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, are grouped into four broad areas.

Monetary Policy

The Bank's most important responsibility is monetary policy. The goal of monetary policy is to preserve the value of money by keeping inflation low and stable. In doing so, monetary policy contributes to better economic performance and rising living standards for Canadians.

Currency

The Bank issues Canada's bank notes. This involves note design (with particular emphasis on anti-counterfeiting features) as well as responsibility for printing and distributing new bank notes and replacing worn notes.

Central Banking Services

The Bank promotes a safe and sound financial system in Canada and provides funds-management services to the federal government. To promote a sound financial system, the Bank regulates the major clearing and settlement systems through which financial institutions transfer funds or process and discharge payment obligations from the purchase and sale of financial instruments such as debt, equity, foreign exchange, or derivatives. As the federal government's banker, the Bank provides advice on managing the public debt, handles new borrowings, maintains bondholder records, and makes payments for interest and debt redemption. It also manages the government's foreign exchange reserves. As a service to the public, the Bank holds unclaimed bank balances and helps people reclaim money left in unused accounts.

Retail Debt Services

Millions of Canadians hold Canada Savings Bonds and other debt instruments issued by the federal government. While management of this debt is under the direction of Canada Investment and Savings, an agency of the Department of Finance, the Bank is responsible for maintaining debt registers and for servicing the accounts of debtholders.

Corporate services

The work in all of the above areas is supported by staff from five corporate services departments who ensure that infrastructure, human resources, and administrative services are provided reliably and cost-effectively.

International Activities

Many of the Bank's activities have an international dimension. Bank staff

- work with Canadian government departments on international economic and financial issues
- collaborate with other central banks
- participate in meetings of major international organizations
- take part in technical assistance programs for developing countries

How the Bank Works

The Bank's responsibilities are carried out by approximately 1,800 people working on a regular, temporary, or contractual basis in 11 departments at headquarters in Ottawa and in 5 regional offices across Canada.

The Governing Council

The Governor, the Senior Deputy Governor, and five Deputy Governors sit on the Governing Council, which takes collective responsibility for the Bank's affairs. This includes formulating and implementing monetary policy as well as dealing with broad organizational and strategic issues. The Governing Council works closely with the Board of Directors, which oversees the management and administration of the Bank.

The Management Forum

Consisting of the Governing Council, Advisers, and Department Chiefs, this forum meets regularly to exchange information on management issues and to review policy proposals. The group plays a key role in medium-term planning by helping to identify strategic issues and priorities.

Delegation and Accountability

The working environment at the Bank has become increasingly decentralized. Department Chiefs are responsible for operations and services in their own areas and are accountable to one of the Bank's five Deputy Governors or to the Senior Deputy Governor. Agreements established each year between Department Chiefs and Deputy Governors set out the results expected and establish financial constraints for the departments.

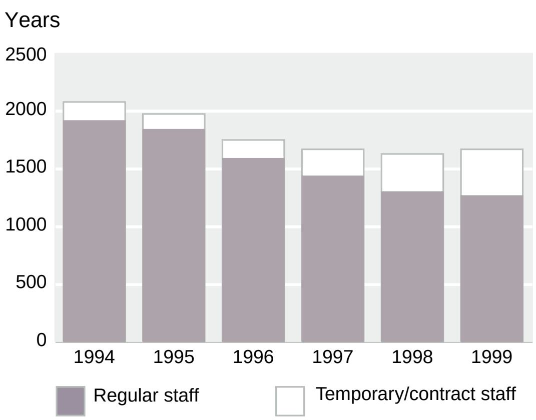
PHOTO: BALFOUR PHOTOGRAPHY

The Governing Council:
L-R, seated: Tim Noël, Sheryl Kennedy, Gordon Thiessen
Standing: Malcolm Knight, Pierre Duguay, Paul Jenkins, Charles Freedman

Our Staff

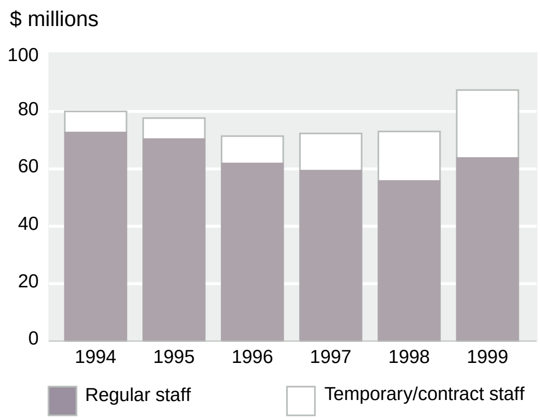
Over the past several years, the Bank's operations have undergone significant change. While there has been considerable expansion of retail debt services to the federal government, the Bank's three core functions have been fundamentally restructured. As a result, there was an overall decline in the total number of staff years of about 20 per cent from 1994 to 1999. The composition of Bank staff has also shifted. It now includes a higher proportion of temporary and contract staff to provide greater flexibility in meeting varying work volumes and requirements for specialized skills.

Staff Years



To meet its responsibilities to Canadians, the Bank has focused on creating a work environment that would attract, retain, and motivate staff. A cornerstone of this strategy was the development and implementation of a new compensation system between 1996 and 1999. The objective of the new system was to bring compensation—base pay, re-earnable performance pay, flexible benefits, and recognition—into line with comparable markets and then to maintain a competitive position based on annual market studies.

Salary Expenses



In 1999, the Bank adjusted its salary ranges by an average of 3 per cent. The Bank's total salary expenses also rose owing to the additional staff needed to support the government's retail debt program and higher costs for information technology professionals. As well, the Bank implemented re-earnable performance pay, which resulted in a one-time increase in salary expenses. For 2000, salary range increases averaging 2.4 per cent have been implemented to maintain a market-competitive position.

Key principles of the work environment are set out in Our Commitment to Each Other. These principles underlie a number of programs at the Bank. In 1999, the Bank invested approximately $1,700

per regular employee in language training, updating of technical skills, and skill development in the areas of policy and analysis. The Bank also began a mentoring program in 1999 aimed at enhancing the organization's learning culture. Efforts will continue in 2000 to build staff capabilities with an emphasis on recruitment, succession planning, and leadership development.

The Bank also encourages flexible work arrangements, including a telework program. Communication with staff is a priority and is supported by courses on communications skills, staff surveys, and our Bank-wide intranet, which provides information on policies, services available to staff, and news about Bank events.

Our Commitment to Each Other

To foster an environment where

- people are respected, recognized, and responsible
- communication is open and honest
- creativity, excellence, and learning are encouraged and supported
- work arrangements are flexible
- responsibilities are defined
- resources are allocated to get the job done

PHOTO: JACQUELINE BOURQUE

Daniel Racette, Visiting Special Adviser, conducts "Monetary Economics for Non-Economists."

The Bank is committed to employment equity, bilingualism, and workplace health and safety. In support of each of these programs, plans, objectives, and initiatives are developed, and the Bank files annual reports on performance. Over the past few years, improvements have been made in the Bank's bilingualism capacity and in the awareness of workplace health and safety issues. Despite significant staff reductions over the past few years, designated group representation has remained stable.

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 the Governor-in-Council) and may be reappointed at the end of their terms. The Directors come from across Canada, thereby providing an important link between the Bank and all regions of the country.

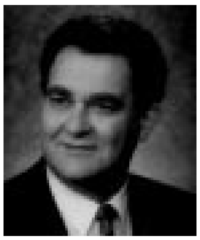
The Board meets at least seven times a year and also works through a series of committees. The Executive Committee, which is composed of four external Directors, the Governor, the Senior Deputy Governor, and the Deputy Minister of Finance, may deal with any matter within the mandate of the Board and meets when it is not practical to assemble the full Board. The Planning and Budget Committee and the Human Resources and Compensation Committee play important roles in approving key financial and staffing plans. The Audit Committee reviews the audit plan of the external auditors and the Bank's financial statements and monitors the adequacy of internal controls. The Board also has a Premises Committee and a Corporate Governance Committee.

The Board, with the approval of the Governor-in-Council, establishes the fees paid to the Directors for the performance of their duties. Total compensation paid to outside Directors in respect of their responsibilities in 1999 was $176,000.

Harold H. MacKay, QC*
Regina, Saskatchewan
Lead Director

James S. Hinds, QC
Sudbury, Ontario

Winston Baker*
St. John's, Newfoundland



Barbara Hislop
Vancouver,
British Columbia

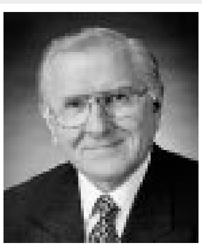
J. Bernard Boudreau, QC†
Halifax, Nova Scotia

Aldéa Landry, QC
Moncton,
New Brunswick

Kit Chan
Calgary, Alberta

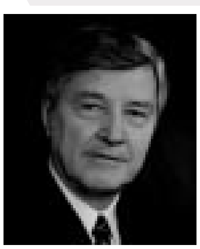
Paul Massicotte
St-Laurent, Quebec

Walter Dubowec, FCA*
Winnipeg, Manitoba



Judith Maxwell, CM
Ottawa, Ontario

Raymond Garneau, OC*
Westmount, Quebec



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

Barbara Stevenson, QC
Charlottetown,
Prince Edward Island

* Member of the Executive and Corporate Governance Committees
** Member of the Executive Committee
† Mr. Boudreau resigned on 4 October 1999.

The Board's Role

Under the Bank of Canada Act, the Governor and the Board of Directors play different, but interactive, roles in the management of the Bank. The Governor is the Bank's chief executive officer and is responsible for monetary policy and for the conduct of other Bank business. The Board is responsible for general oversight of the Bank and, in that capacity, focuses its efforts on financial, human resource, and administrative matters. Of particular significance, the Board is responsible, with the approval of the Governor-in-Council, for appointing the Governor and the Senior Deputy Governor. The Board also appoints the Deputy Governors.

Board Stewardship

One of the Board's most important tasks is its role in establishing the Bank's strategic direction and corporate plan. The core businesses of the Bank, in common with other central banks, are being affected by a rapidly changing technological and international environment. During 1999, the Board oversaw a process to help identify these influences and propose appropriate responses. Monitoring the Bank's performance in this changing environment is another important element of the Board's stewardship. During the year, the Board received reports and approved initiatives related to the various functions of the Bank. A particular focus was the century date changeover and, at each of its meetings, the Board reviewed management's internal and external preparations. In its first meeting in 2000, the Board participated with management in an assessment of how the Bank's business objectives for 1999 had been met.

The Board was actively engaged in its human resources responsibilities. A key part of that activity was the completion of the selection process for a new Senior Deputy Governor, which had begun in 1998. In May 1999, the Board appointed Malcolm Knight, effective 5 July 1999, as Senior Deputy Governor to replace Bernard Bonin, who was retiring. The Board also addressed other succession-planning issues. These included the appointment of Pierre Duguay as a Deputy Governor and a series of promotions and rotations to broaden the experience of the present executive management group. More generally, the Board helped shape plans for the development of future managers throughout the Bank with special attention to key leadership skills, employment equity, and bilingualism.

As is its regular practice, the Board reviewed the performance of the Governor and Senior Deputy Governor and contributed to the performance reviews of the Deputy Governors.

Other Governance Issues

To effectively oversee the Bank's affairs, the Board must be able, where required, to operate independently of management. With this in mind, the Board has introduced a number of best practices and governance principles from both the private and public sectors and reviews them regularly to ensure that they remain current. To assist in this process, the Board has established a Corporate Governance Committee composed of the four external Directors who sit on the Executive Committee and chaired by the Lead Director. Among its other duties, the committee reviews the annual cycle of agenda items

and the quality of the information presented to the Board to determine whether agenda revisions are needed or additional information is required. To shape the agenda throughout the year and to ensure an opportunity for independent expression, the external Directors meet privately at the end of each Board meeting. The Lead Director then brings the Directors' input to the attention of the Governor. The Corporate Governance Committee also began a review of the terms of reference of the various committees to ensure that they accurately reflect the responsibilities of each committee.

During the year, the Board assisted management in reviewing the Bank of Canada Act to identify amendments that would address the changing financial environment and other issues affecting the Bank.

The Board annually assesses its own performance. In 1999, the Board concluded that the measures put in place during the year ensured that it would continue to be able to fully exercise its stewardship of the Bank's affairs.