

LOOKING AHEAD

Medium-Term Plan 2007–09

The Bank's vision for fulfilling its responsibilities is to be second to none among the world's central banks. The year 2007 is the first year of the Bank's new medium-term plan. The plan builds on the accomplishments of the previous plan, which focused on innovative research and the integration of that research into analysis to support the Bank's policy decisions; strengthening our partnerships; and enhancing the effectiveness of our communication.

The Bank's new plan has three Bank-wide priorities involving investments over the three years of the plan:

- renewing our infrastructure
- creating a superior work environment
- staying at the forefront of good governance to preserve the trust of Canadians in our ongoing stewardship of the Bank

To attract and retain qualified and talented staff, the Bank's human resource strategy offers distinctive challenges and development opportunities, competitive total compensation, and a distinctive work environment.

This section outlines the Bank's desired outcomes and the strategies to achieve them over the medium term, as well as the priorities for 2007. The complete medium-term plan,

approved by the Bank's Board of Directors, is available on the Bank's external website at www.bankofcanada.ca/en/pdf/mtp_2007-09e.pdf.

Monetary Policy

Desired Outcome: 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 total consumer price inflation and recommend a monetary policy framework that will deliver the greatest contribution to economic performance in the future

Priority will be given to the following topics in 2007 and over most of the medium-term plan:

- research the costs and benefits of a lower inflation target and the costs and benefits of a price-level target
- improve our understanding of the process and implications of globalization
- carry out a more extensive investigation of real and financial linkages in the monetary policy transmission mechanism
- analyze sectoral and regional adjustments to large relative price shocks and other major disturbances
- reassess potential output growth in the context of changing demographics and shifting productivity trends
- explore the bounds of transparency and enhance the Bank's communications

Currency

Desired Outcome: Canadians use bank notes with confidence

Strategy to Achieve Desired Outcome: Reduce counterfeiting below a clearly defined threshold

Outcome Goal: Reduce counterfeiting to below 100 detected counterfeits annually for each million genuine notes in circulation by 2009

To achieve the desired outcome, four priority areas will be pursued over the next three years:

- develop a significantly more secure next generation of bank notes, and begin issuing new series in 2011

- increase verification 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

In 2007, the Bank will:

- conduct research on security features, theme, and design of next generation of bank notes, while continuing to evaluate various substrates
- further its understanding of bank note usage, counterfeiting behaviour, and alternative payment methods and technologies
- redirect education efforts to engage retailers in authenticating bank notes
- continue to support and promote counterfeit deterrence
- replace notes from older series, and enhance the bank note distribution system
- refurbish aging note-processing equipment

Financial System

Desired Outcome: Contribute to maintaining a stable and efficient financial system in Canada

Strategy to Achieve Desired Outcome: Provide essential banking services and influence public sector agencies and private sector behaviour to improve the safety and efficiency of the financial system

Outcome Goals: Contain systemic risk; produce influential research, analysis, and policy advice; and provide reliable banking services

The priorities over the medium term are:

- implement a strategy to improve the collection and use of financial data
- enhance emergency preparedness at a second site
- develop a framework to assess financial system stability
- examine the efficiency of the Canadian financial sector

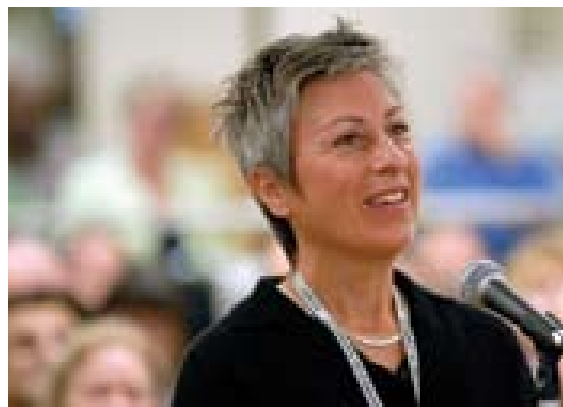
In 2007, the Bank intends to:

- work towards completion of the new business application for banking services and strengthen the resiliency of the systems that support banking operations
- carry out further research on the cross-border linkages among clearing and settlement systems for payments and securities
- analyze the operations of large, complex financial institutions with a view to their implications for the financial system
- pursue its efforts to reform the IMF by enhancing the IMF's role in surveillance

Funds Management

Desired Outcome: Stable and effective management of Government of Canada and Bank of Canada financial assets, investment performance, and risks

Strategy to Achieve Desired Outcome: Maintain effective partnerships; leverage new



Questions on the new medium-term plan

analytical tools; review services, processes, and systems; enhance risk-management framework; and ensure clear and effective governance arrangements



Governor Dodge addresses staff at "town hall" meeting on new medium-term plan.

Outcome Goal: Provide cost-effective services within a strong risk-management framework, including sound policy advice and effective implementation

The priorities over the medium term are to:

- enhance analytic capabilities
- renew systems and improve processes
- enhance risk management
- strengthen business-continuity planning

In 2007, the Bank intends to take the following key initiatives:

- continue to support liquidity in the market for Government of Canada securities
- improve the measurement and reporting of performance and risks of the Exchange Fund Account

- complete the transition of sales and marketing for retail debt from Canada Investment and Savings into the Bank

Corporate Administration

Desired Outcome: Efficient and effective support of corporate administration functions for achieving Bank objectives

Strategies to Achieve Desired Outcome: Further develop the Bank's policy and accountability framework to enhance effectiveness and efficiency in the areas of human resource management, infrastructure, and internal communications

Outcome Goal: Provide cost-effective services and sound policy advice on the management of Bank resources

Over the medium term, the Bank will be facing many of the same challenges as other organizations. In the area of human resource management, the labour markets the Bank draws on are tightening, specialized knowledge is in short supply, and increasing retirements will require more proactive knowledge-retention strategies, succession planning, and possibly retention incentives. To help meet these challenges, investments will be made in a number of areas to strengthen the work environment. In 2007 and over the medium term, the Bank will focus on the following key initiatives:

- develop recruitment and compensation strategies that address changing business needs, demographics, and labour market conditions

- expand the leadership-development program for management
- improve its capacity to access and retain knowledge

Renewing our infrastructure is another corporate priority, with the Bank investing in its information technology to deliver advanced technologies that support key business objectives, as well as in its facilities and security. Clear and open internal communication will continue to be a priority at the Bank, and managerial effort at all levels will be devoted to explaining to staff the Bank's desired outcomes and priorities, and linking the staff's own work to the priority areas. Finally, accountability for the Bank's use of public funds in carrying out its responsibilities is central to this plan.