and equipment used in the production of bank notes.

Research on optical security material is conducted in conjunction with the National Research Council, and regular consultations are held with note-issuing authorities in other countries. The Bank also consults the printing industry and the manufacturers of photocopier equipment in order to reduce the risk of printing equipment being used to counterfeit bank notes.

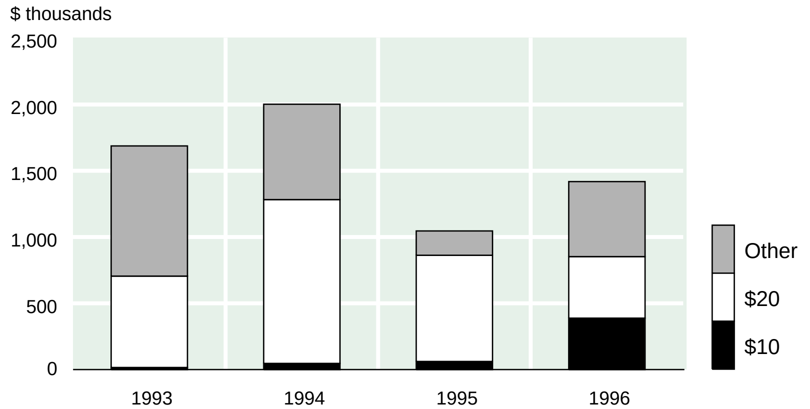
The Bank is also monitoring the domestic development of electronic cash or "smart cards" and their impact on the demand for bank notes.

Public education

The most important component of the Bank's program to deter counterfeiting is the ability of the public to recognize the features of a genuine bank note. Through the Bank's Currency Museum, public and school displays, and contacts with the retail sector, the Bank informs the public about the features of genuine notes. The most visible anti-counterfeiting measure is the Optical Security Device (OSD), the reflective rectangle in the upper left-hand corner of the $20, $50, $100, and $1,000 notes, which changes colour from gold to green when tilted against the light. Genuine bank notes also have a distinctive look and feel, owing to the varying thicknesses of ink created by the intaglio printing process.

In December the RCMP issued a press release in consultation with the Bank advising of an increase in the number of counterfeit $10 notes in circulation and reminding Canadians how to identify genuine bank notes. The Bank closely monitors the incidence of counterfeiting and maintains contingency plans to deal with changes in technology that might be used by counterfeiters. Statistics on the counterfeiting of Canadian currency are available to the public from both the Bank and the RCMP.

Value of counterfeit bank notes found in circulation

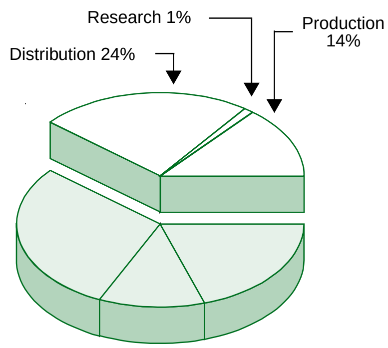


The Optical Security Device was introduced on new series of higher-denomination notes starting in 1989. The June 1993 issue of a new $20 series carrying the OSD and the accelerated withdrawal of old $20 notes from circulation have been effective in reducing counterfeiting of this important denomination. The Bank is currently examining a variety of measures to address the recent increase in counterfeit $10 notes.

Operating expenses

Expenditures for bank note activities were $69.6 million in 1996, about 39 per cent of the Bank's total operating costs. There was a significant reduction in the cost of producing new

Operating expenses related to bank note issue



notes owing to the withdrawal of the $2 note and lower requirements for replacement notes in other denominations. The closing of cash operations in Ottawa and the reduction of distribution costs in other regional agencies also began to have an effect on 1996 expenses. Further savings will accrue in 1997 and beyond, as the new distribution arrangements take full effect and agencies are closed.

Electronic money

Electronic money (e-money) has the potential, over time, to significantly reduce the use of other methods of payment (particularly coins and notes) in small-value transactions.

E-money is a way of storing purchasing power electronically. It can take the form of a card (sometimes referred to as a “smart” or “stored-value” card or an “electronic purse”), or it can be software on a computer network (sometimes referred to as “digital cash”). The consumer obtains a certain value from an e-money “provider”; the value of purchases is subtracted from this balance.

Promoters of various e-money schemes are currently conducting pilot projects in cities across Canada. While predicting the commercial success of e-money is very difficult at the moment, its acceptance will ultimately depend on its attractiveness to consumers, merchants, and providers. Governments and central banks in a number of countries have begun to consider the policy issues raised by e-money. Of particular interest to central banks are the implications for central bank revenues, monetary policy, and the payments system in general. Among the questions being raised are: Who should provide e-money? Should the providers be regulated and, if so, how? What is the appropriate form of consumer protection? Are existing laws sufficiently clear on the legal rights and obligations of e-money users and providers? What are the implications for criminal activities, particularly counterfeiting, fraud, and money laundering? And, finally, what are the consequences of a serious technical malfunction?

During 1996 the central banks in the Group of Ten (G-10) countries (including the Bank of Canada) actively studied and discussed many of these issues. Much of this work was carried out under the auspices of the Bank for International Settlements and led to the publication of two reports (BIS 1996).

Further studies by G-10 governments are under way in the areas of consumer protection, law enforcement, and the possible supervision and regulation of e-money products and providers.

Debt-Management Services

In providing debt-management services for the federal government, the Bank strives to carry out its agency role in a way that is satisfactory to the government and to the retail debt agency recently established within the Department of Finance. The Bank is also responsible for serving the investing public and for promoting, through its handling of government borrowings, the functioning of Canadian debt markets.

The services traditionally provided to the federal government include advising on borrowings, managing new debt offerings, and servicing outstanding debt. These services were provided for all of the government's debt issued domestically, regardless of the type of borrowing.

In 1995 a distinction was made regarding that portion of the debt held by individuals and commonly referred to as the government's retail debt. A special agency, now known as Canada Investment and Savings, was established by the federal government to be responsible for all of the government's retail debt operations. This agency handles the Canada Savings Bond (CSB) campaign as well as the development of new retail products and marketing initiatives. The Bank of Canada continues to provide operations and systems support for the program. Amendments to the Bank of Canada Act, scheduled for 1997, will enable the Bank to charge the federal government for these services.

For CSB information:

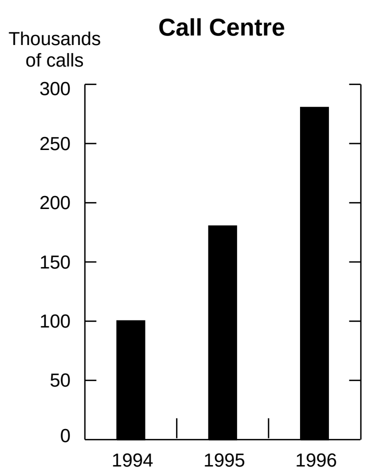
Use our 1-800 Call Centre

(1-800-575-5151) or

http://www.cis-pec.gc.ca/

on the World Wide Web.

Other debt-management responsibilities are unchanged. These relate to treasury bills and marketable bonds issued by the government and to borrowings on behalf of the Exchange Fund Account (EFA). This debt is placed largely with institutional investors.



Year in review

Government retail debt services

The Bank administers some 7 million accounts for CSB holders. To enhance service and to ensure effective handling of new products, a major new computer-based system has been under development since 1994. With a change in systems supplier during the year, this project is scheduled for completion in 1998. Meanwhile, steps taken in 1996 resulted in more efficient processing of CSB orders and certificates. The Bank also undertook measures to support new retail debt initiatives for introduction as early as 1997.

Since 1994 the Bank has operated a 1-800 Call Centre to provide information on CSBs. The centre was expanded in 1996 to provide pre-sales marketing support and to meet additional demands related to the broadened RRSP eligibility of CSBs. The CSB Web site, developed in 1995, was enhanced during 1996. The Bank also supported a program for direct sales of CSBs and piloted a new method of selling the bonds through instalments.

Other government debt services

Government treasury bills and marketable bonds are issued through auctions run by the Bank. There were 61 auctions of treasury bills, including regular weekly offerings and short-term bills for government cash-management purposes, and 26 auctions of marketable bonds during 1996. Towards the end of the year, the Bank released a discussion paper on possible changes to bidding rules and to the Bank's surveillance of the auctions. The proposed changes should ensure continued confidence in the auction process.

The Bank is also responsible for the administration of the government's treasury bills and marketable bonds after they are issued. Because transactions now clear and settle through the computerized Debt Clearing Service of the CDS, the Bank's operations in this area have diminished considerably.

In 1996 the Bank was involved in raising U.S. dollars for the EFA through two global bond issues and two swap transactions. Regular short-term U.S. dollar funding of the EFA also continued through the Canada Bills program. As well, a medium-term note program was initiated in the United States to raise U.S. dollars for terms beyond nine months, and preparations were made to launch a similar program outside North America early in 1997.

Operating expenses

Expenditures on debt-management services were nearly $52 million in 1996, about 29 per cent of the Bank's total operating costs. There were further significant declines in costs from the increasing benefits of the Debt Clearing Service of the CDS. However, investment in systems and services to support the new direction for retail debt and to support treasury bills and marketable bond services partially offset the savings that were generated.

Operating expenses related to debt-management services