Canada Deposit Insurance Corporation | Société d'assurance-dépôts du Canada

CDIC Summary of the Corporate Plan

2000/01 to 2004/05

MANAGING EMERGING ISSUES

Canada

MISSION STATEMENT

To provide deposit insurance and to contribute to the stability of the financial system in Canada in a professional and innovative manner, meeting the highest standards of excellence, integrity, and achievement, for the benefit of depositors of member institutions while minimizing the Corporation's exposure to loss. CDIC will provide an environment wherein employees are treated fairly and given opportunities and encouragement to develop their maximum potential.

VISION STATEMENT

At CDIC, we are achievement-oriented and committed to excellence, integrity, and innovation.

VALUES

Excellence and Professionalism
Integrity and Trustworthiness
Communication and Teamwork
Respect and Fairness

Contents

OBJECTIVES FOR 2000/2001 TO 2004/2005

1. To ensure CDIC's financial stability and efficient operations.

2. To proactively manage the risks of providing deposit insurance.

3. To continually assess and enhance relationships with stakeholders.

4. To sustain a strong people and knowledge base encompassing human resources and technology.

Introduction

"Managing Emerging Issues" aptly describes the theme of our corporate plan this year. The dynamism of the financial sector, fuelled in part by rapid and constant technological changes, underscores the importance of CDIC charting a course guided by our determination to be at the forefront of issues rather than being drawn by them.

Two influential documents, both released in 1999, will also have an influence on our Corporation in 2000 and beyond. The first, the Government's policy paper on reforming Canada's financial services sector, made many wide-ranging recommendations and particularly challenged CDIC to streamline our *Standards of Sound Business and Financial Practices*. To this end, CDIC responded with a consultation paper that proposed a modernized approach to risk assessment as well as a streamlined reporting process.

The second influential document is the Office of the Auditor General's report on its third special examination of CDIC. The report gave CDIC good marks overall and made certain recommendations, including improving the exchange of information between CDIC and OSFI and supporting our intention to increase the public's awareness of deposit insurance.

The significant external factors that could affect member institutions and CDIC during the next five years include global market instability, moderating economic growth, mergers and acquisitions, and technological developments. Although legislation allowing members to opt out of deposit insurance or to become branches of the foreign parent has now been enacted and additional mergers and acquisitions in the financial sector are a possibility, we do not foresee any material change in the overall risk profile of our membership during the planning period.

CDIC is funded by the premiums it assesses against member institutions based on the risk profile of the members as defined in our *Differential Premiums By-law*. The premium rates for 2000/2001 will be the same as in 1999/2000:

- Category 1: 0.0417 per cent or 1/24 of one per cent of insured deposits
- Category 2: 0.0833 per cent or 1/12 of one per cent of insured deposits
- Category 3: 0.1667 per cent or 1/6 of one per cent of insured deposits
- Category 4: 0.1667 per cent or 1/6 of one per cent of insured deposits

We are forecasting that we will assess approximately $135 million in premium revenue for 2000/2001 based on the rates above. Premium rates and projected revenue for 2001/2002 and beyond will be determined after we review the possibility of establishing a deposit insurance fund, whether to maintain a provision for insurance losses, or whether to use a combination of the two. Under any future premium scenario, member institutions will be required to pay at least the minimum premium level as set out in the CDIC Act.

CDIC's past and projected performance against its plans and objectives is presented in its performance management scorecard, in Chapter 2. This information is presented in a graphical depiction that allows the reader to quickly and easily view the Corporation's performance as a whole.

Chapter 3 discusses CDIC's financial plan, including the operating and capital budgets for the next five years. For 2000/2001, the Corporation expects total revenues of $164 million, made up of $135 million in premiums, as mentioned above, and interest and other revenue of $29 million. Net operating income will total $9 million, and total net income will be $144 million. This chapter also presents CDIC's performance against its budgets for the past two years and the Corporation's borrowing plan.

Now that CDIC has a solid financial base, we can concentrate our efforts on shaping this organization to gauge and respond even more effectively to the upcoming challenges. CDIC's employees all share our enthusiasm for the new horizons before us.

R.N. Robertson
Chairperson

J.P. Sabourin
President and CEO

1.0 Planning Environment

1.1 Issues Affecting CDIC

The key environmental and strategic issues and the underlying related risks that CDIC may face during the planning period are grouped under four headings: economic, financial, regulatory, and internal environments.

This year, for the first time, we are specifically identifying the risks that CDIC faces as a deposit insurer. Throughout the planning period we will be enhancing our internal risk assessment and risk management systems. Formal processes for monitoring the Corporation's success in addressing these risks will also be put in place.

1.1.1 Economic Environment

Global Market Instability

Uncertainty creates risks. Continued turbulence in global markets may make it more difficult for CDIC's members to grow assets and find profitable investment opportunities. As risk assessment and management is fundamental to an insurer, and CDIC is by far the major insurer of deposits held at Canadian financial institutions, it stands to reason that one of CDIC's four corporate objectives reflects our commitment to managing these risks.

Because a truly global economy now exists, a financial crisis in one area of the world can easily spread to other areas, no matter the distance separating them. Increasingly, alliances and committees are being formed at the international level to deal with such global financial issues. One example of direct relevance to CDIC is the recently formed Study Group on Deposit Insurance. It was established by the Basel, Switzerland-based Financial Stability Forum, convened by the G7 finance ministers in the aftermath of the financial crisis that began in mid-1997, to promote international financial stability through the exchange of information and international co-operation in financial supervision and surveillance. The Study Group on Deposit Insurance, formed in November 1999, was tasked to deliver a report to the FSF in March 2000 that, inter alia, discussed the issues involved in moving from implicit blanket guarantees to limited-coverage deposit insurance systems, reviewed recent experiences and synthesized key lessons learned, and recommended developing international guidelines for such systems. CDIC's President and Chief Executive Officer, Jean Pierre Sabourin, was selected by the Forum to chair the study group.

Moderating Economic Growth

Canada's economic environment is generally favourable, marked by healthy economic growth, low inflation, and relatively strong markets. In the United States, concerns about rising interest rates may slow economic growth. Since Canada's economy is closely tied to that of its major trading partner, the United States, a slowdown there could also lead to moderating economic activity in Canada during the planning period. The effect on CDIC member institutions would depend on the severity of any slowdown, if indeed there is one.

In an economic downturn, the Corporation faces the financial/economic risk of increased member institution failures. Furthermore, volatile financial markets often accompany economic change. CDIC also faces an exposure to market risk resulting from changes in interest rates and the impact of such changes on the Corporation's investments and borrowings. CDIC's investment policies are designed to mitigate such risk.

1.1.2 Financial Environment

Mergers and Acquisitions

Companies in all lines of business are merging with others to profit from economies of scale. Banks are no exception. Recent merger announcements of Japanese banks will create trillion-dollar institutions. Similar mergers of mega-banks are also occurring in Europe and in the United States. How these mergers will affect Canadian financial institutions is still not clear. The Canadian banking sector is already fairly concentrated. Mergers of Canadian banks would make it even more so. Furthermore, regulating and insuring increasingly larger players offer new challenges since their activities are complex and their failure could create large systemic risks.

In light of these uncertainties and challenges, it is extremely important that we strengthen our insurance and risk assessment function and increase CDIC's capacities in policy and research to keep abreast of developments and to assess their effect on the deposit insurance system. CDIC is relatively small in resource terms, and we must rely on a small group of essential core competencies to achieve our objectives. We must therefore manage the internal competencies risk of losing key people, core knowledge, and expertise, which would result in a diminished ability to manage CDIC's business and to meet our statutory objects.

Technological Developments

Perhaps the most important factor driving change in the financial sector is technology. Stored value cards and network money are two good examples of this evolving technology. In addition to raising questions about security and consumer protection, technological developments make determining the insurability of increasingly complex products more difficult.

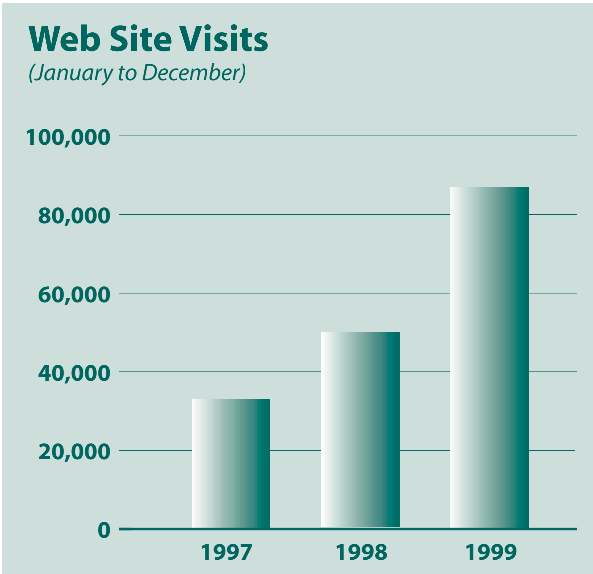
Technology is also leading the proliferation of new ways of delivering financial products to consumers, giving rise to new entrants into the Canadian financial system with new distribution channels, such as virtual banks. More importantly, regulators globally are finding that certain companies in the financial services business are not appropriately licensed.

We must also keep up to date with technology. A technology risk exists for CDIC of not having the appropriate technological resources to facilitate an intervention, provide input for its knowledge management systems and to maintain its own internal systems. Furthermore, when a member institution is about to fail, we must have the ability to access the relevant information to reimburse depositors in a timely and efficient manner.

Public Awareness

Many Canadians are still confused about deposit insurance. At least part of this confusion seems to be caused by "one-stop shopping," or the ability to buy many products, both insured and uninsured, at the same institution, often even from the same individual. Many people mistakenly believe that any product bought at a member institution is automatically insured by CDIC. Results from a 1998 survey on deposit insurance show that three out of four Canadian adults either think that mutual funds are insured or just don't know.

CDIC has begun to counter this confusion in many ways. For example, CDIC's *Protecting Your Deposits* and *Membership* brochures are available at all branches of member institutions. We have distributed over a million copies of each brochure during each of the last five years. Our toll-free telephone numbers are available to all Canadians. In 1999, we responded to more than 14,000 calls, and our Internet site received over 87,000 visits. In addition, since March 1998, depositors can ask their financial institution for a copy of its deposit



register, which lists all the institution's products that are insurable by CDIC. Despite these initiatives, we know that more needs to be done.

This confusion leads to depositor protection risk, or the risk that CDIC does not meet its statutory objects of protecting depositors. This risk exists because any time depositors unknowingly buy uninsured products instead of insured ones, they are at risk of inadequate coverage and the possible loss of funds in a member institution failure. Furthermore, if CDIC were unable to make deposit insurance payments effectively and on a timely basis or to find the least-cost solution for a member institution failure, CDIC would be exposed to a reputational risk affecting its credibility and image among its stakeholders and would therefore not successfully contribute to the stability of the Canadian financial system as required by its mandate.

We believe that an informed public serves the interests of consumers and financial system stability as a whole. Therefore, to reduce the existing confusion about deposit insurance, CDIC has established an objective of continually assessing and enhancing relationships with stakeholders, which will include improving consumer awareness. During the planning period, CDIC will undertake an extensive awareness program to ensure that stakeholders and the public are informed about deposit insurance.

1.1.3 Regulatory Environment

Government's Policy Paper

In June 1999, the Government of Canada released its much-anticipated policy paper titled *Reforming Canada's Financial Services Sector: A Framework for the Future*. The changes to Canada's financial sector policy proposed in the paper fall into four broad categories:

1. measures to encourage efficiency and growth in the financial services sector;
2. measures to encourage domestic competition;
3. initiatives to protect and empower consumers and small businesses; and
4. changes to the Canadian regulatory and supervisory system.

The Government has announced its intention to introduce legislation implementing the policy changes in the year 2000.

Several of the paper's policy proposals pose specific challenges for CDIC. In particular, the intention is to allow banks the choice of organizing their operations under the current subsidiary model—the way the large banks are now structured—or under a new holding company structure, where the deposit-taking institution will be one of several affiliated companies. Banks would also be allowed to conduct certain kinds of business activities outside of the bank itself, such as credit card operations. Holding companies could pose a challenge to CDIC since these conglomerates would bring many different and new aspects to the assessment of risk and to the resolution of member institution problems.

One of the four "fundamental principles" of the policy paper is that the regulatory burden be lightened wherever possible. The paper recommends streamlining the *Standards of Sound Business and Financial Practices* through enhanced co-operation with OSFI and provincial regulators. Work on the Standards and the administrative process is progressing, and consultations with CDIC's members, with OSFI, and with others have taken place and will continue. Our challenge is to modernize the Standards and streamline the reporting process while ensuring that members and their boards of directors remain accountable and that CDIC is able to assess its risks and to determine whether the member is following the Standards.

CDIC may also be affected by other proposals contained in the policy paper, such as lowering the minimum capital required to start a deposit-taking institution, possibly allowing certain credit unions and credit union associations to become CDIC members, and permitting banks to be owned by individuals and businesses. Taken together, the changes announced in the policy paper could, if introduced, substantially alter CDIC's membership over time and increase the difficulty for CDIC to determine where and to what extent the deposit insurance system is exposed to risks.

CDIC defines regulatory/policy risk as the risk associated with changes to the regulatory system affecting the financial sector in Canada. To manage this risk, we must fulfil our objective of managing relationships with stakeholders. CDIC should provide meaningful input into the design of the regulatory/supervisory system and collaborate with regulators to reduce the risk of member institution failures.

By-laws

The *Exemption from Deposit Insurance By-law*, which came into effect in October 1999, allows institutions accepting only wholesale deposits of more than $150,000 to opt out of CDIC membership. Two institutions had opted out by March 31, 2000.

1.1.4 Internal Environment

Deposit Insurance Fund

The planning environment is also affected by internal issues and developments. One such issue facing CDIC is whether to establish a deposit insurance fund or to continue with a provision and/or post-funding approach to cover future costs of member failures. Both approaches have advantages and disadvantages.

CDIC has maintained a provision for insurance losses since 1993. With the elimination of its debt and deficit in 1998/1999, we reduced premiums by almost 75 per cent: from $515 million in 1998 to $134 million in 1999. We must now determine the most cost-effective method of providing deposit insurance while ensuring CDIC's mandate and objects are fully met. We are now examining our provisioning methodology and considering the merits of establishing a deposit insurance fund.

Special Examination by the Office of the Auditor General

Every five years, the Office of the Auditor General performs a special examination of CDIC, as it does for all Crown corporations. This examination is over and above the OAG's annual audit of the Corporation. The latest special examination, in 1999, concluded that the Corporation is well-managed overall and that many initiatives are already being taken to address the areas recommended for improvement. The three key areas identified are as follows:

1. updating the *Standards of Sound Business and Financial Practices* and the related reporting process;
2. improving the effectiveness of the exchange of information between CDIC and OSFI; and
3. improving the effectiveness of communication with the public.

With respect to these three key areas:

1. CDIC, in accordance with its usual consultative process, intends to issue for comment a draft of the Standards by-laws together with an explanation or commentary during the late spring of 2000. We expect that once the full consultation process has been completed, the modernized Standards by-laws will be adopted early in 2001.
2. CDIC and OSFI have agreed on how to improve the effectiveness of the exchange of information and are considering legislative amendments to effect this change.
3. CDIC will undertake a five-year awareness program on deposit insurance.

We are now assessing all the OAG recommendations in greater detail, and work plans are being developed. Given the timing of the receipt of these recommendations, the Corporation is not yet in a position to assess the magnitude of its future resource needs. If significant additional resource requirements become necessary to address the recommendations, the matter will be brought to the Board of Directors for consideration.

International Assistance
CDIC is receiving an increasing number of requests for international assistance in establishing and modifying foreign deposit insurance systems. Emerging markets in need of financial stability to allow their economies to grow and bring increased prosperity to their citizens are seeking CDIC's advice and knowledge on the financial stability that deposit insurance brings. As Canada's participation in this field grows, CDIC expects to receive many more requests for assistance. Providing this assistance is in line with the Government's direction toward more international co-operation in financial institution regulation. Furthermore, CDIC directly benefits by learning about other countries' deposit insurance systems and by expanding its global relationships.

1.2 Supporting Principles

The following supporting principles have been used to prepare this five-year plan.

Human Resources
CDIC will maintain a strong core capacity in human resources to achieve its objectives. The level of human resources may vary during the planning period to address emerging issues or because of changes in the risk profile of member institutions.

Use of Estimates
The Corporation's pro forma financial statements necessarily include estimates and assumptions that affect the amounts reported. The more significant areas requiring the use of estimates are the provision for guarantees and the provision for insurance losses, described on page 9.

Investment Planning
CDIC has developed its investment strategy based on two key underlying principles:

1. Credit and market risk will be limited.
2. The investment portfolio will be the initial funding source for intervention activity.

We will minimize our credit risk by investing only in high-quality securities in accordance with the Department of Finance's guidelines and by limiting the amount invested in each institution.

Operating Budget
CDIC's 2000/2001 operating budget is $19.5 million. If CDIC intervenes into the affairs of a member institution, it will seek Board approval for additional resources.

International Work
CDIC will continue its involvement with the international community by providing information and advice to other countries.

1.3 Planning Assumptions

The following are the planning assumptions that have been used to prepare this five-year plan.

Mandate and Objects
There will be no significant changes to the mandate or objects of CDIC during the planning period.

Membership Risk Profile
CDIC had 111 member institutions at December 31, 1999. CDIC assumes that the membership level will fluctuate slightly during the planning period. However, we believe that there will be no material increase to the overall risk profile of the membership.

MEMBERSHIP PROFILE

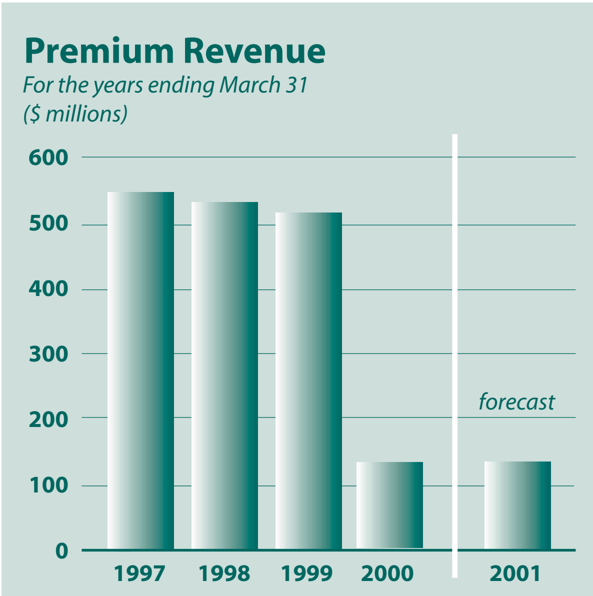
The distribution of insured deposits across all sectors of CDIC's membership in 1999 remained relatively unchanged from 1998. The percentage of insured deposits to total deposits, however, increased in 1999 for the industry as a whole, reversing a declining trend experienced during the previous four years. **(See the table on page 11)**

Member Institution Failures
Prior experience indicates that member institutions can and will fail, although the timing, numbers, and circumstances are difficult to predict. Nevertheless, we are projecting that we will not absorb any significant losses as a result of failures of member institutions during the planning period. We will continue to maintain contingency plans to address member institution failures. The rapidly changing nature of the financial industry in Canada may mean that our methods of dealing with failing member institutions may have to change. In addition, the pace and depth of such evolution could affect future resource requirements.

Premium Revenue
Premium revenue is now tied to the differential premium program that was introduced in the 1999/2000 fiscal year. Each member institution is classified into one of four premium categories. This program was introduced with a two-year transitional period (an incremental adjustment to scores for quantitative criteria or factors of 20 per cent in the first year and 10 per cent in the second year).

The 2000/2001 fiscal year is the second year of this transitional period; therefore, the premium rates will remain the same throughout this period. We are forecasting that we will assess approximately $135 million in premium revenue for 2000/2001, based on the following rates: 0.0417 per cent or 1/24 of one per cent, 0.0833 per cent or 1/12 of one per cent, 0.1667 per cent or 1/6 of one per cent, and 0.1667 per cent or 1/6 of one per cent for categories 1 to 4 respectively.

After the transitional period, institutions' scores will not be adjusted, and the rate for category 4 is expected to increase to 33 basis points, the maximum amount authorized under the CDIC Act.



Premium rates are reviewed annually and are dependent on the prevailing conditions and the environment. During 2000/2001, we will review the criteria and definitions used in the *Differential Premiums By-law*, the merits of establishing a deposit insurance fund, and CDIC's provisioning methodology (provision for insurance losses). As such, no premium revenue has been included in this Plan for 2001/2002 and beyond. Under any future premium scenario, member institutions will be required to pay at least the minimum premium level as set out in the CDIC Act.

Borrowings

Although the Corporation may need to borrow funds during the planning period to deal with member institution failures or intervention activities, it has assumed no such requirement for planning purposes. Premium revenues, recoveries from loans and claims receivable, and interest income are projected to provide sufficient funding to meet outstanding obligations and operating costs. Indeed, CDIC is forecasting a net operating income in each year of the Plan.

Investment Revenue

CDIC's investment income throughout the period is forecast to be more than sufficient to cover its operating costs. The investment planning approach that will be followed in support of this investment revenue assumption is outlined in section 1.2.

Provision for Guarantees

In the past, the Corporation has provided guarantees to help resolve the financial difficulties of certain member institutions. The provision for guarantees is determined annually by estimating the future cash payments required under these guarantees. Total payments during the planning period are estimated at $55 million, and this amount is reflected in the pro forma financial statements in Appendix B.

Provision for Insurance Losses

A buffer against potential losses from future failures of member institutions will be maintained. The provision for insurance losses represents the Corporation's best estimate of losses resulting from insuring deposits of member institutions.

The provision is established by (i) assessing the aggregate risk of member institutions based on the Corporation's specific knowledge of its members, (ii) providing for the risk of loss relating to insured deposits by using a market-based, composite risk-weighting system, and (iii) applying the percentage of loss that the Corporation has experienced in member institution failures during the preceding nine years. The results are stated on a present-value basis.

The market-based, composite risk-weighting system is affected by two factors: the credit ratings of member institutions and the market spreads between corporate bond issues and benchmark bond issues of the Government of Canada for comparable terms. The provision stood at $400 million at March 31, 1999. During 2000/2001, the provision (including its supporting methodology) will be reassessed. However, for planning purposes, this provision has been projected to remain at $400 million throughout the planning period.

Allowance for Loss on Loans and Claims Receivable
This allowance reflects the Corporation's best estimate of its losses from outstanding loans and claims receivable. The allowance is established annually by assessing the asset disposition strategies of liquidators, receivers, and managers and deriving a loss estimate based on forecasted payments to creditors.

Loans and claims receivable are written off against the allowance, in full or in part, when there is no reasonable expectation of realization. Any payments received on a loan or claim receivable are recorded first to recover amounts previously written off before recognizing additional amounts as other revenue.

Leases
A new lease for the Toronto office will be negotiated in the year 2000. The financial plan reflects a decline in total corporate premises costs—a reflection of current market conditions and real estate rates and the recently renegotiated Ottawa lease.

1.4 Economic Assumptions

In arriving at our key economic assumptions for the planning period, we relied on projections from the Canadian Private-Sector Forecast Consensus (September 1999 Department of Finance survey) and Bank of Canada-generated data based on this private-sector forecast consensus. The survey points to the economic environment in the table below unfolding during the next five years.

The premiums are directly dependent on the level of insured deposits.

In summary, the consensus survey assumptions point to a relatively moderate slowing in economic growth during the next five years, a slight increase in consumer price inflation and short-term interest rates from present levels, and average annual growth in insured deposits of 2.1 per cent during the 2000/2001–2004/2005 forecast period. The major risks to the outlook appear to be on the side of potentially higher-than-expected interest rates and slower-than-expected economic growth given the types of risks present in the planning environment (e.g., potential inflationary pressures, market volatility).

Forecast of Insured Deposits, M2+, Three-Month Treasury Bills, CPI, and Real GDP

(per cent change, fiscal year; forecast begins in 2000/2001)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004	2004/2005
Insured Deposits	2.65	2.54	2.30	2.11	1.96	1.80
M2+	3.40	3.30	3.53	3.33	3.35	3.46
3-M T-Bills (%)	4.75	5.07	5.13	5.02	4.78	4.97
CPI	1.60	1.90	1.90	1.80	1.80	1.90
Real GDP	3.60	2.90	2.70	2.70	2.90	2.60

CDIC Membership at a Glance

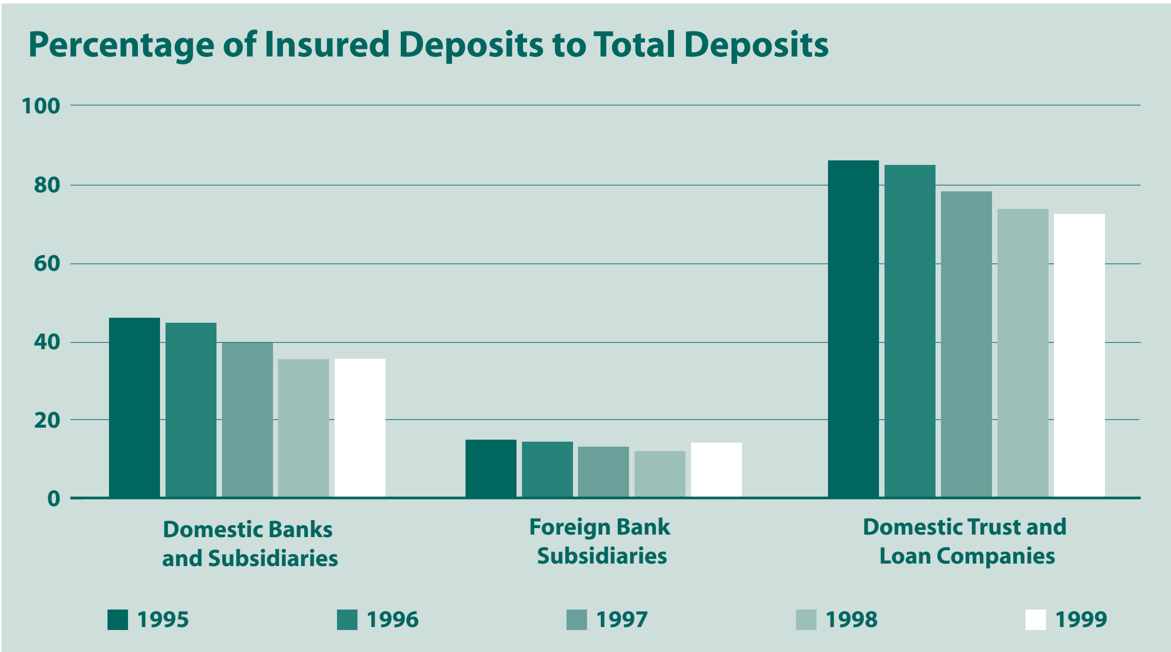
	Number of Members				
	1999	1998	1997	1996	1995
Domestic Banks and Subsidiaries	37	35	37	34	31
Foreign Bank Subsidiaries	45	46	49	49	47
Domestic Trust and Loan Companies	29	32	27	32	40
Total	**111**	**113**	**113**	**115**	**118**

	Total Deposits ($ Millions)					Insured Deposits ($ Millions)				
	1999	1998	1997	1996	1995	1999	1998	1997	1996	1995
Domestic Banks and Subsidiaries	770,727	750,107	690,615	602,232	566,288	272,749	264,971	272,652	268,756	259,515
Foreign Bank Subsidiaries	59,585	63,045	56,494	54,921	52,234	8,352	7,453	7,328	7,841	7,710
Domestic Trust and Loan Companies	49,076	48,918	47,536	61,151	65,600	35,469	35,988	37,060	51,770	56,383
Total	**879,388**	**862,070**	**794,645**	**718,304**	**684,122**	**316,570**	**308,412**	**317,040**	**328,367**	**323,608**

	Percentage of Total Insured Deposits					Insured Deposits /Total Deposits (%)				
	1999	1998	1997	1996	1995	1999	1998	1997	1996	1995
Domestic Banks and Subsidiaries	86.2	85.9	86.0	81.8	80.2	35.4	35.3	39.5	44.6	45.8
Foreign Bank Subsidiaries	2.6	2.4	2.3	2.4	2.4	14.0	11.8	13.0	14.3	14.8
Domestic Trust and Loan Companies	11.2	11.7	11.7	15.8	17.4	72.3	73.6	78.0	84.7	85.9
Total	**100**	**100**	**100**	**100**	**100**	**36.0**	**35.8**	**39.9**	**45.7**	**47.3**

Differences in the totals from previous years' Corporate Plans are due to Return of Insured Deposits amendments filed by some institutions.

Insured and total deposits are as at April 30 of each year. Membership is as at November 30, 1995, October 15, 1996, and December 31, 1997, 1998 and 1999.


Percentage of Insured Deposits to Total Deposits
100
80
60
40
20
0
Domestic Banks and Subsidiaries
Foreign Bank Subsidiaries
Domestic Trust and Loan Companies
1995
1996
1997
1998
1999

2.0 Business Plans

2.1 Business Model

The business model is an illustration of the Corporation's functions. All the departments are involved in one way or another in carrying out these functions. CDIC maintains a core of experienced employees in all areas, which is supplemented by external resources when required.

The model flows downward from the CDIC Act, public policy mandate, and other statutory requirements—underscoring that the statutory objects are the source of CDIC's direction.

STATUTORY OBJECTS

1. **To provide insurance against the loss of part or all of deposits.**
2. **To be instrumental in the promotion of standards of sound business and financial practices for member institutions and to promote and otherwise contribute to the stability of the financial system in Canada.**
3. **To pursue these objects for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of the Corporation to loss.**

Business Model

CDIC Act, Public Policy Mandate, and Other Statutory Requirements

For the Benefit of Depositors:

- **Provide Deposit Insurance**
- **Promote Standards of Sound Business and Financial Practices**
- **Contribute to the Stability of the Financial System**

...while minimizing exposure to loss.

Board of Directors

Governance | Policy Direction | Strategic Decision-Making | Stewardship

Corporate Management and Direction

Communications	Insurance and Risk Assessment	Administration
Finance	Information Systems	Legal
Claims and Recoveries	Human Resources Management	Estate Obligations
	Audit and Consulting Services	

Policy	Planning and Performance Assessment	Organization Management, Control, and Audit
▮ Policy Development (Research and Analysis) ▮ By-law Review and Development ▮ Amendments to Legislation	▮ Performance Measurement, Management, and Reporting	▮ Internal Control and Audit

Major Functions

- Failure Resolution (Intervention)
- Asset and Liability Management
- Payout Management
- Treasury
- Liaison with Stakeholders
- Risk Assessment
- Risk Management
- Member Compliance with Legislation and By-laws
- Liquidator and Agent Performance Measurement and Management
- Depositor Education and Communications—Public Awareness
- Return of Insured Deposits and Differential Premiums System
- Asset, Claims, and Litigation Management Activities

Identified Environmental Risks

- Depositor Protection Risk
- Internal Competencies Risk
- Financial/Economic Risk
- Regulatory/Policy Risk
- Technology Risk
- Market Risk
- Reputational Risk

2.2 Performance Against Past Objectives

The objectives described in the 1999/2000 to 2003/2004 *Summary of the Corporate Plan* evolved from the objectives established in prior plans (see page 19) and were based on CDIC's statutory objects and the Corporation's view of the economic and financial environment at the time.

CDIC's performance against these objectives is reflected in the following performance management scorecard for 1999/2000. It has been updated to December 31, 1999, which was the end of the third quarter for the 1999/2000 fiscal year.

OBJECTIVES FOR 1999/2000 TO 2003/2004

1. **Maintain a strong core capacity to minimize the cost of deposit insurance.**
2. **Maintain efficient, cost-effective operations.**
3. **Keep abreast of emerging issues to assess and propose public policy.**
4. **Improve consumer information.**

Performance Management Scorecard — 1999/2000

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

…while minimizing exposure to loss.

Objective: Maintain a strong core capacity to minimize the cost of deposit insurance.

Overall Rating: ◆

Measures	Targets	Performance Against Targets	Initiatives in Support of Objective
1. Ability to present electronically key, current information in assessing the risk of a member institution.	1. MIDAS: Member profile project – full implementation by March 31, 2000. E-filing project (via diskette or compact disk) re. differential premiums – full implementation by April 2000.	1. Full implementation of the member profile project is on schedule for March 31, 2000. Full implementation of E-filing via diskette or compact disk is on schedule for April 2000. ◆	Assessing the risk of losses likely to arise from insuring deposits in member institutions. ◆ Reducing the risk of losses through effective risk management, prompt corrective action, early and effective intervention, and improved incentives embedded in the system. ◆ Maximizing net recoveries with respect to claims arising from failed institutions. ◆ Maintaining a strong treasury function. ◆ Preserving CDIC's "best practices" and "corporate memory" through effective information systems and documented policies and practices. ◆
2. CDIC's *Standards of Sound Business and Financial Practices* will be current and relevant.	2. Complete review of all Standards and revamp/ develop new standards and filing/reporting processes – by March 31, 2000 (Assessment Phase).	2. Modernization of Standards on schedule. ◆	
3. CDIC will be completely ready for all aspects of Y2K (both internal systems and insurance/membership issues).	3. Full Y2K compliance and testing completed for all CDIC systems by September 30, 1999. Contingency plans (for membership issues) completed and ready to implement by September 30, 1999.	3. CDIC's internal systems are Y2K compliant. All testing is complete, and all required systems upgrades have been made. No Y2K problems encountered on year-end rollover. ◆	
4. Adequate measures are in place to ensure liquidators/ receivers are motivated to maximize net recoveries in current liquidations.	4. Projected net recoveries as outlined in the business plan for each estate completed.	4. Net asset recoveries estates finalized in 1999/2000 exceeded projections. ◆	
5. CDIC borrowing costs and investment yields are within established benchmarks.	5. Borrowing rates are within the range of CDIC's peers. Investment income greater than or equal to benchmark designed to reflect investment strategy undertaken.	5. No borrowing undertaken. Investment income will exceed 1999/2000 Plan. ◆	
6. Complete, current, and relevant policies and procedures for all areas.	6. Complete, current policies available for all areas of the Corporation – updated annually.	6. CDIC Policy Manual was completed in 1999. Individual policies are reviewed annually (or sooner as required) and reviewed by the Policy Committee and by Audit and Consulting Services. ◆	

◆ Objective/Initiative is on schedule for completion and within budget as per original plans.
◆ Objective/Initiative is experiencing some slippage in terms of time to completion and/or budget overruns.

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

…while minimizing exposure to loss.

Objective: Maintain a strong core capacity to minimize the cost of deposit insurance.

Overall Rating: ◆

Measures	Targets	Performance Against Targets	Initiatives in Support of Objective
7. CDIC will perform within its annual operating and intervention budgets. 8. The skills and qualifications of employees will match job requirements.	7. On or under budget in operating, intervention, and capital budgets. 8. Fully satisfactory or higher ratings for all employees on their annual performance appraisals. The critical key training identified through the performance appraisals will be undertaken in the upcoming year.	7. Operating, intervention, and capital budgets all on or under budget at end of Q3. ◆ 8. Reported to the Employee Relations Committee in 1999. ◆	Maintaining core competencies and high-quality staff. ◆ Applying an effective performance measurement and management system. ◆ Deploying resources to priority objectives and activities in the most cost-effective manner. ◆ Keeping pace with, and applying advancements in, technology. ◇
9. Concise, relevant, timely and accurate performance information to management and the Board. 10. CDIC will satisfy all statutory reporting requirements.	9. Level of satisfaction of senior management and Board based on survey and/or direct feedback. 10. 100 per cent compliance with all statutory reporting requirements	9. No result – new performance measurement and reporting system in implementation stages. 10. All reports filed with statutory authorities on time. ◆	Exploring the development of cost-sharing arrangements with other Crown corporations and government agencies and pursuing the possibility of contracting-out arrangements. ◇ Ongoing reporting. ◆ Special examination by the Office of the Auditor General. ◇

◆ Objective/Initiative is on schedule for completion and within budget as per original plans.
◇ Objective/Initiative is experiencing some slippage in terms of time to completion and/or budget overruns.

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

…while minimizing exposure to loss.

Objective: Keep abreast of emerging issues.

Overall Rating: ◆

Measures	Targets	Performance Against Targets	Initiatives in Support of Objective
11. Ability to perform high-quality research of economic, policy, and emerging issues to obtain a better understanding of the issues that may affect CDIC in the future and to have a greater influence on these factors.	11. Level of satisfaction of the Asset/Liability Management Committee and the Board based on feedback or survey.	11. All ALCO and Board information requests have been satisfactorily addressed in a timely manner – evidenced by Board and Committee minutes. ◆	Monitor emerging trends. ◆ Economic and policy research. ◆ Liaise with other key parties. ◇

Objective: Improve consumer information (and liaison with stakeholders).
Overall Rating: ◇

Measures	Targets	Performance Against Targets	Initiatives in Support of Objective
12. The level of public awareness and understanding of CDIC and deposit insurance issues.	12. Set awareness level targets based on recent survey results and planned communication activities.	12. Communications strategic plan being developed for implementation commencing in 2000. ◇	Increase public awareness activities. ◇ Work with other compensatory agencies on joint projects. ◆ Participation in conferences, associations, speaking opportunities, etc. ◆

◆ Objective/Initiative is on schedule for completion and within budget as per original plans.
◇ Objective/Initiative is experiencing some slippage in terms of time to completion and/or budget overruns.

2.3 Strategic Direction: Objectives for the Planning Period

CDIC has set four objectives to support its statutory objects. As shown in the table below, the objectives have evolved since 1994/1995: some have been completed, new ones added, and others modified to reflect a changing environment.

CDIC will be enhancing its internal risk assessment and risk management systems during the planning period.

1994/1995 to 1998/1999 Priorities	1999/2000 Objectives	2000/2001 to 2004/2005 Objectives
Eliminate borrowings and deficit Reduce risk of losses Implement legislative amendments and recommendations Strong core capacity Improve productivity and cost-effectiveness High-quality staff Propose and assess policy External relationships	Maintain a strong core capacity to minimize the cost of deposit insurance Maintain efficient, cost-effective operations Keep abreast of emerging issues to assess and propose public policy Improve consumer information	To proactively manage the risks of providing deposit insurance. To ensure CDIC's financial stability and efficient operations. To sustain a strong people and knowledge base encompassing human resources and technology. To continually assess and enhance relationships with stakeholders.

2.4 Performance Management Scorecard — The New Objectives

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

…while minimizing exposure to loss.

Perspectives	Objectives	Measures	Targets	Initiatives
Stakeholder/Customer	Continually assess and manage relationships with stakeholders.	▪ Level of depositor awareness ▪ Number of members in compliance with CDIC by-laws ▪ Percentage change in Standards deficiencies reported ▪ Movement of members between premium categories ▪ CDIC compliance with authorities and audit recommendations	▪ Year-over-year increases in awareness levels: at least 70% after five years ▪ 100% compliance by members ▪ Year-over-year reduction in deficiencies ▪ Year-over-year improvement in distribution among premium categories ▪ 100% compliance by the Corporation	▪ Develop and implement a communications strategy ▪ Timely, effective responses to member problems ▪ Produce quality corporate plans and annual reports ▪ Conduct internal audits ▪ Continue international work ▪ Research emerging issues and tie into the knowledge management process ▪ Enhance collaborative efforts with OSFI and provincial regulators
Financial/Operations	Ensure CDIC's financial stability and efficient operations.	▪ Performance against budget ▪ Level of surplus/provisions	▪ Actual and forecasted costs within budget ▪ Surplus position and fully funded provision	▪ Apply effective performance measurement and management in all areas ▪ Identify benchmarks for comparison with other deposit insurers (best practices) ▪ Knowledge management ▪ Effective corporate planning process ▪ Efficient payout process ▪ Efficient and effective liquidation strategies ▪ International initiatives ▪ Effective treasury function; continually assess premium levels, the surplus, and the provision methodology ▪ Apply technology effectively ▪ Human resources strategic plan

For the Benefit of Depositors:

Provide Deposit Insurance | **Promote Standards** | **Contribute to the Stability of the Financial System**

…while minimizing exposure to loss.

Perspectives	Objectives	Measures	Targets	Initiatives
Internal Processes	Proactively manage the risks of providing deposit insurance.	▪ Level of preparedness to deal with potential failures ▪ Number of watch list members that have been CDIC members for less than five years ▪ Actual net present value recoveries against plan ▪ Identification, awareness, and assessment of emerging issues affecting CDIC and the financial services industry ▪ Capability and capacity to assess risk	▪ Fully prepared to deal with any potential failures ▪ Zero ▪ Zero unexplained variance ▪ Complete awareness of all relevant emerging issues ▪ Develop a risk rating system	▪ Proactive risk assessment, monitoring, problem identification, effective intervention solutions, and payout ▪ Efficient risk management ▪ Proactive litigation management ▪ Compliance verification and management ▪ By-law review, updates, and development ▪ Knowledge management: preserving best practices, researching emerging issues, policies and procedures ▪ Update the Standards and supporting processes ▪ Contingency plan for the failure of a large institution ▪ Proactively research and identify emerging issues ▪ Prepare papers on policy issues ▪ Maximize net claims and recoveries
People and Knowledge	Sustain a strong people and knowledge base encompassing human resources and technology.	▪ Level of performance vs. objectives set out in the performance management plan and the human resources and technology strategies ▪ Compensation and reward system competitive with industry to attract and retain skilled staff ▪ Skills and qualifications of all staff will match current job requirements ▪ Employee satisfaction ▪ Core competencies ▪ Technology — appropriateness of technology as an enabler	▪ Completion of the performance management plan and the human resources strategy by September 2000 ▪ 95% employee retention rate ▪ 100% of critical training identified through performance appraisals will be undertaken within two years ▪ Improved survey results against benchmarks ▪ 100% of identified current core competencies reflected in position descriptions ▪ Technology benchmark to be established	▪ Formalize knowledge management strategy ▪ Continue international work ▪ Develop a human resources strategy linked to the corporate strategic direction ▪ Develop and administer employee surveys ▪ Conduct ongoing compensation/reward surveys ▪ Identify any skills gaps that exist for succession planning ▪ Identify, implement, and support appropriate support systems and tools (e.g., technology, records management system) ▪ Develop an internal communications strategy ▪ Develop an information technology strategic plan

2.5 Special Initiatives: Strategic Plans

In developing the corporate objectives we have identified the need for strategic plans in specific areas. For example, CDIC's human resources plan will address how the competencies of potential successors for key positions will be developed. An information technology plan will ensure that the information technology environment remains up-to-date, supports the short- and long-term business requirements, and can be expanded in the future. A comprehensive, fully integrated plan will be developed to increase the public's knowledge and awareness of deposit insurance.

3.0 Financial Plan

The five-year financial plan is based on the planning and economic assumptions found in sections 1.3 and 1.4 respectively. These assumptions represent management's estimate of events anticipated to unfold over the planning period. Based on our current assessment of the environment, little change from the plan is expected. However, unknown events or fluctuating variables may have an impact on assumptions, resulting in deviations from the plan.

3.1 Financial Performance – 1998/1999 and 1999/2000

This section provides an overview of CDIC's performance against its plan for 1998/1999 and 1999/2000 and the operations plan to support the objectives for the fiscal year ending March 31, 2001.

3.1.1 Performance Against Plan – Financial Highlights

The five-year pro forma financial statements in Appendix B show the Corporation's financial results for 1998/1999 and the 1999/2000 forecast against the approved plan. The following table highlights CDIC's performance in selected key areas for 1998/1999 and 1999/2000.

1998/1999 Actual to Plan

Premium revenue was $18 million lower than planned, resulting from a 3.4 per cent decline in insured deposits from a planned level of $319 billion to an actual level of $308 billion.

Interest on cash and short-term investments is $10 million greater than planned because of a combination of better yields than anticipated and higher cash balances than budgeted. The average monthly cash balance was $550 million, with an average yield of 5.0 per cent.

Key Financial Highlights

For the years ending March 31
($ millions)

	1999 Approved Plan	1999 Actual	2000 Approved Plan	2000 Forecast
Premiums	533	515	125	134
Interest on Cash and Short-Term Investments	17	27	33	32
Loans Receivable	168	152	126	80
Claims Receivable	146	142	36	100
Allowance for Loss	75	26	26	26
Provision for Guarantees	578	575	65	55
Provision for Insurance Losses	500	400	400	400
Surplus / (Deficit)	(162)	26	191	175

As at March 31, 1999, loans receivable were lower than the approved plan by $16 million, primarily as a result of accelerated payments received from one estate in liquidation.

The allowance for loss on loans and claims receivable is $49 million lower than the approved plan as a result of a change in accounting treatment. Because of the Canadian Institute of Chartered Accountants' new pronouncements on the estimation of losses, we changed the accounting treatment for the allowance for loss from a net recoverable value basis, which took into account future nominal recoveries from estates of member institutions in liquidation, to fair value calculation.

The provision for insurance losses at March 31, 1999, was $100 million lower than planned. The decrease reflects the reduced risk of future loss to the overall CDIC membership. The improved economy led to a lower risk-of-loss factor applied to the insured deposits portfolio in our market-based, composite risk-weighting system.

The accumulated surplus differs from the planned deficit by $188 million. This variance is mainly due to the March 31, 1998, reduction to the provisions for loss ($144 million), higher revenue ($28 million) than planned, and the reversal of certain provisions for guarantees ($11 million) for the year ended March 31, 1999.

1999/2000 Forecast to Approved Plan

The premium revenue is $9 million higher than planned, resulting from the introduction of the new *Differential Premiums By-law* further augmented by an increase in the insured deposit base from a planned level of $308 billion to an actual assessed level of $317 billion.

We forecast loans receivable to be $46 million lower than the approved plan. Recoveries received during 1999/2000 from one estate in liquidation were accelerated as a result of a change in the disposition strategy for assets held by the estate and improved market conditions resulting from a strengthening economy.

Pro Forma Statement of Net Income

For the years ending March 31
($ millions)

	2000 Forecast	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan
REVENUE						
Premiums	134	135	–	–	–	–
Other adjustments and recoveries*	–	7	19	28	–	4
	134	142	19	28	–	4
OPERATIONS						
Interest income and other revenue	32	29	34	37	39	40
Operating expenses	(17)	(20)	(20)	(20)	(20)	(20)
NET OPERATING INCOME	**15**	**9**	**14**	**17**	**19**	**20**
NET INCOME	149	151	33	45	19	24

** Recoveries of amounts due from estates that were previously written off.*

The claims receivable are forecast to be $64 million more than planned. This is mainly due to a delay in the expected recoveries from the estate of Confederation Trust Company.

We forecast the provision for guarantees to be $10 million lower than planned, resulting from adjustments made in 1999. We estimate the provision for guarantees from our analysis of various reports received annually. Adjustments arising from this analysis are included in the Corporation's audited financial statements to the *Annual Report*.

We forecast the accumulated surplus to be $16 million lower than planned. This variance is due to variations of several accounts.

3.1.2 Performance Against Plan – Operating and Capital Expenditures

The following table provides an overview of the budgets for 1998/1999 and 1999/2000. An explanation of the major variances follows.

Operating expenses for 1998/1999 were under budget by just under $2 million largely because of a $1.7 million savings in legal costs. We forecast that the 1999/2000 operating expenses will be $1.0 million over budget mainly because of the initiative undertaken to modernize the *Standards of Sound Business and Financial Practices* and streamline the related administrative processes.

3.2 Five-Year Financial Plan (Appendix B)

We are forecasting that we will collect approximately $134 million in premiums from member institutions for the year ended March 31, 2000. This is based on the new *Differential Premiums By-law*, which allows for different premium rates for each member rating category. Premium revenues for 2000/2001 are budgeted to reach $135 million.

No borrowings or borrowing costs are projected over the planning period.

Consistent with the planning assumptions in section 1.3, our financial projections found in Appendix B do not include premium revenue after the fiscal year 2000/2001. Over the five-year planning period, we expect interest income on investments to total $177 million and operating expenses of $100 million.

The 1999/2000 forecast indicates $114 million will be recovered against outstanding loans and claims. For the planning period, we estimate that $82 million of claims receivable will be recovered, while loan collections will generate an additional $72 million.

We expect that our provision-for-guarantees forecast of $55 million as at March 31, 2000, will be retired by March 31, 2003.

Analysis of Operating and Capital Budgets

For the years ending March 31
($ thousands)

	1999 Approved Plan	1999 Actual	2000 Approved Plan	2000 Forecast
Operating	18,367	16,414	16,396	17,489
Capital	375	264	287	287

We forecast an accumulated surplus of $326 million as at March 31, 2001, growing to $447 million as at March 31, 2005.

3.3 Operating and Capital Plans — 2000/2001

The following table summarizes the operating and capital budgets for 2000/2001 with comparisons to the previous two years.

The $3.1 million increase over the 1999/2000 plan in budgeted operating expenditures is due mainly to the $2.5 million in support of communications and awareness initiatives as well as increases in salaries and other personnel costs, offset by a reduction in premises costs. CDIC's capital expenditures are for computer hardware and furniture and equipment.

3.4 Borrowing Plan

CDIC had no debt outstanding at December 31, 1999, and we do not anticipate any borrowing activity over the planning period. Our strategy is to use our investment portfolio as a first call on liquidity in the event of an intervention. Therefore, the portfolio will serve as a buffer between any immediate need to deal with an intervention and the raising of funds through debt issuance. Furthermore, we have in place credit facilities with our banker for up to $10 million for cash management purposes.

Analysis of Budgets

For the years ending March 31
($ thousands)

	1998/1999 Actual	1999/2000 Plan	1999/2000 Forecast	2000/2001 Plan
Operating	16,414	16,396	17,489	19,517
Capital	264	287	287	400

Appendix A – Corporate Overview

Overview of CDIC

The Canada Deposit Insurance Corporation was established in 1967 by the *Canada Deposit Insurance Corporation Act* (CDIC Act), R. S., 1993 c. C-3, as amended. The Corporation is for all purposes an agent of Her Majesty in right of Canada and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*.

The Corporation reports to Parliament through the Minister of Finance, who has delegated certain responsibility for CDIC matters to the Secretary of State (International Financial Institutions). CDIC's Board of Directors comprises the Chairperson, the individuals holding the positions of Governor of the Bank of Canada, Deputy Minister of Finance, Superintendent and Deputy Superintendent of Financial Institutions, and four private-sector directors. The Governor in Council appoints the Chairperson, the four independent private-sector directors, and the President and CEO.

The Corporation's objects, as set out in its legislation, are to provide insurance against the loss of part or all of deposits, to be instrumental in the promotion of standards of sound business and financial practices for member institutions, and to promote and otherwise contribute to the stability of the financial system in Canada. These objects are to be pursued for the benefit of persons having deposits with member institutions and in such a manner as will minimize the exposure of the Corporation to loss.

To carry out its work, CDIC relies on the work of the Superintendent of Financial Institutions and provincial supervisors. They are responsible for supervision and for ensuring that member institutions follow the rules and regulations and remain financially viable. CDIC has no supervisory role. It receives and closely follows the regulators' reports. Only when an institution becomes a cause for concern does CDIC become more active, working in close collaboration with the regulators. If an institution poses a significant risk to the Corporation, CDIC usually undertakes an intensive special examination of the company's operations and the value of its assets to clarify CDIC's risk and to establish an information base upon which the Corporation can act promptly toward failure resolution.

CDIC has also received ancillary powers beyond those found in its own governing legislation. Part X of the *Financial Administration Act*, for example, sets out the provisions applicable to Crown corporations. Under the *Cooperative Credit Associations Act*, the Corporation may make short-term loans to an association or to a deposit protection agency, defined in the legislation, to enable them to meet their requirements for liquid funds. In such cases, CDIC does not insure the deposits or debt instruments of associations and deposit protection agencies. CDIC, in effect, acts as a conduit whereby funding from the federal government flows to these institutions. CDIC incurs no financial liability or risk. To date, no requests have been made under this Act.

Membership

Membership with CDIC is limited to banks, federally incorporated trust or loan companies, and provincially incorporated trust or loan companies. To obtain membership, an application must be submitted to CDIC and approved by its Board of Directors. Provincially incorporated institutions must be authorized by the province of incorporation to apply for deposit insurance.

Deposit Insurance Protection

Under the CDIC Act, the maximum basic protection for eligible deposits is $60,000 per person at each member institution. CDIC provides separate protection for eligible deposits held jointly, in trust, in registered retirement savings plans, and in registered retirement income funds, also to a maximum of $60,000 in each category.

Premiums

The Corporation is funded by premiums that are assessed on the insured deposits of member institutions as at April 30 of each year. Until 1999, the premium rate was the same for all member institutions: a percentage of their insured deposits. In 1999, CDIC adopted a differential premium structure having four different premium rates, ranging from one-third of one per cent to one-twenty-fourth of one per cent of insured deposits. In 1999/2000, member institutions paid $134 million in premiums.

Deposits in Quebec

Deposit insurance protection is the same for all member institutions with the exception of deposits accepted in the province of Quebec by provincially incorporated members. The province of Quebec has a deposit insurance plan of its own under the administration of the Quebec Deposit Insurance Board (QDIB). Under the terms of an agreement between CDIC and QDIB, deposits made in Quebec with provincially incorporated members are insured by QDIB, and deposits made outside Quebec with such members are insured by CDIC. The maximum aggregate repayment from both agencies would not exceed $60,000. Deposits made with federally incorporated members are insured by CDIC regardless of the province in which the deposit was made.

Board of Directors

December 31, 1999

Ronald N. Robertson
Chairperson of the Board
Canada Deposit Insurance
Corporation

Shawn A. Murphy
Partner
Stewart McKelvey
Stirling Scales
Charlottetown

Gordon G. Thiessen
Governor of the Bank
of Canada
(ex officio)

Viateur Bergeron
Partner
Bergeron, Gaudreau
Hull

C. Scott Clark
Deputy Minister of Finance
(ex officio)

Ian Bennett
Associate Deputy Minister
Department of Finance
*(alternate for the Deputy
Minister of Finance)*

H. Garfield Emerson
President and CEO
N M Rothschild & Sons
Canada Limited
Toronto

Nicholas Le Pan
Deputy Superintendent,
Supervision
Office of the Superintendent of
Financial Institutions
(ex officio)

Carol Shevlin
Senior Director, Quality
Assurance and Performance
Standards Division
Office of the Superintendent
of Financial Institutions
*(alternate for the Superintendent
of Financial Institutions)*

Colin P. MacDonald
Partner
Borden, Ladner, Gervais LLP
Calgary

John R. V. Palmer
Superintendent of Financial
Institutions
(ex officio)

Serge Vachon
Adviser
Bank of Canada
*(alternate for the Governor
of the Bank of Canada)*

CDIC Officers

Jean Pierre Sabourin
President and Chief
Executive Officer

Guy L. Saint-Pierre
Senior Vice-President
Insurance and Risk Assessment

Tom Vice
Treasurer

Wayne Acton
Senior Vice-President
Field Operations

Bert C. Scheepers
Vice-President
Finance and Administration
and Chief Financial Officer

M. Claudia Morrow
Corporate Secretary

Gillian Strong
General Counsel

Appendix B — Pro Forma Financial Statements

Pro Forma Balance Sheet

as at March 31
($ millions)

	1999 Actual	2000 Plan	2000 Forecast	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan
ASSETS								
Cash and short-term investments	730	517	471	685	746	799	818	842
Premiums and other accounts receivable	8	6	8	8	8	8	8	8
Capital assets	1	2	2	2	2	2	2	2
	739	525	481	695	756	809	828	852
Loans receivable	152	126	80	41	15	–	–	–
Claims receivable	142	36	100	56	34	–	–	–
	294	162	180	97	49	–	–	–
Allowance for loss on claims and loans receivable	(26)	(26)	(26)	(26)	(26)	–	–	–
	268	136	154	71	23	–	–	–
	1,007	661	635	766	779	809	828	852
LIABILITIES								
Accounts payable	6	5	5	5	5	5	5	5
Provision for guarantees	575	65	55	35	15	–	–	–
Provision for insurance losses	400	400	400	400	400	400	400	400
	981	470	460	440	420	405	405	405
Accumulated surplus	26	191	175	326	359	404	423	447
	1,007	661	635	766	779	809	828	852

Pro Forma Statement of Income and Surplus/(Deficit)

For the years ending March 31
($ millions)

	1999 Actual	2000 Plan	2000 Forecast	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan
REVENUE								
Premiums	515	125	134	135	–	–	–	–
Interest on cash and short-term investments	27	33	32	27	34	37	39	40
Other revenue	36	54	–	2	–	–	–	–
	578	212	166	164	34	37	39	40
EXPENSES								
Adjustment to provisions for loss	(11)	–	1	–	–	2	–	–
Recovery of amounts previously written off	(1)	(4)	(1)	(7)	(19)	(30)	–	(4)
Interest on loans from the Consolidated Revenue Fund	8	–	–	–	–	–	–	–
Operating and intervention expenses	17	16	17	20	20	20	20	20
	13	12	17	13	1	(8)	20	16
NET INCOME	565	200	149	151	33	45	19	24
Accumulated surplus (deficit), beginning of period	(539)	(9)	26	175	326	359	404	423
Accumulated surplus, end of period	26	191	175	326	359	404	423	447

Pro Forma Statement of Cash Flows

For the years ending March 31
($ millions)

	1999 Actual	2000 Plan	2000 Forecast	2001 Plan	2002 Plan	2003 Plan	2004 Plan	2005 Plan
OPERATING ACTIVITIES								
Net income	565	200	149	151	33	45	19	24
Non-cash items included in net income								
Adjustment to provisions for loss	(11)	–	1	–	–	2	–	–
Accrued post liquidation interest	(26)	–	–	–	–	–	–	–
Loans recovered	73	24	72	39	26	7	–	–
Claims paid	1	–	–	–	–	–	–	–
Claims recovered	58	72	42	44	22	14	–	–
Payment of guarantees	(29)	(521)	(521)	(20)	(20)	(15)	–	–
Changes in working capital	(7)	(1)	(2)	–	–	–	–	–
CASH FLOWS FROM OPERATING ACTIVITIES	624	(226)	(259)	214	61	53	19	24
FINANCING ACTIVITIES								
Loans from the Consolidated Revenue Fund								
Net advances/(repayments)	(395)	–	–	–	–	–	–	–
CASH FLOWS FROM FINANCING ACTIVITIES	(395)	–	–	–	–	–	–	–
CASH AND SHORT-TERM INVESTMENTS								
Increase (decrease) during the period	229	(226)	(259)	214	61	53	19	24
Balance, beginning of period	501	743	730	471	685	746	799	818
Balance, end of period	730	517	471	685	746	799	818	842