

MEDIUM-TERM PLAN 2010-12

ACHIEVING EXCELLENCE TOGETHER



THE BANK'S COMPASS

As a public institution and a workplace, we take our bearings from our commitment to Canadians, to excellence, and to one another.

OUR COMMITMENT TO CANADIANS

To promote the economic and financial welfare of Canada, we

- conduct monetary policy in a way that fosters confidence in the value of money
- promote the safety and efficiency of Canada's financial system
- supply quality bank notes that are readily accepted and secure against counterfeiting
- provide efficient and effective funds-management services
- communicate our objectives openly and effectively and stand accountable for our actions

OUR COMMITMENT TO EXCELLENCE

Building on our strengths, we aim to meet our commitment to Canadians through performance that is second to none among the central banks of the world.

We strive for excellence through leading-edge research and analysis, through partnerships within the Bank and with outside organizations, and through

- innovation in all aspects of our work
- leadership that spurs us on to new success
- integrity in our business and in our actions
- diversity of people and ideas

OUR COMMITMENT TO ONE ANOTHER

We aim to achieve our best in a workplace where we

- communicate clearly and openly
- share knowledge and experience
- develop our talents and careers
- recognize those who live up to our commitments
- respect one another and our lives outside work

Contents

- 3 GOVERNOR’S MESSAGE**
- 4 CORPORATE PRIORITIES**
- 7 FINANCIAL PLAN**

PLANS BY FUNCTION

- 9 Monetary Policy**
- 12 Financial System**
- 16 Currency**
- 20 Funds Management**
- 24 Corporate Administration**

Governor's Message

Our new medium-term plan, *Achieving Excellence Together*, will guide our work over the coming three years. While the Plan is by its nature forward-looking, it has a solid foundation in our past accomplishments, building on the medium-term plans that precede it and firmly anchored by our Compass values: our commitment to Canadians, to excellence, and to one another. This Plan is also supported by the 2008 organizational alignment, which provides us with a new internal structure—one better aligned by roles, responsibilities, and accountabilities. Together, all of these building blocks strengthen our institution.

That strength is evident in this document—in the breadth of priorities and objectives articulated for both the Bank as a whole and for the individual functions—as well as in our strong collective response to the global crisis.

Many challenges still lie ahead. Over the next three years, we will renew our inflation-control framework, begin releasing our next generation of bank notes, and help build a new financial architecture—all under increasing public scrutiny. This last point is crucial. We must never lose sight of the fact that everything we do affects the confidence that Canadians have in the Bank. I know that we are up to the task and that we will work together to uphold our vision of being the pre-eminent Canadian macro policy institution, one that is held in the highest regard throughout the world.

Not all of our challenges will be external. It is up to us to continue working hard to attract and retain staff and ensure that we have the tools and resources needed to work effectively. It is also important that we continue to stay at the forefront of good governance, as part of our ongoing stewardship of the Bank.

Our collective efforts to achieve our three main corporate priorities will provide us with what we need to successfully face the future. We will further deepen our leadership in research and policy analysis; we will enhance our business resilience and infrastructure so that we remain able to function effectively and efficiently; and we will invest in our ability to attract, retain, and engage staff in all areas of the Bank.

These three priorities, along with those of each of our functions, and our continued commitment to our Compass values, will position us to move forward with confidence. It is up to each of us to lift these priorities off the pages of this Plan and make them real. I look forward to working with you, building on our past accomplishments, and contributing together to the exciting, important, and rewarding work that we do.

Corporate Priorities

Looking ahead, the Bank faces a set of important external challenges. The global financial crisis has raised important issues for central banks in the areas of monetary policy and financial stability. On the monetary policy front, the Bank will need to address the implications of the crisis both in terms of conducting policy in a low interest rate environment and renewing our inflation-control framework. The severity of the financial crisis has also highlighted the need for a stronger system-wide approach to financial sector regulation and supervision. Considerable thought, research, and effort will be required to sort through the implications of such a macroprudential approach to regulation. At the same time, we will have to consider the implications of the financial crisis for the design and functioning of institutions, instruments, and markets—both domestic and international—that will counteract economic and financial shocks.

Increased globalization of products and financial markets, and the emergence of large new economic powers, are contributing to significant change in the global economy, and leading to important adjustments in the Canadian economy. Demographic change, and the implications of shifting rates of private and public investment, may also affect the outlook for potential output growth.

In the case of the Currency function, the demand for Canadian bank notes is expected to grow, even as alternatives to cash are becoming more popular. Technological innovations and the evolving threat of criminal organizations create a challenge to the security of bank notes and decrease the amount of time we may take between the development of each series of bank notes. As well, the internationalization of counterfeiting threats requires collaboration with other bank note issuers to develop common solutions. The decline in counterfeiting of Canadian bank notes over the past few years also presents challenges to the Bank's efforts to encourage more retailer authentication, and for continued law-enforcement initiatives.

In addition to these external forces, the Bank as an organization faces internal challenges. These include promoting innovative research to support policy decisions across all functions; attracting and retaining quality staff; investing in the Bank's infrastructure; strengthening the Bank's work environment, including the management leadership program, continuity of operations and security, and our knowledge management strategy; and staying at the forefront of good governance. Overall, our Work Environment Check Up (WECU) results will continue to provide direction and a measure of our progress.

To meet these challenges, we must build on our accomplishments of the past three years. We will also focus on three corporate priorities going forward:

- conducting leading research and policy analysis
- strengthening our business resilience and infrastructure
- attracting, retaining, and engaging quality staff

LEADING RESEARCH AND POLICY ANALYSIS

To position the Bank to respond to increasingly complex changes in the economy and the financial system, we plan to focus on research and analysis that enhances our policy frameworks and increases our influence over domestic and international monetary policy and financial system policy and regulation.

At the same time, we will complete the Bank's research agenda on inflation and price-level targeting and raise the quality of research across the Bank to ensure that we achieve our research objectives.

Over the medium term, our next-generation bank note strategy will be implemented, and the launch of our new bank note series will commence. As always, the design and production of a significantly more secure bank note series remains an important goal.

BUSINESS RESILIENCE AND INFRASTRUCTURE

Over the past few years, we have dealt with a variety of potentially disruptive situations, from power outages to pandemic alerts. This has made it clear that we need to continue to increase the resiliency and robustness of our business continuity arrangements—a process that began with the Enhanced Business Continuity initiative. Key objectives will be to update the strategies for splitting critical business operations and for locating and housing the Bank's primary and secondary data centres.

We will also be renewing the Bank's building infrastructure. Our focus over the medium term is to modernize our work environment by renovating the common spaces and updating some key components of the head office complex.

Another important objective is to implement the IT strategy, including the new architecture and core business systems for the high-availability environment, economic and financial analysis, currency, and administration. We will also increase the efficiency and effectiveness of our administrative and management processes, by re-engineering the business processes and better leveraging technology.

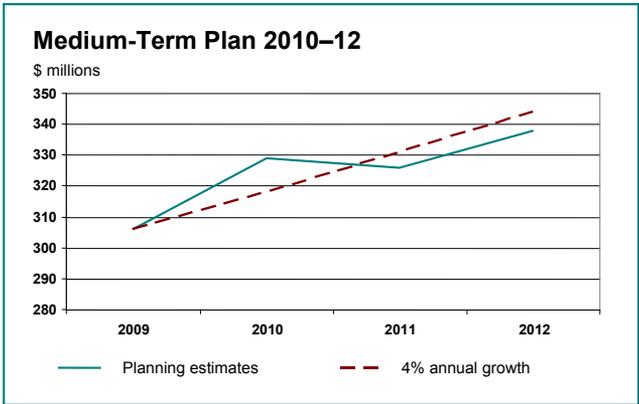
ATTRACTING, RETAINING, AND ENGAGING STAFF

In response to demographic trends, an increased need for specialized skills, and changing labour markets, the Bank will continue to focus on attracting, retaining, and engaging staff. To that end, renewing our total compensation strategy, building talent acquisition and career development, and promoting leadership effectiveness will be key to our ongoing effectiveness and success. As with many other organizations, succession planning will also be a critical focus.

Managing our information—including the tools and methods to support knowledge capture and transfer—and engaging staff through increased collaboration will also be priorities over the next three years.

Financial Plan

In developing the Financial Plan, we have kept a sharp focus on the following: funding to carry out our responsibilities; being accountable for our use of public funds; promoting disciplined decision making in support of the Bank’s public policy mandates; and allocating resources to the highest value-added priorities. Given the important external and internal challenges the Bank will be facing over the life of the Plan, we will need to continue to manage our financial resources carefully and focus our efforts where required.



The Plan includes resources for addressing the consequences of the global financial crisis; however, there is a risk that additional resources might be required to meet potential demands. Included in the Plan are important strategic investments integral to achieving the Bank’s desired outcomes. These investments are directed towards: information technology business initiatives; strategies to attract, retain, and engage quality staff; currency priorities; enhanced business continuity; and renewal of the head office complex. We have set an average annual growth limit of 4 per cent¹ for operating expenses over the three years of the Plan, covering our responsibilities for monetary policy, financial system, currency, and funds management. Cumulative operating expenses over the term of the Plan total about \$993 million.

¹ Consistent with the current Plan, the 4 per cent constraint excludes costs associated with the procurement of bank notes and non-current deferred employee benefits, since both of these items have a record of expense volatility driven by either note volume or changes in the discount rate. The constraint also excludes two large projects: enhanced business continuity and renewal of the head office complex.

Embedded within this average operating growth limit of 4 per cent are choices and trade-offs among competing demands. This has enabled us to set clear priorities to manage workload. We have also made a commitment to identify areas in which we can achieve efficiencies and productivity gains over the course of the Plan. This will focus our efforts to allocate resources to the higher value-added activities, direct expenditures to priority investments, and live within available resources. Areas that will be examined include: simplifying and standardizing Bank-wide processes, re-engineering business processes to take full advantage of new capabilities delivered by information technology systems and tools, and dropping lower-priority business activities. In the chart on page 7, the planning estimates (blue line) depict the current expected outlays over the planning period. The outlays are not expected to be exactly 4 per cent each year, because of the timing of the specific Plan projects undertaken; however, the total outlay for the three years will be consistent with a 4 per cent average annual growth rate.

The large, multi-year projects for enhanced business continuity and renewal of the head office complex (\$44 million and \$41 million, respectively, for this medium-term plan) have an impact on spending relative to this Plan as well as future Plans. The investment decisions associated with these projects are still in the early stages of development, and a committee of the Bank's Board of Directors will oversee both projects.

The following table shows the main elements of the Financial Plan.

Medium-Term Plan Financial Planning Estimates^a

Planning estimates	2009 budget	2010 MTP	2011 MTP	2012 MTP	Total MTP
	(millions of dollars)				
Operations		\$299	\$309	\$321	\$929
Strategic investments		36	23	23	82
Savings and efficiencies		(6)	(6)	(6)	(18)
Operating expenses	\$306	\$329	\$326	\$338	\$993
Capital expenditures	\$21	\$27	\$20	\$20	\$67

a. Excludes the bank note order and non-current deferred employee benefit costs. Also excludes all one-time and ongoing operating costs of the projects for enhanced business continuity and renewal of the head office complex.

Monetary Policy

RESPONSIBILITY

- Conduct monetary policy in a way that fosters confidence in the value of money

TRENDS AND CHALLENGES

- Increased globalization of products and financial markets and the emergence of large new economic powers are contributing to significant change in the global economy and also leading to important adjustments in the Canadian economy.
- As a result of the global economic and financial crises, the policy environment has changed. Policy-makers will need to consider the implications of actions formulated and implemented at very low interest rates, and incorporate a deeper understanding of the relationship between monetary policy and financial stability.
- Demographic change and the implications of shifting rates of private and public investment for labour productivity growth are two important trends that may affect the outlook for potential output growth in the medium term.
- With increased analytic and model complexity, it is important to attract and retain quality staff, while recognizing that there may be fewer people available with the right skills.

DESIRED OUTCOME AND GOAL

- Contribute to Canada's solid economic performance and to rising living standards for Canadians by keeping inflation low, stable, and predictable

STRATEGY TO ACHIEVE DESIRED OUTCOME

- Use available monetary policy instruments to achieve the 2 per cent inflation target
- Renew the inflation-control agreement (2011), including any improvements to the monetary policy framework that are recommended
- Undertake highly credible and thorough analyses of Canadian and international economic outlooks and trends

PRIORITIES

1. Strengthen our analysis and communication of current and future international and domestic conditions
2. Improve our integration and understanding of global economic and financial considerations in our assessment of the economic outlook and our formulation of monetary policy, including conducting policy at the effective lower bound for the target overnight rate
3. Broaden our research efforts on monetary policy framework issues, complete the inflation-targeting research agenda, and come to an informed view ahead of the 2011 end date of the current agreement on the inflation-control target
4. Raise the quality of our research
5. Complete the implementation of the Analytic Environment Program

PERFORMANCE MEASURES

- Success in achieving our target for consumer price index inflation
- Canadians' expectations regarding inflation remain near our target
- External assessments of the quality of our research and analysis
- Publications in high-quality refereed journals
- Qualitative and quantitative indicators of the Bank's communications performance

BUSINESS-LINE ACTIVITIES

1) Current Analysis, Projection, and Research Activities

Objectives

- Assess the economic situation and outlook, including risks, to provide sound policy advice for monetary policy decision making
- Perform high-quality, original research on a wide range of issues relevant to the Canadian and global economies
- Integrate research and analysis to inform monetary policy decisions and provide thoughtful advice on the monetary policy framework
- Influence policy discussions with domestic and international partners

Core Activities

- Analyze domestic and international economic and financial developments
- Provide analytical support for decisions related to the fixed announcement date (FAD)
- Share information within the domestic and international communities to obtain information and insights, and to contribute to better policy outcomes
- Undertake research to address issues relevant to monetary policy concerns

2) Communication Activities

Objective

- Support the conduct of monetary policy through effective communication

Core Activities

- Communicate the reasons for the Bank's monetary policy decisions in a clear, open, and timely way
- Pursue an effective dialogue with Canadians to further their understanding of monetary policy; to foster public support for our goal of low, stable, and predictable inflation; and to keep abreast of the views of the general public
- Communicate with financial markets to support the effective implementation of policy actions

RISK MANAGEMENT

- Ensure that the attraction, retention, and development of high-quality staff remain priorities
- Consider different views on, and models of, the economy, as well as alternative statistical methods
- Ensure an appropriate FAD process to focus analysis on the most relevant issues
- Uphold the security of market-sensitive information and decisions
- Follow a deliberate and principled approach, focusing on the inflation target, in providing additional stimulus (if needed) when policy interest rates are at their effective lower bound, as well as in withdrawing such stimulus
- Maintain a program of ongoing and integrated communications on monetary policy in support of clear accountability
- Assign a high priority to completing the implementation of the Analytic Environment Program

Financial System

RESPONSIBILITY

- Promote the safety and efficiency of the financial system, both within Canada and internationally

TRENDS AND CHALLENGES

- The financial crisis has had a severe effect on the form and evolution of the global financial system. How financial institutions and markets will evolve in the post-crisis period is not known precisely, but will depend critically on how the crisis is resolved and on the changes to the regulatory structure that emerge in response to the crisis.
- The severity of the financial crisis has highlighted the need for a more effective regulatory framework for the financial system that, among other things, attempts to counteract the financial imbalances that build up against the background of low and stable inflation; that is flexible enough to adapt to new types of institutions, instruments, and markets; and that is based on effective co-operation and coordination across international bodies/regulators. As such, policy-makers face the challenge of strengthening, from a system-wide perspective, the regulatory framework.
- Central banks are facing ongoing challenges in redesigning their oversight, monitoring, and crisis-response capabilities to respond to the changing regulatory and financial system environment.

DESIRED OUTCOME AND GOALS

- A financial system that is efficient in that it effectively allocates scarce financial resources in a competitive and innovative environment—thereby increasing potential growth of the economy—and at the same time is resilient to negative shocks or disruptions and avoids their amplification and propagation

Goals

- Strengthen the resiliency of the financial system through improved macroprudential orientation of the regulatory framework
- Lower risks to the financial system, through timely identification, proper assessment, and effective communication of potential risks and vulnerabilities
- Ensure that clearing and settlement systems do not become a means of propagating shocks through the financial system

- Provide effective liquidity facilities to systemically important institutions and core markets, and develop robust operations in support of these facilities
- Evolve and enhance operational and data systems that support financial system analysis and operations

STRATEGY TO ACHIEVE DESIRED OUTCOME

- Use the Bank's central position in the financial system as ultimate supplier of liquidity, its statutory oversight role in major clearing and settlement systems, its membership in international bodies, and its capacity to produce research and policy advice that is anchored by the Bank's economy and system-wide perspective to influence public sector agencies and private sector behaviour, as well as to foster a macroprudential approach to financial system regulation

PRIORITIES

1. Contribute to various regulatory initiatives; in particular, strengthen the macroprudential orientation of Canada's regulatory framework
2. Through enhanced research capabilities, strengthen our understanding, analysis, and communication of financial system risks and vulnerabilities. This includes strengthening our understanding of the funding liquidity positions of financial institutions, and the evolving role of complex instruments, financial infrastructure, and markets.
3. Identify systemic risks arising from clearing and settlement systems and other infrastructure, and determine appropriate policy actions
4. Develop and evolve facilities and policy principles for liquidity provision to systemically important institutions and core markets in times of stress
5. Renew the data and domestic market operations systems. The data renewal includes the overhaul of the database management system (the final part of the Analytic Environment Program) and the Tri-Agency Data System (used in partnership with the Canada Deposit Insurance Corporation and the Office of the Superintendent of Financial Institutions to collect data from financial institutions). The overhaul of the Auctions and Markets Applications Program aims, among other things, to expand the system's coverage of market operations, to support end-to-end post-trade processing, and to strengthen business continuity capacity.

PERFORMANCE MEASURES

- Financial system resumes role as an efficient allocator of savings and investment in the economy
- The Bank's policy recommendations and advice contribute to regulatory changes in the Canadian and global financial system
- Operational risks for the Bank are managed in accordance with leading industry standards and in a way that compares favourably with the standards of other major central banks

- Research and policy advice are assessed by key internal (e.g., Governing Council) and external parties

BUSINESS-LINE ACTIVITIES

1) Regulatory Policy Advice, Risk and Vulnerability Assessment, and Research

Objective

- Monitor and communicate financial system vulnerabilities, conduct research and analysis, and develop policy advice and recommendations that drive changes in financial system regulation and the participants' behaviours, leading to the attenuation of financial system imbalances and a sounder and more efficient financial system

Core Activities

- Undertake research and policy analysis focused on obtaining a better understanding of key financial system risks, mechanisms, interlinkages, and developments
- Influence the development of the regulatory framework in co-operation with key financial system partners at the federal, provincial, and international levels
- Communicate publicly the Bank's analysis and research on financial system issues, and communicate views regarding financial system vulnerabilities through various outlets

2) Liquidity Facilities Policy Development and Operations

Objective

- Provide highly reliable and effective liquidity facilities and operations to financial sector participants and to enhance the functioning of core financial markets

Core Activities

- Undertake research to understand the trade-offs between moral hazard and liquidity provision in the financial system and, more generally, to enhance the toolset of crisis-management liquidity facilities and policies
- Provide robust systems and procedures to support these facilities, and participate in related committees that support them and their underlying operational systems

3) Clearing and Settlement Systems Oversight and Policy Development

Objective

- Effective control of all sources of systemic risk in major clearing and settlement systems and in other systemically important market infrastructures

Core Activities

- Identify clearing and settlement systems and other core market infrastructures that could pose systemic risk, and oversee and provide advice on the effective management and control of these risks

4) Data Management

Objective

- Effectively manage macroeconomic and financial statistics and data used within the economics departments

Core Activities

- Acquire, validate, transform, and disseminate data and support good information-governance processes
- Co-operate with Statistics Canada and other federal agencies

RISK MANAGEMENT

- Ensure that the attraction, retention, and development of high-quality staff remain priorities
- Assign a high priority to the implementation of the Analytic Environment Program and the upgrade of other key IT systems
- Coordinate and co-operate with domestic and international financial system policy-makers and further develop our understanding of global financial linkages
- Seek to minimize the potential for security breaches to operational and data systems, and enhance the adequacy of the Continuity of Operations Program

Currency

RESPONSIBILITY

- Issue Canada's bank notes. Design (including security features), produce, and distribute new notes, as well as replace those that are worn or from older series. Deter the counterfeiting of bank notes by engaging in education, communication, and compliance.

TRENDS AND CHALLENGES

- The demand for Canadian bank notes is expected to continue to grow, even as alternatives to cash are becoming more popular. Increasing global demand is putting pressure on industry capacity to supply substrate at short notice and to focus on product innovation.
- Advancing technology adds to anti-counterfeiting challenges and requires the more frequent introduction of new, more secure bank notes. Counterfeiting is a global threat, and requires collaboration with other bank note issuers on the development of common solutions.
- The success in reducing counterfeiting of Canadian bank notes over the previous Medium-Term Plan presents challenges to the Bank's efforts to encourage more retailer authentication and continued commitment from law enforcement to deter counterfeiting.

DESIRED OUTCOME AND GOAL

- Canadian bank notes are used with the highest confidence
- Achieve a 50 parts per million counterfeit target annually for each million genuine notes in circulation

STRATEGY TO ACHIEVE DESIRED OUTCOME

- Maintain low levels of counterfeiting by:
 - Making bank notes more secure against counterfeiting
 - Encouraging the routine verification of bank notes
 - Promoting counterfeit deterrence through law enforcement and the courts
 - Elevating quality standards for bank note design and production, and for circulating bank notes

PRIORITIES

1. Develop and begin issuing new bank notes in 2011 that are significantly more secure from counterfeiting threats than the current series, and that are easy to authenticate and can be used with the highest confidence
2. Develop and implement the communication strategy for the new series of bank notes
3. Prepare the Bank Note Distribution System for the issuance of the new series of bank notes
4. Work with police and prosecutors to maintain counterfeit deterrence as a priority
5. Upgrade IT and physical infrastructure to support the new series and improve efficiency
6. Conduct economic research to inform the Bank's policy response to the evolution of demand for bank notes relative to alternative payment methods

PERFORMANCE MEASURES

- The number of detected counterfeit notes per year for each million genuine notes in circulation (parts per million)
- The issuance of a new series of bank notes with significantly enhanced security beginning in late 2011, including an effective communications program plan and operational arrangements to support the launch of the new series
- The confidence of the general public and retailers in bank notes

BUSINESS-LINE ACTIVITIES

1) Bank Note Technology Research and Development

Objective

- To enable the Bank to regularly issue new series of bank notes that are world leading in terms of security, that remain fit for purpose through their life, and that can be used by Canadians with pride and trust

Core Activities

- Conduct bank note technology research to identify potential threats to, and solutions for, Canadian bank notes
- Assess the performance of bank notes in circulation and the evolving needs of stakeholders
- Collaborate with other central banks in areas of mutual interest and participate in international efforts

2) Communication

Objective

- To inform Canadians of new series of bank notes, and to promote the routine verification of bank notes by retailers and other cash handlers

Core Activities

- Develop, deliver, and promote programs and tools to support bank note education
- Develop and maintain relationships with the media, retail sector, financial sector, law enforcement, bank note equipment users, and other stakeholders
- Conduct market and media research and analysis
- Preserve and maintain currency collection, and develop museum programs to interpret heritage and increase awareness of Currency and other Bank functions

3) Compliance

Objective

- To ensure that the deterrence of bank note counterfeiting is considered a high priority by police and prosecutors

Core Activities

- Build police, prosecutor, and court awareness of the social and economic impact of counterfeiting
- Advocate deterrence efforts with police and prosecutors
- Develop, update, and promote programs to facilitate investigations and prosecutions
- Share technical and statistical information with police to support enforcement, prosecution, and note development

4) Production and Distribution

Objective

- To efficiently meet the demand of Canadians for bank notes and manage the quality of notes in circulation

Core Activities

- Produce high-quality bank notes to meet demand and replace worn notes
- Manage bank note inventories and distribution efficiently
- Analyze bank note demand, strategies for the withdrawal of older series notes, and the quality of bank notes in circulation
- Authenticate and recycle or destroy previously circulated notes
- Oversee the performance of the Bank Note Distribution System

5) Economic Research and Policy Advice

Objective

- To conduct economic research in support of the Bank's operational and policy decisions related to its role as the sole provider of bank notes

Core Activities

- Conduct long-term economic research to improve our understanding of:
 - The likely evolution of the demand for bank notes relative to alternative means of payment
 - The linkages between policy actions, counterfeiting, and confidence
 - How to efficiently ensure the quality and authenticity of bank notes in circulation
- Monitor the counterfeiting situation to be able to act quickly

RISK MANAGEMENT

- Maintain ongoing research and development, evaluation, and testing of security features and other bank note characteristics
- Work closely with law enforcement and other partners in counterfeit deterrence
- Monitor counterfeiting threats and maintain a robust contingency strategy
- Monitor the evolution of alternative means of payment

Funds Management

RESPONSIBILITY

- Provide: (i) fiscal agent services to the Government of Canada, including sound policy advice, risk management, and the execution of federal government borrowing and investing programs; (ii) banking services to the federal government and other clients; (iii) risk management of the Bank's balance sheet; and (iv) investment services for the pension fund portfolio. To support these activities, also undertake research on debt, treasury, and reserve management, and on clearing and settlement systems.

TRENDS AND CHALLENGES

- The severity of the financial crisis has led to the rapid development and implementation of more complex policies and operations to support the debt management and banking services provided to the Government of Canada. This trend is expected to continue and, as such, the challenge will be to provide the higher volume and wider range of complex operations within acceptable risk tolerances.
- The importance of risk management in the financial sector continues to grow. Further research is necessary to improve our understanding of risks and efficiency trade-offs in this area.
- There has been a steady increase in expectations about the continuity of operations of payment and settlement systems, and the ability to mitigate risks of interruptions and delays in related activities. There is a need to be able to meet the increasing standards for business resiliency of our critical operations.

DESIRED OUTCOME AND GOALS

- The funds management function will provide:
 - Strong policy advice and an effective implementation of policies and programs as fiscal agent
 - Comprehensive management and reporting of risks and performance
 - Cost-effective and reliable banking services

STRATEGY TO ACHIEVE DESIRED OUTCOME

- Clear and effective governance framework with the government, and strong partnership with stakeholders to deliver timely policy advice and effective debt and investment management services
- Focused research and analysis to improve our understanding and management of risk
- Excellence in business practices

PRIORITIES

1. Provide sound advice on debt and investment management to the Government of Canada, and manage relationships, agreements, and contracts for efficient and effective program delivery
2. Perform high-quality research that advances understanding of risk and efficiency trade-offs in payment, clearing and settlement systems
3. Provide a strong contribution to the Auctions and Markets Applications Program
4. Enhance business effectiveness and resiliency by implementing split operations at a second site
5. Address the growing complexities of prudent management of the Bank's balance sheet

PERFORMANCE MEASURES

- Meeting business lines' performance objectives as stated in ententes, contracts, service level agreements, and memoranda of understanding
- Feedback from internal and external clients, and stakeholders
- Assessment of quality of research, analysis, and advice through internal and external peer review

BUSINESS-LINE ACTIVITIES

1) Funds Management

Objective

- Provide fiscal agent services to the Government of Canada, including sound policy advice, risk management, and the execution of federal government borrowing and investing programs to obtain cost-effective financing of federal government debt and investments that effectively balance the government's risk and return objectives
- Manage a diversified portfolio of assets with the purpose of meeting the long-term investment objectives of the Pension Trust Fund

Core Activities

- Conduct applied research and analysis leading to effective policy advice on debt, treasury, and foreign reserves management

- Address funds management issues with the Department of Finance and external stakeholders
- Contribute to the development and administration of policies and processes related to the Government of Canada's funds management activities
- Execute the annual Canada Savings Bonds sales campaign and look for cost containment measures
- As fiscal agent, execute wholesale funding and investment activities for the Government of Canada
- Implement the investment policy approved by the Pension Committee and advise the Committee on matters relating to investment policy, investment performance, and external managers for the Pension Trust Fund

2) Banking Operations

Objectives

- Provide secure, reliable, and efficient banking and settlement services to the Government of Canada; the Bank; international financial institutions; central banks; and the Payment, Clearing and Settlement System
- Implement split operations at a second site

Core Activities

- Provide banking services covering payment, settlement, wholesale debt, and unclaimed bank balances
- Provide business and systems analysis and support for operating and evolving applications, including high-availability systems
- Conduct business and systems analysis in support of new initiatives and operational risk-management activities

3) Research

Objectives

- Conduct policy-relevant research on payment, clearing and settlement systems, leading to safe and more efficient banking services
- Conduct policy-relevant research on the Bank's funds management responsibilities, leading to effective policy advice on the domestic wholesale and retail debt program, foreign reserves and treasury management, and the Bank's Pension Trust Fund

Core Activities

- Build models of clearing and settlement systems that incorporate participants' behaviour and system linkages
- Conduct research on the optimal structure of the government's debt, the government's foreign reserve assets and liabilities, and the Bank's Pension Trust Fund

4) Financial Risk Office

Objectives

- Manage, monitor, and report the financial and operational risks associated with the Bank's fiscal agent activities
- Develop and maintain a robust risk-management framework that addresses the management of the Bank's own financial assets and liabilities

Core Activities

- Monitor, report, and advise on the financial risk exposures associated with operations that support monetary policy, financial stability, and Exchange Fund Account (EFA) objectives
- Provide advice on the risk implications of proposals submitted to the Risk Committee

RISK MANAGEMENT

- Work closely with the Government of Canada and other partners in managing new initiatives in areas where the Bank is fiscal agent
- Continue to strengthen existing operational systems, as well as business continuity plans
- Monitor and analyze operational events to mitigate potential operational and reputational risk

Corporate Administration

RESPONSIBILITY

- Guide and support the Bank in the effective stewardship of its human, financial, physical, communications, information, and technology resources

TRENDS AND CHALLENGES

The accelerated pace of change and increased complexity intensify the challenges for Corporate Administration:

- Attracting, retaining, and engaging staff given demographic trends, competition for skilled and knowledgeable resources, and aging tools and facilities
- Increased emphasis on demonstrating accountability to Canadians through corporate governance and policy effectiveness
- Balancing the increasing complexities of the Bank's work environment and growing demands for timely and responsive corporate services with the need to standardize and simplify systems and processes in a cost-effective manner

DESIRED OUTCOME AND GOAL

- Effective and efficient management of the Bank, within a governance framework that fosters excellence and maintains the trust of Canadians
- The Bank is positioned to fulfill its mandate through skilled and knowledgeable people working in a collaborative environment with the processes, resources, and infrastructure they need to be effective and efficient

STRATEGIES TO ACHIEVE DESIRED OUTCOME

- Increase the focus on attraction, retention, and engagement of staff
- Enhance the Bank's business resiliency and renew the physical infrastructure
- Enhance the Bank's policy framework and corporate management processes
- Use proven tools and technology to achieve the Bank's objectives
- Communicate effectively to enhance transparency and accountability
- Enhance the Bank's capacity to access and exchange knowledge and information

PRIORITIES

1. Develop strategies for attraction, retention, and engagement to meet our changing needs
 - Build talent acquisition and engagement by increasing our ability to attract and acquire external talent and to develop Bank staff
 - Promote leadership effectiveness by providing leaders with the support required to enhance their effectiveness in identifying and developing talent and engaging staff
 - Refocus total compensation to provide greater flexibility, choice, and long-run cost management
2. Strengthen the Bank's business continuity
 - Implement split operations for payment and settlement operations between head office and the Ottawa Support Centre
 - Upgrade the Ottawa Support Centre to support the Bank's main data centre and business recovery
 - Establish the Bank's second data centre 20–50 km from the Ottawa Support Centre
3. Provide a safe, effective, and modern work environment
 - Modernize the common spaces and building components of the head office complex
 - Design and plan for the renewal of the head office centre building and tower floors in subsequent medium-term plans
4. Enhance and simplify corporate management processes
 - Identify and implement improvements to corporate processes that offer the greatest benefits to the Bank, maximizing investments in technologies
 - Optimize Corporate Administration workflows to allow Corporate Administration staff and Bank managers to more effectively perform administrative tasks
5. Institute a more disciplined and better integrated approach to manage knowledge and information
 - Continue improvements to information management governance
 - Complete the delivery of improved electronic document and records management, as part of the Knowledge Program
 - Develop staff capability to collaborate and transfer knowledge with the development of tools and plans for enterprise information management services
6. Deliver relevant, effective Bank communications
 - Employ new technologies and targeted messaging to reach and engage key audiences of the Bank
 - Improve web publishing and distribution by completing phase two of the web services model for the external website and the Bank's intranet site
 - Integrate communications strategy into all key corporate policy decision making

7. Position the Bank's technology and delivery capability to meet the future needs of the organization
 - Continue to evolve the technology infrastructure to ensure that the Bank maintains its reputation and protects its assets, while meeting its future needs
 - Complete the IT Transformation program, putting in place the people, processes, and technology to meet the Bank's IT needs
 - Deliver IT solutions aligned with the strategic priorities identified in the Functional Plans, such as the Auctions and Markets Applications Program, Currency Systems Evolution, and Tri-Agency (in partnership with the Canada Deposit Insurance Corporation and the Office of the Superintendent of Financial Institutions) Database Renewal
 - Complete the implementation of the Analytic Environment Program to provide the tools and processes required to meet monetary policy strategic priorities

PERFORMANCE MEASURES

- The Bank's score gap on pay satisfaction is closing, compared with the Work Environment Check Up (WECU) survey database benchmark
- The new data centre at the Ottawa Support Centre (OSC) has been constructed and commissioned while maintaining all current operations at the OSC
- Key common areas and building components of the head office complex (e.g., elevators) have been modernized on time and within budget
- Corporate Administration processes, as identified in 2009, are simplified and standardized, resulting in efficiency gains for both Corporate Administration and Bank managers
- There is a decreasing rate of growth of volumes and costs of information stored
- Phase two of the web services model is in place, including targeted channels, better integration of Bank data systems, and contemporary web formats for content distribution
- IT run cost improvements are sustained and run costs remain within sector norms

BUSINESS-LINE ACTIVITIES

1) Governance

Objective

- Continue to maintain a high standard of corporate governance

Core Activities

- Provide planning, performance, and risk-management frameworks and processes that support the effective management of the Bank's resources and assets

- Provide information and advice on guiding legislation and corporate policies to ensure Bank compliance
- Provide corporate secretariat services to the Board of Directors and Executive Management
- Provide assurance that the systems of internal controls put in place by management are appropriate and effective

2) Human Resources

Objective

- Provide employees and pensioners with quality human resources (HR) services, and work with the managers to attract, retain, and engage quality staff

Core Activities

- Ensure that core HR policies and the delivery of programs related to talent development, work environment, and total compensation are in compliance with service levels, budget allocations, and legislation
- Provide clients with HR advice and assistance in implementing policies and programs
- Monitor adherence to the Bank's HR policy and ensure that the policy is updated as required
- Optimize HR service delivery

3) Knowledge and Information Management

Objective

- Provide expertise and services that help Bank staff effectively access and share quality information and knowledge

Core Activities

- Develop and build awareness of policies, standards, and best practices to ensure effective and efficient stewardship of information
- Ensure that employees have relevant information to conduct high-quality research
- Develop staff capacity to exchange knowledge more effectively, in order to improve productivity
- Ensure that employees are able to capture, access, and preserve key corporate information to support effective decision making

4) Communications

Objective

- Strengthen communication across the Bank through the promotion of a collaborative, open, and respectful work environment

Core Activities

- Use a variety of communication vehicles to share information about issues affecting the Bank and its work environment
- Advise and guide departments regarding ways in which to communicate with the Bank community or the public

5) Information Technology

Objective

- Provide and sustain reliable, standardized IT services and environments, and deliver advanced technologies that enhance business value and support the Bank's priorities

Core Activities

- Provide dependable, efficient IT services and support
- Deliver best-in-class IT solutions that support the Bank's current and evolving business needs
- Contribute IT expertise to the Bank's Continuity of Operations Program
- Strengthen IT skills, knowledge, and expertise to meet the challenges of a changing workforce

6) Security and Facilities

Objective

- Provide a flexible, functional, safe, and secure work environment

Core Activities

- Deliver core services and programs related to managing risks to the Bank's personnel and its information, physical, and financial assets, within service levels and budget allocations
- Provide clients with security and facilities advice, and assistance in interpreting policies and programs
- Monitor compliance with the Bank's security and facilities policies
- Optimize security and facilities service delivery

7) Financial Services

Objective

- Support sound decision making and accountability through transparent financial reporting and clear and consistent financial policies, controls, and procedures related to the management of the Bank's financial resources and obligations

Core Activities

- Promote and monitor the application of appropriate accounting and procurement standards and practices
- Deliver financial, accounting, and procurement advice and services in support of each of the Bank's reporting entities
- Monitor evolving trends in financial reporting and governance and, where appropriate, implement changes to meet the objectives and obligations of the Bank

RISK MANAGEMENT

- Work closely with the departments and executive management to ensure that Corporate Administration priorities continue to advance, within the context of the Bank's heightened need to focus on its core business
- Ensure Corporate Administration support for all functional priorities without affecting the delivery of core Corporate Administration activities and services to the Bank, by enhancing and simplifying corporate management processes
- With significant financial and human resource requirements for multiple priorities, and interdependencies, closely monitor progress and engage leadership as needed to ensure that the Corporate Administration priorities are achieved

