

THE BANK AT A GLANCE



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 areas. Amendments to the act in 1997 (see page 54) do not in any way alter these primary responsibilities.

Monetary policy

The Bank's 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 regulate and support Canada's principal systems for clearing and settling payments and other financial transactions. The Bank also provides a number of banking services and advice to the federal government, financial institutions, and the general public.

Currency

The Bank is responsible for issuing bank notes in Canada—undoubtedly our best-known product. This involves note design (with particular emphasis on anti-counterfeiting features) as well as the printing and distribution of bank notes and their eventual replacement.

Debt-management services

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

International activities

On the international front, Bank staff participate in regular meetings and conferences of major international organizations, where the emphasis is on sharing and gathering information to assist in domestic policy deliberations. In addition, the Bank works closely with government departments on international economic and financial issues. Bank employees also take part in technical assistance programs to developing countries under the auspices of the International Monetary Fund (IMF) and the World Bank and in co-operation with the Canadian International Development Agency (CIDA).

How the Bank Works

The Bank's responsibilities were carried out by a highly professional staff of about 1,500 regular employees and 300 temporary and contract staff as at year-end. Staff are organized into eleven departments—six directly involved in the Bank's four main areas of activity and five corporate service departments, including an internal audit department.

Department chiefs are responsible for operations and service delivery in their own areas; each chief reports to one of the Bank's deputy governors or to the Senior Deputy Governor.

The Governing Council, which consists of the Governor, Senior Deputy Governor, and four deputy governors, takes collective responsibility for the Bank's affairs. This includes dealing with broad organizational and strategic issues, as well as the formulation and implementation of monetary policy.

The Governing Council and 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, seated: Charles Freedman, Sheryl Kennedy, Gordon Thiessen; standing: Bernard Bonin, Paul Jenkins, Tim Noël

Corporate Governance

There has recently been increased public interest in the effectiveness of the control exercised by boards of directors. In 1995, the Bank's Board of Directors began a review of its corporate governance. In doing so, it looked to the recommendations made by both private and public sector committees.

The Board clarified its responsibilities in a Terms of Reference document. The terms recognized that the Bank of Canada Act gives the Governor the responsibility for monetary policy and other businesses of the Bank, while conferring on the Board general oversight responsibility for the Bank as well as certain specific duties. These specific obligations are in the area of internal financial management and general administration. The Board appoints the Governor and Senior Deputy Governor (subject to approval by order-in-council) as well as the deputy governors. The Board also monitors members of senior management, participates in the strategic planning process, approves the Bank's budget and accounting practices, and reviews staffing practices and internal controls.

The Board is also responsible for reviewing all the significant activities of the Bank and evaluating the manner in which the Governor carries out his responsibilities. In addition, the Board may contribute advice on what it sees as the public interest regarding matters that are the responsibility of the Bank.

To help in discharging its mandate, the Board created a Corporate Governance Committee. This committee is composed solely of directors from outside the Bank and is chaired by a lead director (currently Judith Maxwell). The specific duties of the committee include reviewing the frequency and timing of meetings, reviewing the yearly cycle of decisions brought to the Board's attention, assessing the presentations made to the Board, and determining whether the Board is receiving the information it needs from management. In addition to chairing the committee, the lead director also presides at regular informal meetings of the Board at which management is not present.

The Board also decided to conduct an annual self-assessment. The first of these, completed in 1997, determined that the Board believes it is appropriately exercising its stewardship of the Bank's affairs, that the Board has access to the information it needs to exercise its mandate, and that the Board interacts effectively with management.

The Board of Directors

The Board of Directors is composed of 12 directors from outside the Bank plus the Governor and the Senior Deputy Governor. The Deputy Minister of Finance sits on the Board as a non-voting member. Directors are appointed for three-year terms by the Minister of Finance (subject to approval by order-in-council) and may be reappointed at the end of their terms. The directors' diverse backgrounds contribute to the effective operation of the Board. In addition, directors come from across Canada, thereby providing an important link between the Bank and all regions of the country.

As indicated on the previous page, the main role of the Board is one of general oversight with more specific responsibilities in the areas of financial management and general administration.

The Board of Directors meets at least seven times a year. In addition, the Board exercises its stewardship through a series of committees. The Executive Committee, which is composed of four directors as well as the Governor, Senior Deputy Governor, and the Deputy Minister of Finance, may deal with any matter within the competence of the Board and meets to deal with special matters when it is impractical to assemble the full Board. In 1996, the Board created the position of lead



Judith Maxwell, CM*
Ottawa, Ontario
Lead Director



Winston Baker
St. John's, Newfoundland



Walter Dubowec, FCA
Winnipeg, Manitoba



Raymond Garneau, QC
Westmount, Quebec



James S. Hinds, QC
Sudbury, Ontario



Aldéa Landry, QC
Moncton, New Brunswick



Harold H. MacKay, QC†
Regina, Saskatchewan



Paul Massicotte*
St-Laurent, Quebec



James S. Palmer, QC*
Calgary, Alberta



Joseph Segal, CM
Vancouver,
British Columbia



Barbara Stevenson, QC*
Charlottetown,
Prince Edward Island



C. Scott Clark**
Deputy Minister of Finance
(Ex officio)

* Member of the Executive and Corporate Governance Committees

** Member of the Executive Committee

Two positions were vacant on 31 December 1997.

† Mr. MacKay resigned in July 1997 to chair the federal government Task Force on the Future of the Canadian Financial Services Sector.

director and formed a Corporate Governance Committee to ensure that the Bank has good governance practices in place. Other committees of the Board are the Planning and Budget Committee, the Audit Committee, the Human Resources and Compensation Committee, and the Premises Committee. These meet several times a year according to the requirements of their subject areas. The Audit Committee, like the Corporate Governance Committee, is composed of non-management members only.

The Year 2000 Challenge

The Bank of Canada, like most other users of computers, is faced with a need to modify many of its computer systems to deal with what has become known as the Year 2000 challenge. The challenge arises from the inability of automated systems to distinguish the year 2000 from the year 1900 because, until very recently, computers were programmed to recognize only the last two digits of the year.

The Bank recognizes that the Year 2000 challenge has the potential to cause disruptions throughout the economy and requires the attention and action of most organizations in Canada and around the world. For its part, the Bank has been working actively for over a year to address the issue as it relates to its own internal systems, to those of its main external suppliers of goods and services, and to the overall functioning of the Canadian financial system.

In April 1997, the Bank completed an internal Year 2000 Impact Assessment and presented the findings to the Board of Directors. This study highlighted the need to verify that critical internal systems will function properly, to co-ordinate testing with business partners of shared systems, and to ensure that appropriate contingency plans are in place in the event of malfunction or failure. A dedicated team was formed and is currently engaged in these tasks across the organization, led by a central project office that provides management, direction, and support. The key objectives are to complete the internal work program by the end of 1998, and in 1999 to focus on testing with our business partners and developing the necessary contingency plans.

In support of the overall functioning of the Canadian financial system, the Bank is participating in discussions with federal government departments, and with Industry Canada's Year 2000 Task Force. It is also working with domestic and international financial communities to raise awareness, encourage resolution, share best practices, and monitor the state of readiness.