



BANK OF CANADA  
BANQUE DU CANADA

# CENTRAL BANKING for a NEW ERA

The Bank of Canada's 2016–18 Medium-Term Plan

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# FULFILLING OUR VISION



## Introduction

In June 2014, at the first ever Bank of Canada Annual Employee Conference, we launched our vision: To be a leading central bank, dynamic, engaged and trusted, committed to a better Canada.

Our vision reflects the changing—and demanding—environment of a post-financial-crisis world that calls on the Bank to redefine central banking and build on everything we have learned to ensure continued success in the future.

Vision statements are important. They tell us about what we want to become—our ultimate goal.

To achieve them, we need a plan.



This document, the Bank's 2016–18 Medium-Term Plan (MTP), will help us bring our vision to life.



REINVENTING  
CENTRAL  
BANKING



RENEWING  
WAYS OF  
DOING BUSINESS



REINFORCING  
A CULTURE  
OF INNOVATION

# Keeping focused

The Bank of Canada has a reputation for excellence, earned by continuously doing the best job we can in the service of Canadians and always looking for ways to do our job better.

This medium-term plan (MTP) provides a focus for us to continue our tradition of excellence while building our readiness for the future.

An important element of the plan is to reinforce and further develop a culture that places a high value on innovative ideas.

Success will also depend on finding capacity—the right people with the right tools and the time they need to achieve the strategic initiatives in the plan. This doesn't mean that the MTP is about expanding and doing more; rather, it is about refocusing and reinvesting our existing skills and resources.

The MTP is built on a foundation of three themes that, together, bring to life the vision of a leading central bank that is dynamic, engaged and trusted.

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## THEME 1



**Reinventing central banking** is about what we do to be a leader in all our core functions: monetary policy, the financial system, currency and funds management. It's about finding creative responses to game-changing events and circumstances in both the Canadian and global economies.

## THEME 2



**Renewing ways of doing business** is about how we do it—by building and renewing a trusted public institution that is nimble, resilient and responsive—clear in its communications and accountable in its partnerships.

## THEME 3



**Reinforcing a culture of innovation** is about how we leverage what we know and what we learn—by being a workplace that values diversity and openness, embraces multiple perspectives and collaborates using the best tools and processes to find the best solutions.

# What does success look like?

Looking ahead to 2018, how will we know if we have succeeded in implementing the MTP?

- We will have advanced a framework for monetary policy that includes financial stability considerations for improved economic and financial resilience.
- We will understand the impact of alternative forms of payment on the work of the Bank and on the financial system.
- We will be more strategic in our connections with domestic and international partners to leverage our combined knowledge and experience to deliver more effective outcomes.
- Our people will contribute to fulfilling the Bank's mandate in new and innovative ways, showing thought leadership at every level.
- And, of course, we will have completed the renewal of our Head Office and will be back home on Wellington Street.

The goals in this MTP are challenging, but achievable, especially when we work together to fulfill the important mandate of this institution on behalf of all Canadians.

Stephen Ash









# INNOVATION FROM THE GROUND UP



## Introduction

Every three years, the Bank sets a strategic course for the medium term. The MTP—our road map—is the result. Developing the plan is a valuable opportunity to step back and look at what we do—to see if there are new challenges and opportunities that we should focus on and whether there are activities and operations that we could do more efficiently or that are no longer needed.

Woven throughout this plan is the idea of innovation and strategic initiatives that advance the frontiers in terms of research, policy analysis and operations. We looked at our work and how we do it through a new lens and put a one-Bank approach into action, with a creative process that engaged senior leaders across the Bank.

## Collaboration in action

Work started in the summer of 2014, with departments contributing to an environmental scan that identified trends and challenges, both inside and outside the Bank, that could have an impact on what we do.

The Executive Council, in consultation with the Leadership Forum, identified three themes that reflect the Bank's vision. Together, with input from all departmental leadership teams, they developed strategic goals and action statements.

We also identified theme leads from among the Bank's senior leadership to collaborate across different functions and bring an integrated approach to the plan's development.

## Setting priorities

This process gave us a framework for the plan. The next step was to get input from departments, asking them to identify strategic actions that would help us meet our goals. More than 100 proposals were put forward by departments, a testament to the creativity and engagement of our people to bring this plan to life.

Each proposal was analyzed to see which would contribute most to the achievement of the plan's goals. Trade-offs, risks and priorities were discussed to streamline actions to just over 80 and create the plan you see today. The planning process also included developing key performance indicators so that we can assess progress as we go along.

## Going forward

This inclusive process for developing the plan has helped ground it in the Bank's vision and established priorities. Every department took part in developing this plan, and every one of us has a stake in its success.

The MTP is a living document that will guide our annual planning exercises for the next three years. I look forward to being part of this collaborative effort to achieve our goals and, ultimately, our vision.



*Kristen M. H.*



# A TRADITION OF EXCELLENCE

The Bank's reputation is earned by delivering on the ongoing core work that it undertakes to promote the economic and financial welfare of Canada, as defined in the Bank of Canada Act. The MTP is focused on strategic priorities that build on this foundation.

Now in its ninth decade, the Bank provides a monetary policy framework of low, stable and predictable inflation; contributes to safe, sound and efficient payment and financial systems; designs and issues bank notes that are secure against counterfeiting; and acts as a responsible fiscal agent for the Government of Canada, efficiently managing its public debt programs and foreign exchange reserves.

As a public institution, the Bank endeavours to be accountable and transparent: communicating policy decisions in a clear, open and timely way and fulfilling its mandate and legislative responsibilities by providing superior services and being a responsible steward of resources.

Our tradition of excellence forms the foundation of the MTP and its three themes: reinventing central banking, renewing ways of doing business and reinforcing a culture of innovation.



# ENVIRONMENTAL SCAN

Departments identified several issues that need to be taken into account when planning the Bank's future priorities.

External pressures include the following:

- an altered economic and financial landscape for central banking;
- a heightened pace of regulatory change affecting the financial system;
- shifts in monetary policy stances as major central banks grapple with slow growth and financial stability concerns;
- increased popularity of e-payments and the advent of e-money;
- heightened cyber-security risks;
- the need for agile and flexible technologies;
- demographic pressures in the workforce;
- greater public scrutiny of all public sector entities, with increased expectations for efficiency and performance; and
- the necessity to be ready to address alternative futures—to expect the unexpected.

The environmental scan also revealed trends in the internal environment—within the Bank—that are changing the way we plan our work. These include the following:

- the need for greater collaboration across departments and functions;
- an increased pace of change in technology and business requirements;
- capacity pressures and challenges in recruiting specialists; and
- input from the 2014 triennial employee survey that identified improvements in such areas as respect and trust, continuous improvement and department leadership, but noted a drop in staff satisfaction with the physical work environment.

This MTP will respond to many of the challenges identified in the environmental scan. Importantly, it reflects a deeper understanding of what the financial crisis taught us. We have learned the following:

- Financial stability risks must be taken into account when conducting monetary policy.
- The global financial system is continuously changing and becoming increasingly complex.
- Providing a work environment where our people are encouraged to innovate is a critical element of our ongoing success.

The crisis and its aftermath have underscored the fact that, while we start with a solid base of knowledge, we still have a lot to learn. To be a dynamic, engaged and trusted central bank is to recognize this reality in all of our work, whether in monetary policy, the financial system, currency or funds management.







# REINVENTING CENTRAL BANKING

The Bank of Canada's core mission—to preserve the value of money by keeping inflation low and stable—remains the principal means by which the Bank contributes to the economic and financial welfare of Canada.

The Bank of Canada has been a thought leader in the area of economic and financial research and policy analysis across all its functions. As a trusted public institution, the Bank will continue this tradition.

Today's policy landscape for central banks is distinguished by uncertainty and by complex and interconnected challenges that reflect a shifting landscape of events and circumstances. For the Bank to meet these challenges, we need to reinvent how we think about the business of central banking.

To achieve this, we have identified four goals.

### 1.1. Advance the frontiers of monetary frameworks and research to build economic resilience

Keeping inflation low and stable requires a sound, credible monetary policy framework and the best information and tools available. Accordingly, we will develop a robust research agenda and continue to draw lessons from the crisis to strengthen our monetary policy framework. We will build new, more advanced models that further take into account financial stability concerns, uncertainty and the formation of expectations. We will develop a strategy to share our research more broadly with our domestic and international stakeholders.

Unconventional monetary policy has become conventional in many central banks around the world. We will reassess the tools available to the Bank to implement unconventional monetary policy, if needed, and advance research to evaluate their effectiveness.

### 1.2. Incorporate financial stability considerations into the Bank's policy advice and operations

The line between the Bank's monetary policy and financial system functions is not as clear-cut as we once thought. These functions are interrelated and the risks to both must be considered in an integrated fashion. To increase our understanding, we will implement and enhance innovative and comprehensive quantitative frameworks to assess systemic financial risk.

Regulatory reforms initiated in response to the most recent crisis are changing how financial institutions operate and how markets work. These reforms will strengthen the system but will also change the financial ecosystem. We will need to assess their cumulative impact on financial stability, the transmission of monetary policy and economic growth.

### 1.3. Ensure sound and effective payment systems, methods and technologies

Financial markets, institutions and infrastructures are at the centre of the financial system, and their resilience is of the utmost importance to support financial growth, innovation and efficiency. An area of significant change is payment systems. The Bank will play a pivotal role in helping lay the groundwork for the next generation of Canada's payments system.

Financial innovation never stops. To stay relevant, the Bank's policies and legal frameworks must keep pace with and support new technological developments. The Bank will be devising a policy framework that reflects the changes in new payment technologies (for example, e-money and e-payments) and their implications for the Bank.

Developing and issuing bank notes that can be used with confidence is a cornerstone of the trust that Canadians place in the Bank of Canada. Being a leader in bank note research and development is necessary to maintain that trust. We will conduct tests on potential security features that will inform plans for a new series of bank notes.

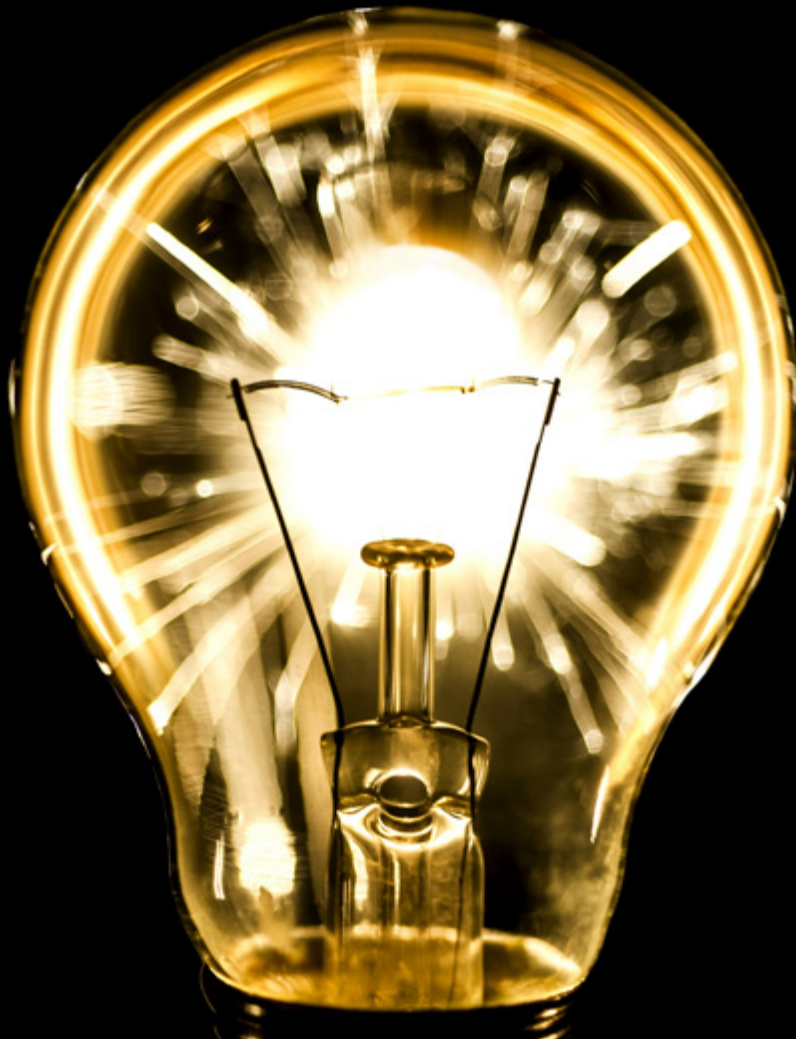
## 1.4. Consider the implications of alternative futures

The Bank needs to anticipate big trends and changes that could profoundly affect economies, markets and central banks.

An important example is the large-scale change that is transforming the international monetary and financial systems. We are seeing a shift toward a multipolar system characterized by economic regionalization, which is happening even as globalization continues. Emerging-market economies make up a larger share of economic output and are contributing to shifts in reserve currencies. We will explore these and many other trends over the course of the plan.

Considering new realities and matching them with new approaches is a necessary part of reinventing central banking. We will create time and space to consider alternative and unexpected scenarios, so that we are well prepared should they materialize.

A number of actions will help the Bank meet these goals.







## REINVENTING CENTRAL BANKING

WHAT WE WILL DO	Advance the frontiers of monetary policy frameworks and research to build economic resilience	Incorporate financial stability considerations into the Bank's policy advice and operations
HOW?	<ul style="list-style-type: none"><li>▪ Explore monetary policy framework options and renew the inflation-control agreement with the Government of Canada</li><li>▪ Develop the next generation of monetary policy models that more accurately analyze changing economic conditions</li><li>▪ Develop a robust research agenda for the Bank</li></ul>	<ul style="list-style-type: none"><li>▪ Develop tools and methods to better identify and analyze risks to financial stability</li><li>▪ Develop policy models that harness leading-edge technology to incorporate financial stability considerations</li><li>▪ Expand and enhance banking services to entities critical to Canada's financial stability</li><li>▪ Facilitate the implementation and evaluate the impact of regulatory changes in Canada</li></ul>
WHAT DOES SUCCESS LOOK LIKE?	<ul style="list-style-type: none"><li>▪ The research supporting the renewal of the inflation-control agreement appropriately takes into account lessons from the financial crisis, including the effectiveness of unconventional monetary policy measures</li><li>▪ Improved models for projection and policy analysis are implemented</li><li>▪ The Bank's research agenda has solid contributions to policy outcomes and is recognized by our peers as advancing the frontiers of knowledge</li></ul>	<ul style="list-style-type: none"><li>▪ A quantitative framework to assess systemic financial risk is established</li><li>▪ Policy models that provide us with richer answers to the most relevant policy questions we face are in use</li><li>▪ The Bank is able to offer banking services to any entity deemed critical to overall financial stability</li><li>▪ High-quality research publications and analysis have an impact on international and domestic policy dialogue</li></ul>

## Ensure sound and effective payment systems, methods and technologies

- Support changes to strengthen Canada's financial market infrastructure
- Research and analyze new payment systems and technologies and devise a policy framework
- Conduct research on the design, production and issuance of bank notes

## Consider the implications of alternative futures

- Organize cross-functional think tanks to research alternative futures and their implications for monetary policy and financial stability
- Assess the implications of high-impact, low-probability economic scenarios
- Explore and analyze the future of international monetary and financial systems

- Canada's next-generation payments system is designed to meet public policy objectives and the Bank's risk-management expectations
- A policy framework reflects the impact on the Bank of changes in payment systems and technologies
- Tests are completed on the viability of the security features for the production of the next series of bank notes

- The Bank's analytical work on emerging issues and potential future scenarios is used to challenge existing ideas and frameworks







# RENEWING WAYS OF DOING BUSINESS

While Theme 1 focuses on what we do, Theme 2—renewing ways of doing business—focuses on how we do our work.

We have an important mandate—to promote the economic and financial welfare of Canada. To be effective as a public sector organization, the Bank of Canada must rise to the challenge of continuous evolution and be nimble, resilient and responsive. Part of that is being clear and accountable in our partnerships and in our communications.

We can better understand economic, financial and operational trends if we expand and deepen relationships with new and existing stakeholders. These contacts allow us to keep our finger on the pulse of emerging practices and ideas so that we can anticipate and adapt to new developments.

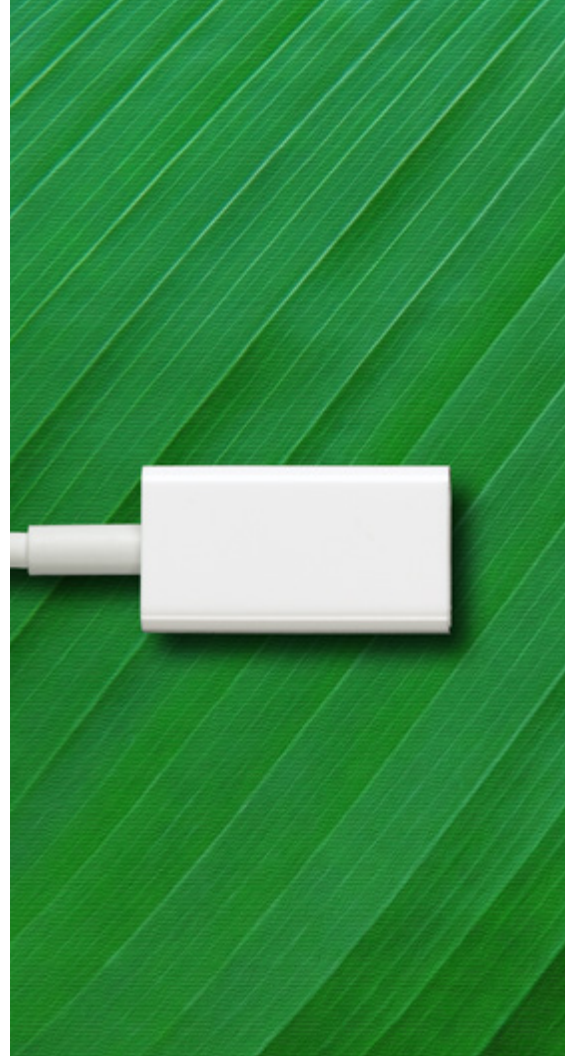
Two goals support this theme.

## 2.1. Be connected and transparent

Strategically expanding our engagement with domestic and international partners will provide us with insights on a wide range of issues we are tackling. This gives us valuable perspectives on hard data and formal model results, helping us to ask the right questions and to assess the risks associated with any course of action. These perspectives are essential, given the changing economic and financial environment.

The challenges facing modern economies and financial systems can be better addressed when organizations such as the Bank work as part of a global financial and regulatory system in which we understand our respective roles and communicate effectively. Working with other agencies, we will share best practices and collaborate with federal agencies to enhance coordination for the application of macroprudential policy. We will also conduct research into the interplay between monetary policy and macroprudential tools.

Through various media, including the web, we will make a wider range of our research and analysis more available to stakeholders and the public. The new Bank of Canada Museum, to be opened on 1 July 2017, is one very tangible example of efforts to share our work with Canadians. It will be an ideal forum to build a better understanding of what the Bank does and why.





## 2.2. Be nimble and resilient

Given the Bank's critical operations and our role in financial stability, we must be ready to respond to unforeseen economic or financial developments. One important initiative will be to redevelop and implement a modernized auction system.

Maintaining continuity of operations includes improving the Bank's resilience to physical and cyber threats by implementing a renewed strategy.

Connectivity and resilience will be core to our renewed Head Office, which will offer opportunities for more flexible and innovative ways of working.

A number of actions will help the Bank meet these goals.

**RENEWING  
WAYS OF DOING  
BUSINESS**

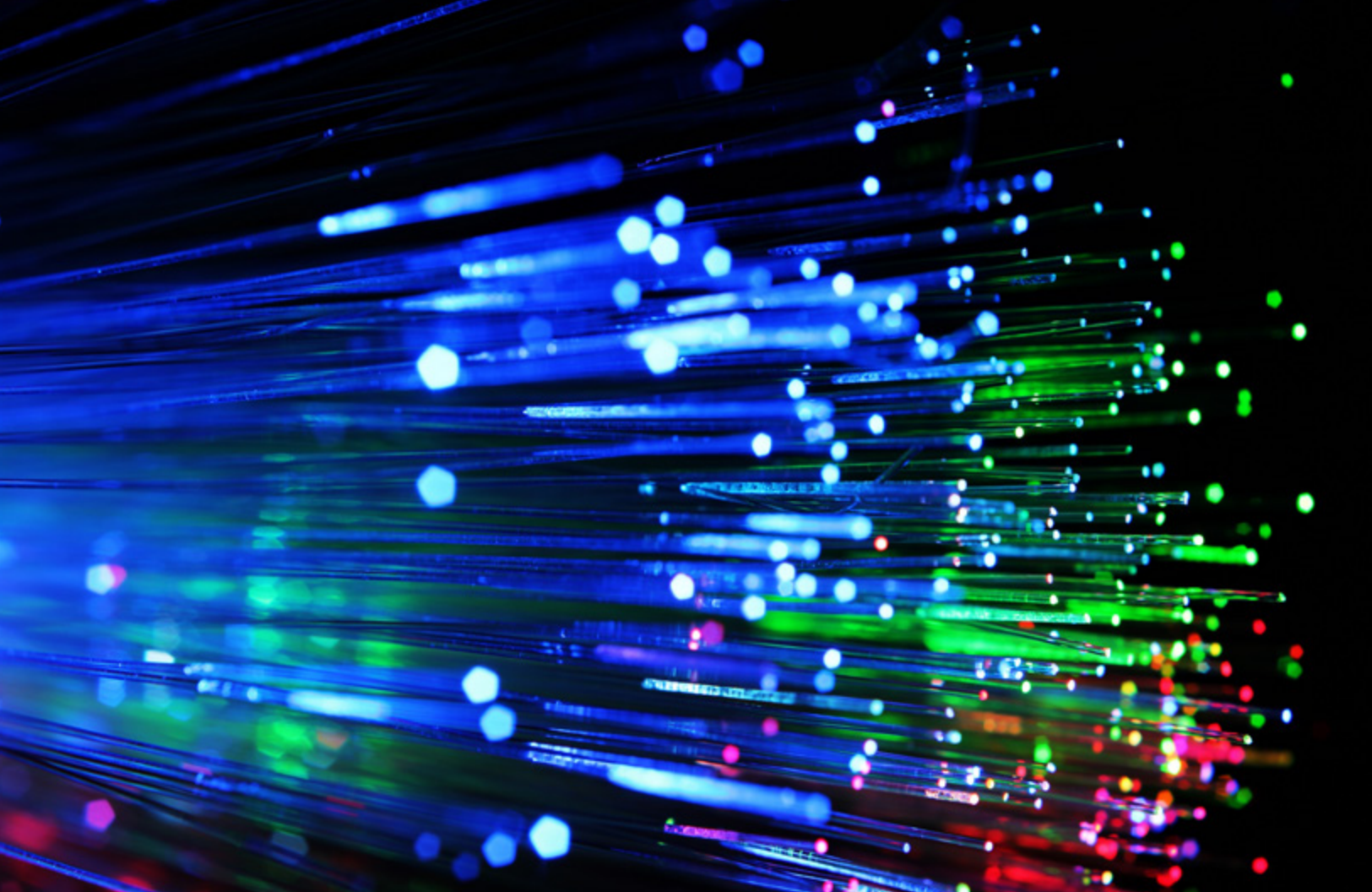


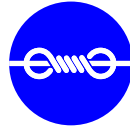
WHAT WE WILL DO	Be connected and transparent
HOW?	<ul style="list-style-type: none"><li>▪ Strategically expand relations and engagement with domestic and international partners to build economic and business intelligence</li><li>▪ Clarify roles and responsibilities and strengthen governance frameworks with key stakeholders and domestic partners</li><li>▪ Increase the quantity and accessibility of the Bank's research, analysis and communication materials that are available to internal and external stakeholders</li></ul>
WHAT DOES SUCCESS LOOK LIKE?	<ul style="list-style-type: none"><li>▪ The Bank's international and domestic partners provide insights resulting in better outcomes</li><li>▪ Renewed governance frameworks are implemented between the Bank and key stakeholders, such as the Capital Markets Regulatory Authority, among others</li><li>▪ High-quality research and analysis appears in the Bank's publications and in peer-reviewed journals</li></ul>



## Be nimble and resilient

- Complete the renewal of, and relocation to, the Bank's Head Office and successfully prepare staff for change
  - Implement risk-management practices and systems to strengthen the Bank's security and business-continuity posture
  - Adopt technologies and practices to provide more efficient operations and services
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- The renewal of the Head Office complex is completed on schedule, providing increased building efficiency and sustainability and improved work environment scores in subsequent employee surveys
  - A renewed enterprise risk management framework is developed and fully implemented
  - An improved resilience posture, including a cyber-security program and renewed security model, in the context of the enterprise risk management framework is in place
  - An evergreening strategy for information technology systems and equipment is implemented





# REINFORCING A CULTURE OF INNOVATION

In order to excel in the objectives we've set out in themes 1 and 2, we need time and space—but we also need to reinforce a culture of innovation—a culture that encourages and inspires staff to explore new ideas and different approaches to meet our mandate.

We will develop leaders to cultivate a work environment that supports innovation and provides staff with support and tools, especially information and data, to deepen our analysis and approaches.

Two goals support this theme.

### 3.1. Nurture a culture where innovative ideas and creative solutions are expected

A culture that values diverse ideas will find new ways to think through issues and come up with the right solutions. This starts with compelling leadership, which is critical to creating a work environment that is exciting and filled with purpose.

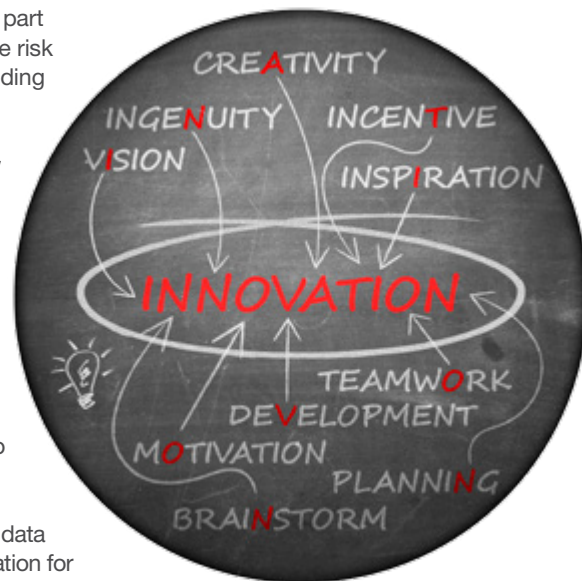
We aspire to teach, encourage, support and reward innovation so that it becomes part of the way we think and work. Positive risk taking is part of the formula, as is building physical and virtual spaces, including an Innovation Lab, to support the development and mobilization of new ideas.

### 3.2. Enhance business innovation and knowledge sharing

The most difficult and important issues cut across the Bank's functions and require proactive collaboration. Innovation depends on recognizing and leveraging the interdependencies between functions and finding opportunities to share knowledge and improve skills.

The work that we do also depends on information and data and how we use them. To deliver on our mandate to Canadians, we need the best possible data. Several initiatives will expand the range and increase the accessibility of data to staff and optimize the use of information for decision making.

A number of actions will help the Bank meet these goals.









**REINFORCING  
A CULTURE OF  
INNOVATION**

<b>WHAT WE WILL DO</b>	<b>Nurture a culture where innovative ideas and creative solutions are expected</b>
<b>HOW?</b>	<ul style="list-style-type: none"><li>▪ Adopt tools and practices that create capacity for the development and acceptance of new ideas and initiatives</li><li>▪ Develop in leaders innovative and strategic leadership qualities and embed those qualities into performance and talent management activities</li><li>▪ Create talent management strategies and employee development opportunities to foster innovation</li></ul>
<b>WHAT DOES SUCCESS LOOK LIKE?</b>	<ul style="list-style-type: none"><li>▪ Tools and both physical and virtual spaces are created to support the development and mobilization of ideas</li><li>▪ Scores related to innovation improve in employee surveys</li><li>▪ Performance management, succession planning and recruitment integrate corporate expectations for leadership</li><li>▪ Professional development initiatives and talent management plans are implemented</li></ul>

## Enhance business innovation and knowledge sharing

- Create more cross-functional teams
- Develop change management practices to ensure adaptability and continuous performance
- Increase the accessibility of information and analytical data, optimizing the use of information assets

- Cross-functional teams are created and have tangible examples of effective collaboration and innovation to yield better results
- Organizational preparedness and adaptability to change are strengthened and include improved disaster recovery plans and tests
- Information resources and methods to access them are improved

# FINANCIAL PROFILE

The strategic initiatives in the MTP will take the Bank in new directions to achieve our vision. To be successful, we need to rethink and retool how we do our work.

The plan has been developed based on financial assumptions that balance the need to invest in our people and tools with recognition of the environment of public sector constraint within which we operate.

Financial planning assumptions are anchored on a commitment of 2 per cent growth on core operations expenditures between 2015 and 2018, or zero real growth, consistent with inflation averaging 2 per cent—the Bank’s target. We plan for no net new staff increases over the life of the MTP, given the current mandate.

The projects and actions outlined in the MTP will be achieved by shifting focus, harnessing technological efficiencies and determining what work is no longer required so that we have the people and financial resources to achieve our vision.

