

ABOUT
THE BANK





THE BUSINESS OF THE BANK



The Bank of Canada's responsibilities focus on the goals of low and stable inflation, a safe and secure currency, financial stability, and the efficient management of government funds and public debt. These responsibilities are carried out as part of the broad functions described below.

Monetary Policy

The goal of monetary policy is to contribute to solid economic performance and rising living standards for Canadians by keeping inflation low, stable, and predictable.

Currency

The Bank issues Canada's bank notes and is responsible for note design (including anti-counterfeiting features), distribution of new notes, and replacement of worn notes.

Central Banking Services

This function involves two major activities: the promotion of financial stability and the provision of efficient funds-management services to the federal government.

Retail Debt Services

The Bank is responsible for ensuring that all holders of Canada Savings Bonds and Canada Premium Bonds have their information registered and their accounts serviced through efficient operations and systems support.

Corporate Services

To manage and carry out the Bank's business effectively, the expertise of staff in a range of service areas such as human resources, technology, finance, communications, and administration is essential.

LOOKING AHEAD

Over the past year, the Bank has been taking stock of its priorities, its work environment, and the scope of its business activities. A key result of this effort will be the adoption, in the spring of 2002, of a new strategic plan covering the next several years.

One major decision that has already been implemented was the outsourcing of the operations and systems supporting retail debt services. The transition was completed in 2001. The new arrangements should improve the cost-effectiveness of service delivery, while allowing the Bank to focus on its primary functions. Related restructuring of the Bank's corporate services areas will be completed over the next year.

The Bank's focus for the future was reviewed by an internal working group of senior staff. It concentrated on finding the most effective ways to carry out the Bank's mandate and on identifying elements of the work environment that would best support that mandate in the coming years.

Overall, the Bank plans to expand its work in the following areas: research and analysis on structural and macroeconomic policy issues, currency education and the security of bank notes, promotion of the safety and soundness of domestic and international financial systems, management of the government's financial assets and liabilities, and the promotion of a well-functioning Canadian-dollar debt market.

The quality of the work environment is essential to achieving a high standard of performance. At the Bank, this includes a fundamental commitment to a bilingual and diverse workplace. The Bank strives to create an atmosphere where knowledge is shared and learning thrives, where collaboration and partnerships with external organizations are effective, and where delegation and good communication support the work of our staff.

As the Bank moves ahead, it will continue to focus on attracting and retaining the best employees to meet these objectives and to fulfill its critical responsibilities as Canada's central bank.

Security guards Pascal Coutu and Sylvain St-Jacques in the lobby of the West Tower, Head Office, Ottawa





Board meeting at Head Office

CORPORATE STRUCTURE AND LEADERSHIP

Board of Directors

Under the Bank of Canada Act, the Board is responsible for general oversight of the Bank and has specific duties related to finance, human resources, and overall administration, while the Governor is responsible for monetary policy and the other business of the Bank.

The Bank's Board 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. The external Directors come from across Canada and provide an important link to the various regions of the country. Directors are appointed by the Minister of Finance for three-year terms and may be reappointed at the end of their terms.

Board Stewardship in 2001

During 2001, the Board oversaw a management-led review of the Bank's strategic direction, laying the groundwork for the development of the next medium-term plan. A key challenge this year, and one where a special committee of the Board provided guidance,

was the outsourcing of the operations and systems supporting retail debt services. Following the outsourcing initiative, the Board continues to closely monitor the restructuring of the Bank's corporate services departments.

The Board also supports the development of a work environment that will continue to attract and retain high-quality staff. Other key areas of interest for the Board have been improvements in the total compensation regime, the development of a leadership program for senior officers, and the effective management of the succession-planning process. The Board also took an active interest in the work of the Bank's regional offices, recognizing their important contribution to the Bank's economic analysis.

In 2001, the Board supported a significant change in the structure of the Bank's senior management team with the creation of the Executive Management Committee. The Committee was established to enhance the Bank's strategic management capabilities at the executive level.

Although the Board is not responsible for the conduct of monetary policy, its broad oversight responsibility includes monitoring the effectiveness of the monetary policy formulation process, including the standards applied in gathering information, together with the quality



THE BOARD OF DIRECTORS



David Dodge

David Dodge
Governor



Malcolm Knight

Malcolm Knight
Senior Deputy Governor



Harold H. MacKay

Harold H. MacKay
Regina, Saskatchewan
Appointed in January 1999
Lead Director

Raymond Garneau
Westmount, Quebec
Appointed in March 1996

James S. Hinds
Sudbury, Ontario
Appointed in March 1996

J. Spencer Lanthier
Toronto, Ontario
Appointed in March 2000

Paul J. Massicotte
Montréal, Quebec
Appointed in June 1995



Raymond Garneau



James S. Hinds



J. Spencer Lanthier



Paul J. Massicotte



Winston Baker



Kit Chan

Winston Baker

St. John's, Newfoundland
Appointed in March 1996

Kit Chan

Calgary, Alberta
Appointed in April 1999

Walter Dubowec

Winnipeg, Manitoba
Appointed in March 1996

Daniel F. Gallivan

Halifax, Nova Scotia
Appointed in July 2000

Barbara Hislop

Vancouver, British Columbia
Appointed in March 1998

Aldéa Landry

Moncton, New Brunswick
Appointed in March 1996

Barbara Stevenson

Charlottetown, Prince Edward Island
Appointed in October 1994

Kevin Lynch

Deputy Minister of Finance
Member *Ex officio*



Walter Dubowec



Daniel F. Gallivan



Barbara Hislop



Aldéa Landry



Barbara Stevenson



Kevin Lynch



THE BOARD OF DIRECTORS

David Dodge

Governor

Malcolm Knight

Senior Deputy Governor

Harold H. MacKay

Lead Director, Chair of Corporate Governance Committee, and member of Executive Committee

Lawyer

- Chairman, MacPherson Leslie & Tyerman
- Director, IMC Global Inc.
- Director, Canada Life Financial Corporation
- Chair, Saskatchewan Institute of Public Policy

Raymond Garneau

Member, Audit Committee

- Chairman of the Board of Industrial Alliance, Insurance and Financial Services and its subsidiaries, National Life of Canada and Industrial Alliance Pacific Insurance and Financial Services
- Member of the boards of directors of several corporations, including MAAX Inc.

James S. Hinds

Member, Audit Committee, Human Resources and Compensation Committee, Trustee, Pension Fund

Lawyer

- Partner, Hinds and Sinclair

J. Spencer Lanthier

Chair, Audit Committee

Chartered Accountant

- Former Chairman and CEO of KPMG Canada
- Vice-Chairman and member of the Board, Toronto Stock Exchange
- Member of the Board, Co-Steel Inc.
- Member of the Board, Ellis-Don Inc.
- Member of the Board, Visible Genetics Inc.
- Member of the Board, Bruce Power Inc.
- Member of the Board, Intertape Polymer Group Inc.

Paul J. Massicotte

Member, Executive Committee, Corporate Governance Committee and Premises Committee

Chartered Accountant

- President, Alexis Nihon Group
- Member, Board of Directors of the Canadian Institute of Public Real Estate Companies
- Member, Board of Directors of the Council for Canadian Unity
- Member, Board of Directors of St. Anne's Hospital Foundation

Winston Baker

Member, Executive Committee and Corporate Governance Committee

- Former educator and politician
- President, WB Holdings Ltd.

Kit Chan

Member, Human Resources and Compensation Committee and Premises Committee

- Principal of KBC Enterprises Ltd.
- Member, Board of Governors of Mount Royal College
- Member, Board of Directors of United Way of Calgary and Area
- Director and Corporate Secretary of ACT Cinemage Group Ltd.
- Partner, Canada Education Inc.
- Partner, Good Earth Art

Walter Dubowec

Member, Executive Committee, Corporate Governance Committee, Human Resources and Compensation Committee

Chartered Accountant

- Former Office Managing Partner, Deloitte & Touche LLP
- Chairman and President, The Joe Brain Foundation Inc. and its subsidiary, J.M.B. Canadian Explorations Ltd.
- Treasurer, Foundation for Health Inc.
- Director, Manitoba Medical College Foundation
- Director and Treasurer, The Antonia Kotowich Foundation Inc.
- Member, The Associates, Asper School of Business
- Member and Advisor, St. John's Haven Inc.
- Member of the Canadian Club of Winnipeg

Daniel F. Gallivan

Member, Audit Committee and Premises Committee

Lawyer

- Partner, Cox Hanson O'Reilly Matheson
- Director, Canadian Banking Ombudsman Inc.
- Director, ASCO Canada Ltd.
- Secretary, NovaScotian Crystal Limited
- Chair, Nova Scotia Sports Hall of Fame
- Chair, Oil and Gas Committee of the Halifax Metropolitan Chamber of Commerce

Barbara Hislop

Chair, Premises Committee and Member, Human Resources and Compensation Committee

- Group Vice-President, Wood Products, Canfor Corporation
- Director, Forintek Canada Corp.
- Director, Hudson's Bay Company
- Director, Vancouver Board of Trade
- Director, Genus Resource Management Technologies Inc.

Aldéa Landry

Chair, Planning and Budget Committee and Member, Premises Committee

Lawyer

- President, Landal Inc. and J.F.L. Arbitration Services Inc.
- Director, The Shaw Group of Halifax
- Chair, TVA National Advisory Group (National Television Network)
- Director, Community Foundation of Greater Moncton
- Director, Beauséjour Medical Research Institute
- Member, Atlantic Provinces Economic Council

Barbara Stevenson

Chair, Human Resources and Compensation Committee, Member, Audit Committee

Lawyer

- Partner, Carr Stevenson & MacKay
- First Vice-President of the Heart and Stroke Foundation of Prince Edward Island
- Member, Ethics Committee and Rules Committee, Law Society of Prince Edward Island

Kevin Lynch

Deputy Minister of Finance

(Ex officio)

- Executive Committee

of both the staff and the analysis they provide. To gain another perspective on the Bank's work, the Board met in private session with Special Adviser Angela Redish, an academic who worked with the Bank's management team for a one-year period, ending in August 2001.

Board Governance Practices

The Board follows best governance practices appropriate to the Bank and works to ensure that all Board members are informed of current corporate governance issues. New Board members are given an orientation session to familiarize them with the Bank and with their responsibilities.

The Board has six committees to deal with the issues brought before it for consultation or decision.

- The Executive Committee provides a forum where Bank management can seek informal comment on broad policy and planning matters relating to the administration of the Bank. It also reviews and approves human resources decisions involving senior officers.
- The Corporate Governance Committee, chaired by the Lead Director, assesses all aspects of governance and recommends changes to the Board. The Committee met five times in 2001 and developed a profile of the requirements for Board membership that will assist in the search for new Board members.
- The Human Resources and Compensation Committee oversees this function and approves the compensation strategy and levels of pay for Bank staff.
- The Audit Committee oversees the Bank's financial accountability framework and risk-management framework, as well as the external and internal audit.
- The Planning and Budget Committee participates in the Bank's strategic planning and budget process.
- The Premises Committee is responsible for overseeing the Bank's long-term facilities plan.

As a general practice, the Lead Director and the Chair of the Human Resources and Compensation Committee meet annually with the Governor and Senior Deputy Governor to review their performance and to discuss objectives for the coming year. The Corporate Governance Committee and the Board also contribute to the annual performance evaluations of the Deputy Governors.

To ensure that the Board can operate independently of management, the Lead Director chairs private sessions of outside Directors at the conclusion of each Board meeting. In 2001, the Board continued the annual practice of evaluating its stewardship to ensure that best practices of corporate governance are achieved.

Directors are paid according to a fee structure recommended by the government and approved by Order-in-Council. For 2001, the remuneration paid to all external Directors totalled \$284,000.

Governing Council

The Governor, the Senior Deputy Governor, and four Deputy Governors sit on the Governing Council, which takes responsibility for monetary policy.

GOVERNING COUNCIL (From left to right) >

PIERRE DUGUAY Deputy Governor Domestic economic issues / Bank notes	CHARLES FREEDMAN Deputy Governor Financial institutions / Clearing and settlement systems	PAUL JENKINS Deputy Governor International economic and financial issues / Public communications
DAVID DODGE Governor, Chairman of the Board of Directors	MALCOLM KNIGHT Senior Deputy Governor Chief Operating Officer	SHERYL KENNEDY Deputy Governor Financial markets





Tim Noël in his office, 1998

Tim Noël

In July 2001, Deputy Governor Tim Noël died at the age of 58, after a courageous battle with amyotrophic lateral sclerosis, also known as Lou Gehrig's disease.

Tim joined the Bank's Securities Department in 1966 and subsequently served as Secretary of the Bank and Adviser to the Governor, before becoming Deputy Governor responsible for financial markets in 1994.

His broad knowledge of the securities industry earned him the high regard of its participants. He was dedicated to his profession and continued his work through the two years that he battled the disease. In doing so, he taught all who came into contact with him the meaning of courage and dignity.

He is greatly missed.

The Governing Council also oversees various committees of Bank staff to facilitate discussions that generate a wide range of views. The Monetary Policy Review Committee plays an important role in the assessment of economic conditions during the process leading up to the decision taken on each fixed announcement date. The Financial Stability Review Committee deals with domestic and international issues affecting the stability of the Canadian financial system.

In addition to their responsibility for formulating monetary policy, members of Governing Council are responsible for specific departments and head up various Bank-wide initiatives.

Executive Management Committee

The Executive Management Committee was established in 2001 to ensure that matters related to strategic direction and management receive close attention at the executive level. This Committee also provides a broader representation of management that supports a delegated and coordinated approach to the decision-making process. The Executive Management Committee includes the members of Governing Council, the Bank's General Counsel/Corporate Secretary, the Adviser on Strategic Planning and Risk Management, the Chief Administrative Officer, and the Chief of Corporate Services.

The Bank's operations are organized into ten departments. Department Chiefs are responsible for the operations in their own areas and for ensuring that the policies and values of the Bank are implemented. Each Department Chief establishes an annual agreement with a member of the Executive Management Committee that outlines overall objectives and financial authority.



Executive Management Committee (left to right): Dan MacDonald, Gerry Gaetz, Janet Cosier, Paul Jenkins, Malcolm Knight, David Dodge, Sheryl Kennedy, Pierre Duguay, Mark Jewett, Charles Freedman

The Management Forum

Consisting of the Executive Management Committee, Advisers, and Department Chiefs, the Management Forum meets regularly to exchange information on general management issues and to review policy proposals. This group plays a key role in medium-term planning by helping to identify strategic issues and priorities. The members also have important individual management responsibilities. In 2001, one of the members assumed responsibility for a major review of the Bank's pension plan, while another took responsibility for the Debt Administration Office, which manages the outsourced operations for retail debt. A Special Adviser, who joins the Bank on a one-year contract—usually from a Canadian university—works with staff on special studies that further the Bank's research agenda. The Special Adviser is also a member of the Monetary Policy Review Committee and the Financial Stability Review Committee.

Regional Representatives

The Bank has representatives in five regional offices across the country to strengthen and expand its ties with industry, government, educational institutions, and other organizations and associations. These offices make an important contribution to the Bank's analysis of regional economic and financial developments and to the effectiveness of the bank note distribution system. They are located in Halifax, Montréal, Toronto, Calgary, and Vancouver.



www.bankofcanada.ca

The Bank's Web site continued to fill its vital role of conveying economic data, research, and policy information to domestic and international audiences. The site—which by year-end was providing data and documents to over 100,000 users per week—featured a variety of new content and services in 2001. These included an expanded recruitment site, an investment calculator, enhanced data search and display capabilities, and the introduction of live "Webcasts" of major speeches and press conferences. The Bank has also taken a leadership role in promoting effective use of the Web among other central banks.

A noteworthy addition to the site in 2001 was an extensive section on payment, clearing, and settlement systems. It provides detailed information on various clearing and settlement systems (both those overseen by the Bank and others) and supplies links to other sites carrying related material. This section enhances the transparency of the Bank's oversight activities, while increasing public awareness of the importance of these systems to an efficiently operating economy.