



CIPF

Canadian Investor Protection Fund

**Get CIPF Protection—
Invest with an IIROC
Regulated Member**

**ANNUAL
REPORT
2013**

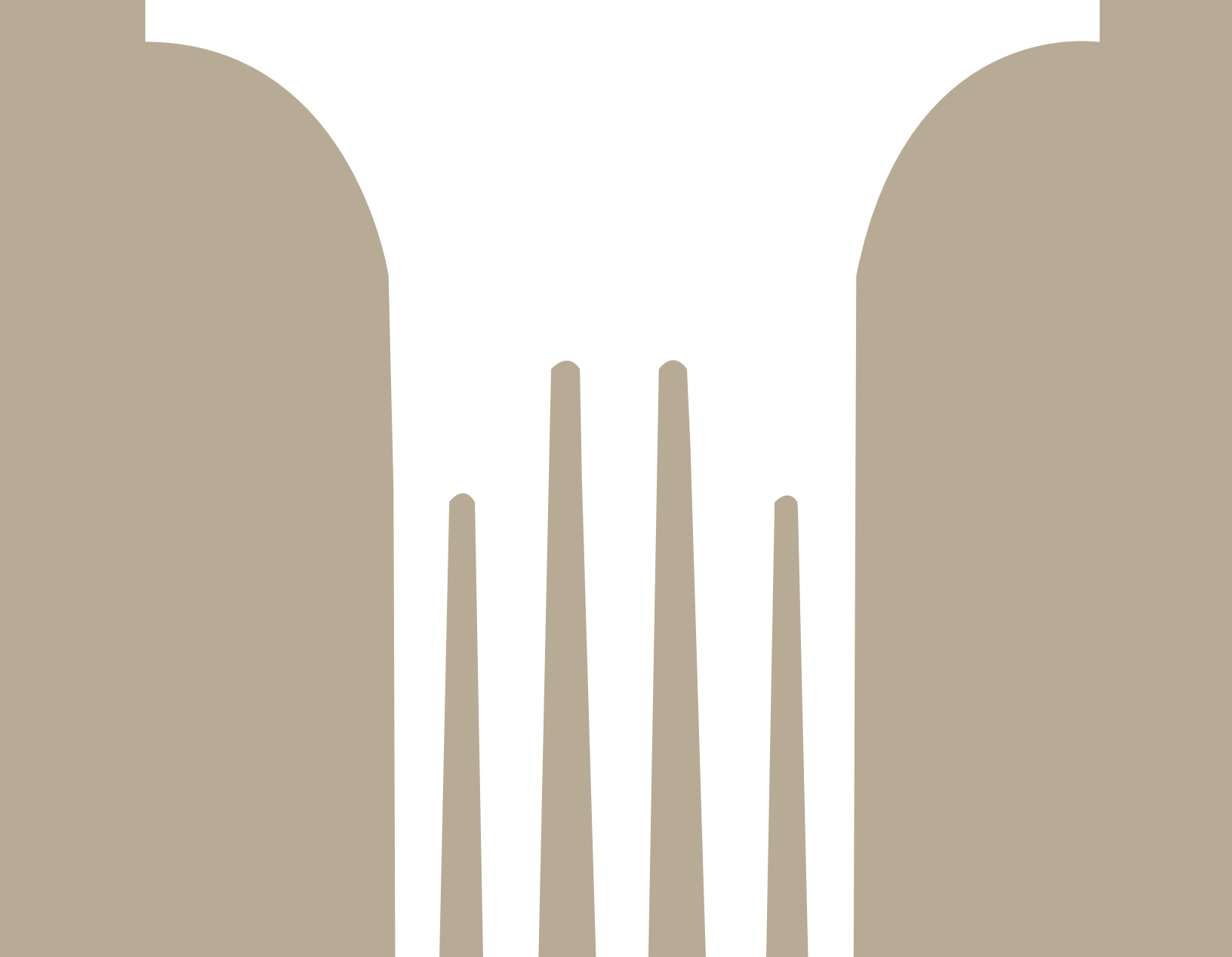


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CIPF'S MISSION

To contribute to the security and confidence of customers of IIROC Dealer Members by maintaining adequate sources of funds to return assets to eligible customers in cases where a Member becomes insolvent.

GOVERNED BY TWO AGREEMENTS

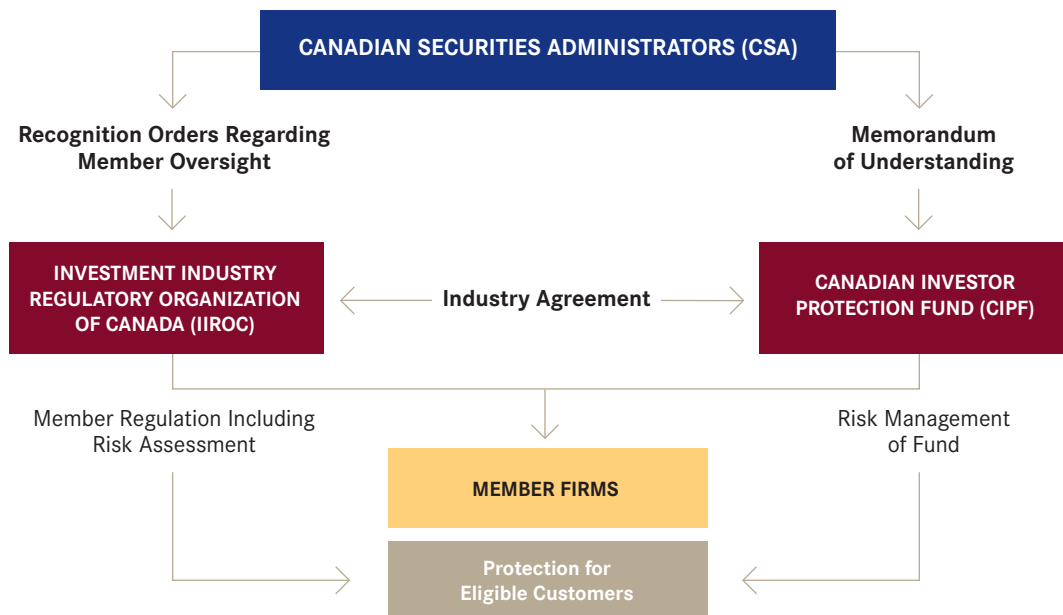
CIPF's Role in the Canadian Regulatory System

The Canadian Investor Protection Fund (CIPF or the Fund) is the only compensation fund approved by the Canadian Securities Administrators (CSA) for investment dealers regulated by the Investment Industry Regulatory Organization of Canada (IIROC).

The CSA consists of the authority in each Canadian province and territory that, under statute, regulates the securities industry within its jurisdiction. Each regulator is responsible for promoting both investor protection and fair and efficient capital markets in its jurisdiction. IIROC operates under Recognition Orders from the CSA as the national self-regulatory organization that oversees all investment dealers and trading activity on debt and equity marketplaces in Canada. CIPF is funded by IIROC-regulated Dealer Members and all IIROC Dealer Members are CIPF Members.

CIPF's role in the Canadian regulatory system is governed by the following agreements:

- A Memorandum of Understanding (MOU) with the CSA that addresses the governance, funding and maintenance of CIPF as well as CIPF's responsibilities for investor protection and reporting to the CSA. As provided for by securities laws and regulations in many Canadian provinces and territories, certain regulators have also issued Approval Orders regarding CIPF
- An Industry Agreement with IIROC that establishes the working relationship and respective responsibilities of CIPF and IIROC. Under this agreement, IIROC must provide prompt notice to CIPF of any situation that is likely to require a payment from the Fund



ACHIEVING EXCELLENCE— CONTINUING SOUND LEADERSHIP



Message from the Chair

For the Canadian Investor Protection Fund (CIPF), 2013 was marked by accomplishment and an emphasis on being responsible to investors who rely on our protection and to Members who sustain our important, ongoing work.

In 2013, the CIPF Board culminated four years devoted to diligently assessing the size of the fund and to establishing a strategic plan that will guide us over the ensuing decade—this was our key priority and a matter of pride for the entire Board.

Towards this end, we undertook research that confirmed that our fund model is innovative and cost-effective against Canadian benchmarks and U.S. organizations with similar functions. Contact with the Canada Deposit Insurance Corporation (CDIC) and other bodies, as well as co-operation with regulatory authorities, provided valuable insight and will inform our adoption of best practices.

For the first time, CIPF has appointed a Vice-Chair—Alain Rhéaume—from its Public Directors. Based on my own leadership transition experience, the Vice-Chair will now head the Governance, Nominating & Human Resources Committee, so he/she can be actively involved in selecting board candidates and structuring Board member assignments to various committees.

CIPF typically has a trustee in bankruptcy administer claims as part of its estate administration responsibilities; however, we occasionally deal with them directly. In 2013, CIPF completed its review of more than 90 claims from former clients of Barret Capital Management Inc. and began to process approximately 900 from former First Leaside Securities Inc. clients. Both involved complex issues and together provided CIPF with its single biggest challenge. Never before had CIPF faced more than 150 claims in any given insolvency. The circumstances

demanding much from the organization, but we proved our resilience and rose to the task.

To provide CIPF with additional claims processing capacity and expertise, CIPF has expanded its Board to 12 Directors from 10. We look forward to increasing our Board knowledge and experience, as this will greatly empower our ability to handle claims arising from complicated insolvencies.

Being sensitive to the challenging environment our Members navigate every day means we seek every opportunity to maximize value while minimizing costs.

In 2013, the Board ensured that CIPF is in strong financial shape while still pursuing savings that deliver cost containment. Last year, we worked to secure innovative financing and insurance that will materially increase our access to cost-effective resources. In 2014, we will examine possible changes to our Industry Agreement with the Investment Industry Regulatory Organization of Canada (IIROC). These combined measures will enable CIPF to build its reserves while reducing expenses for our Members.

That we have achieved what we have in 2013 is certainly a credit to my Board colleagues but perhaps owes even more to Rozanne Reszel and her team.

It is customary to close this message with an acknowledgement of contributions made by staff. It is also a distinct pleasure to recognize their excellence. CIPF, its Members, and Canadian investors consistently gain from their yeoman service, sound leadership and professionalism. We enter 2014 with confidence and purpose because of it.

William R. Fulton

ENSURING FAIRNESS & CONSISTENCY— DELIVERING PRUDENT MANAGEMENT

In 2013, the Canadian Investor Protection Fund (CIPF) fully met its obligations, while continuing to plan for long-term responsibilities with an abiding focus on fairness to investors and the investment industry and prudent management of our operations.

Several operational matters preoccupied CIPF last year: managing two insolvencies (Barret Capital Management Inc. and First Leaside Securities Inc.), succession planning, implementing information security measures, monitoring international regulatory developments that may affect Canadian investor

protection, and the application of the *Canada Not-for-profit Corporations Act* to CIPF in 2014. Tangible progress was made in each case.

The insolvencies of Barret and First Leaside were unique: Barret, as it included a large portion of international accounts, creating client contact challenges; First Leaside because of the complex nature of the estate and the volume of investor claims. With each individual claim, CIPF follows a fair and consistent process to assess the eligibility of the claim for payment within the terms of our coverage. (The financial notes provide further details.)

In 2013, CIPF pursued succession planning to ensure a strong team will guide the organization in future years. With Board approval, last spring we hired a new Vice-President, Ilana Singer, to oversee coverage and related policies. Other senior staff have joined to strengthen CIPF operationally and satisfy specific talent needs. Nevertheless, we remain a lean operation committed to maximizing efficiency and minimizing costs.





Message from the President & Chief Executive Officer

CIPF is an information-intensive organization, and the information we rely on must be treated with great discretion: protection of privacy and safekeeping data are priorities. In 2013, we applied measures identified previously through our biennial security audit. These covered our external hosting services and our internal devices (static and mobile) and will help CIPF protect itself from cyber-attacks and preserve confidentiality.

The past year also saw CIPF provide comments to provincial regulators regarding the impact that local application of proposed international principles could have on investor compensation funds. We will be bringing this understanding to our international counterparts in Shanghai in May. Global contacts enable CIPF to engage in building a community of common interest: in complex, cross-border cases, relationships with counterparts in other jurisdictions have proven invaluable.

The *Canada Not-for-profit Corporations Act*, which governs the internal affairs of federal not-for-profit corporations, must be complied with by CIPF in October 2014. CIPF worked hard in 2013 to ensure we would be fully compliant by this date.

We continue to refine our model, a key input used to determine Fund resources and in 2013 introduced risk weighting of client net equity based on location of assets to further enhance its precision; in 2014, we will review the results of this methodology.

As I write this message, we are preparing to move to new premises after reaching the limit of reorganizing our use of the current space: for our co-ordinates, see the back cover.

I want to close by acknowledging the culture of excellence reinforced by our Board and the work of our staff to bring it to life. Investor protection gains from this commitment and its disciplined, professional execution.



Rozanne Reszel

Overview and Corporate Governance Practices

The Canadian Investor Protection Fund (CIPF or the Fund) was established by the investment industry in 1969 to protect investors.

CIPF's Members are investment dealers that are regulated by the Investment Industry Regulatory Organization of Canada (IIROC). On December 31, 2013, 202 investment dealers across Canada were Members of CIPF. All Members are listed on the CIPF website. Every Member is required to include the CIPF Membership Symbol on client contracts and statements.

issuer of securities). Claims eligible for coverage are normally settled by ensuring the trustee has sufficient assets to transfer the client accounts to another Member.

Governance

Board Composition and Committee Mandates

The Board of Directors is responsible for the stewardship of the Fund. It oversees the management of its business and affairs, as well as its good governance. Sound governance is a continuing priority for CIPF because it is a critical consideration for Members and other key stakeholders.

In keeping with Fund bylaws, the Board comprises 10 Directors: four Public Directors and four Industry Directors, as well as the Chair and the President and Chief Executive Officer. The bylaws provide for the nomination and election of directors to be made bearing in mind the desirability of appropriate and timely regional representation. To serve as Industry Directors, candidates must have experience with the various aspects of the nature of the business carried on by Members. In 2013, in accordance with the bylaw provision that IIROC may recommend an Industry Director for nomination to the CIPF Board, IIROC nominated Martin MacLachlan and he was elected to the CIPF Board on April 16, 2013.

A RECORD OF RETURNING ASSETS

Since 1969, there have been 20 insolvencies of Canadian Investor Protection Fund Members. *All* eligible customers have had their assets returned to them by CIPF within the limits defined in CIPF's Coverage Policy.

If a CIPF Member becomes insolvent, clients may claim for losses involving:

- Securities
- Cash balances
- Commodities
- Futures contracts
- Segregated insurance funds
- Other property received, acquired or held by a CIPF Member in an account for the client

CIPF does not cover losses resulting from causes other than insolvency (e.g., changing market values for securities, unsuitable investments or the default of an

This configuration is intended to provide stakeholders with confidence that CIPF is truly representative, effectively overseen and well governed with their interests in mind. Against this goal, the Board has delegated certain duties to its committees:

COMMITTEE	DUTIES	SIGNIFICANCE
AUDIT, FINANCE & INVESTMENT COMMITTEE	<ul style="list-style-type: none"> • Reviews the operating budget relative to the goals and objectives for the year • Oversees the investment policies • Reviews financial statements and financial disclosure • Reviews systems of internal controls • Reviews significant legal agreements • Monitors independence and performance of external auditors • Reviews the financial and investment risks to which the Fund is exposed • Is responsible for the Whistleblower Policy and its underlying procedures 	<ul style="list-style-type: none"> • Provides oversight of the following: the integrity of financial reporting and disclosure, associated accounting policies, internal controls, and compliance with legal and regulatory requirements • Ensures adequate management controls to minimize the financial and investment risks to which the Fund is exposed

CIPF BOARD AT WORK

COMMITTEE	DUTIES	SIGNIFICANCE
COVERAGE COMMITTEE	<ul style="list-style-type: none"> • Annually reviews the Coverage Policy, recommends changes to the Board and ensures procedures in place to comply with the Coverage Policy • Reviews issues relating to CIPF coverage eligibility • Is responsible for overseeing the claim payment process • Oversees insolvency proceedings and related litigation • Recommends any changes to Part XII of the <i>Bankruptcy and Insolvency Act (Canada)</i> to the Board • Recommends changes to the CIPF Disclosure Policy to the Board • Ensures procedures are in place to review CIPF's communications 	<ul style="list-style-type: none"> • Ensures payments from the Fund are made to eligible customers for valid claims in an unbiased manner and that all claimants, whether dealing with an appointed insolvency official or directly with CIPF, receive fair and consistent treatment • Ensures adequate procedures to minimize the risk of payments being made other than in accordance with the Coverage Policy • Provides oversight in the critical area of insolvency related issues • Ensures CIPF's communications express the nature and intent of its coverage and are accurate
GOVERNANCE, NOMINATING & HUMAN RESOURCES COMMITTEE	<ul style="list-style-type: none"> • Establishes and implements process for identifying potential future Board members • Provides ongoing development for the Directors • Annually reviews the succession plan for the Chair and each Committee Chair • Conducts a biennial evaluation of overall Board performance, each committee, and a Director self-evaluation • Monitors governance trends; furthers adoption of best corporate governance practices 	<ul style="list-style-type: none"> • Provides breadth and depth of governance oversight of CIPF decision-makers that is integrated and thorough • Ensures that strategic human resources opportunities and risks are properly identified and are well managed through appropriate and early intervention

Overview and Corporate Governance Practices

COMMITTEE	DUTIES	SIGNIFICANCE
<p>GOVERNANCE, NOMINATING & HUMAN RESOURCES COMMITTEE (CONTINUED)</p>	<ul style="list-style-type: none"> • Recommends Fund goals and objectives for Board approval for the following year • Reviews human resources issues that may affect the Fund and ensures proper management controls, processes and succession plans 	
<p>INDUSTRY RISK COMMITTEE</p>	<ul style="list-style-type: none"> • Monitors adequacy of Fund resources in relation to the risk exposure from the failure of Members • Recommends the annual assessment for Board approval and ensures fair allocation to Members, as specified by CIPF's Assessment Policy • Reviews the Assessment Policy and the Assessment Appeal Procedures, recommends changes to the Board, and ensures procedures are established to ensure compliance with policies and procedures • Hears and decides Member assessment appeals • Ensures procedures are in place to monitor the adequacy of IIROC capital requirements and any changes, and to identify and respond to any Member that may pose a risk to the Fund 	<ul style="list-style-type: none"> • Provides risk-monitoring and mitigation measures that offer critical safeguards to the Fund, CIPF Members and other key stakeholders • Provides oversight for the critical determination of the appropriate fund size and related adequacy of Fund resources

SOUND CORPORATE PRACTICES

Overview and Corporate Governance Practices

Annually, CIPF Directors confirm compliance with the following:

- Receiving the Directors' Handbook, having reviewed it and being familiar with its contents
- Disclosing any actual or potential conflicts of interest to the Chair, Vice-Chair or Board at large
- Avoiding activities or associations that could reasonably lead to a conflict of interest
- Not using their position as a Director of CIPF for personal gain or for the gain of a spouse, dependants or partner

- Maintaining in strict confidence all information received as a result of being a Director of CIPF that would reasonably be expected to be maintained in confidence

Annually, all staff must acknowledge that they have read and understood the contents of the CIPF Employee Handbook, and have complied with the handbook, including CIPF's Code of Conduct.

CIPF has a Whistleblower Policy that encourages and enables employees to raise serious concerns about violations of CIPF's Code of Conduct. As outlined by the Policy, employees may report complaints and allegations concerning violations of the CIPF Code of Conduct to the Chair of CIPF's Audit, Finance & Investment Committee.

Besides empowering employees to report violations of the CIPF Code of Conduct, the Board of Directors has established a confidential and anonymous process so that any financial complaint or concern about accounting or auditing matters relating to CIPF can be reported. Any person with a complaint or concern relating to CIPF may submit, in writing, relevant information directly to the Chair of CIPF's Audit, Finance & Investment Committee. Contact information for the Chair is available under Governance in the *About Us* section on cipf.ca.



2013 Corporate Governance Reporting

The approved schedule for director compensation in 2013 was:

BOARD

Annual retainer	\$15,000 per year
Chair of the Board	An additional \$7,500 per year
Board meetings	\$1,500 per meeting

COMMITTEE

Committee Chairs	\$3,500 per year (except the Audit, Finance & Investment Chair, for whom the fee is \$4,000 per year)
Committee meetings	\$1,000 per meeting

OUT-OF-TOWN TRAVEL FEE \$1,000 per meeting for Public Directors who travel to attend Board or committee meetings

Director attendance at Board and committee meetings for the year ended December 31, 2013:

DIRECTOR	BOARD MEETINGS	COMMITTEE MEETINGS	BOARD AND COMMITTEE MEETINGS
IAN S. BROWN	1/1	1/1	2/2
ROGER G. CASGRAIN	4/4	9/9	13/13
WILLIAM R. FULTON	4/4	11/11	15/15
DEBRA A. HEWSON	4/4	5/5	9/9
NICHOLAS G. KIRTON	4/4	9/9	13/13
HON. ALDÉA M. LANDRY	4/4	9/9	13/13
MARTIN L. MacLACHLAN	3/3	3/3	6/6
T. HUGH McNABNEY	4/4	7/7	11/11
ROZANNE E. RESZEL	4/4	13/13	17/17
ALAIN RHÉAUME	4/4	5/5	9/9
MICHAEL J. WHITE	4/4	7/7	11/11

COMMITTED TO INVESTORS

Coverage Policy

Responsibility for determining the validity of claims and payment of claims lies with CIPF's Board of Directors. When making decisions, the Board is guided by the CIPF Coverage Policy, which defines customers who are eligible for protection and the date when financial loss is determined. The Coverage Policy also establishes coverage limits. For more about this Policy, including examples, please refer to the *Coverage* section on cipf.ca.

Protecting Investors

The Canadian Investor Protection Fund ensures, within defined limits, that the cash and securities of CIPF Member clients are returned to them if a Member becomes insolvent. In most cases, investors hold two accounts: a *general* account and a *separate retirement* account. Each is eligible for \$1 million coverage. If an investor has several *general* accounts, such as cash, margin and a \$US account, they are treated as one account for coverage purposes. Similarly, *individual retirement* accounts (e.g., RRSP, RRIF, LIF and LIRA) are treated as one for coverage purposes.

Protecting Eligible Customers

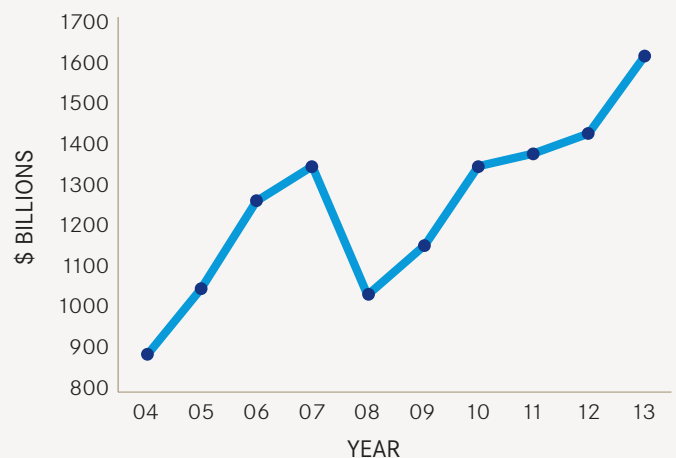
Over the past three years, CIPF has been called on to fulfill its role of protecting customers of insolvent Members.

During 2012, the CIPF Board of Directors determined that two Members that had been suspended by IIROC—Barret Capital Management Inc. and First Leaside Securities Inc.—were insolvent for the purposes of customers making claims against CIPF.

The Barret insolvency provided new challenges of communication with claimants given that many claimants resided outside of Canada. At the end of 2013, the processing of the customer claims from former customers of Barret was close to completion. During 2013, CIPF paid \$1.2 million to claimants and has approved additional payments of \$0.5 million to be paid in 2014.

NET ASSETS HELD FOR CLIENTS

At December 31, for the years 2004 to 2013



Members reported that net assets held for clients by Members, a proxy for assets eligible for CIPF protection, increased by approximately \$188 billion from the previous year, to more than \$1.6 trillion at December 31, 2013.



CIPF Coverage

CIPF is currently reviewing and responding to the approximately 900 claims received from former First Leaside Securities Inc. customers. CIPF is assessing the eligibility of each individual claim received based on the criteria set out in the CIPF Coverage Policy, and in accordance with the CIPF Claims Procedures.

In late 2011, MF Global Canada Co. was declared bankrupt and a trustee in bankruptcy was appointed. CIPF entered into a support agreement with the trustee that allowed for the early transfer of most accounts eligible for CIPF coverage at 100% of the net equity of eligible customers. At December 31, 2013, MF Global Canada continues to be under the administration of a trustee in bankruptcy who has paid 100% of net equity claims as at the date of bankruptcy.

Information on the provision for claims and related expenses is provided in CIPF's financial statements, which are available on cipf.ca.

Since the Canadian Investor Protection Fund was established 44 years ago, *all eligible customers* have had their assets returned to them by CIPF within the limits defined in CIPF's Coverage Policy. This record is a tribute to the management and resources of the Fund and a reflection of CIPF's commitment to protecting investors within the framework of its Coverage Policy.

Informing Members and Investors

Investment advisors play a pivotal role in building investor knowledge and confidence: that is why CIPF has developed material to help them inform their clients about CIPF protection. Partnering with IIROC,

MEMBER—CANADIAN INVESTOR PROTECTION FUND

Every Member is responsible for including the CIPF Membership Symbol on customer contracts and statements.

CIPF has developed two compliance-accredited continuing education modules. These are available as webcasts on iiroc.ca. Advisors may register for them directly from the *Investment Advisors* section on cipf.ca.

Promoting Awareness of Investor Protection

CIPF wants investors to know they are protected. Here's how that message is communicated:

- The *Member Directory* section of the CIPF website lists the legal entity names of all CIPF Members, so investors can confirm their status
- All Members must include either the words "Member—Canadian Investor Protection Fund" or the CIPF logo on client contracts and statements
- Members must display the CIPF Decal at *each* business location where clients may visit

CIPF sponsors the web portal financeprotection.ca to help Canadians find out how they are protected in the unlikely event that a Canadian financial institution does fail. Questions about CIPF may be sent directly to info@cipf.ca. For complete CIPF contact information, please see the back cover.

FINANCIAL STRENGTHS

Fund Resources

The CIPF Board is responsible for:

- Ensuring the Fund can meet its financial obligations to a Member’s clients if an insolvency occurs
- Setting the annual Member assessment amount and determining how each Member will be assessed
- Setting any additional assessments

The Board uses a model to guide it in setting the fund size. The model considers client assets in the context of the relative risk of the Member responsible for them. Members with strong internal controls, profitability and capital will have lower risk scores.

The Fund Can Draw on Several Sources to Pay Customer Claims

- The *General Fund* of \$423 million at the 2013 year end
- An *insurance policy* that pays up to \$131 million for any one loss and in the annual aggregate in respect of losses to be paid by CIPF in excess of \$110 million
- The *ability to assess Members*

In addition, the Fund maintains lines of credit totalling \$125 million from two Canadian chartered banks to provide liquidity if required.

The General Fund of \$423 million at December 31, 2013 comprises the following:

- A portfolio of investments with a fair value of \$431 million
- The net of all other assets and liabilities held by the Fund, which at December 31, 2013 amounted to a net liability of \$8 million

Based on an Investment Policy reviewed regularly by the CIPF Board, all investments are Government of Canada or provincial or territorial government issued or guaranteed. The Policy requires all

counterparties to meet minimum ratings by two nationally recognized rating agencies. The minimum ratings are equivalent to DBRS Limited’s “A” for maturities beyond one year, and “R1-Low” for cash and equivalents.

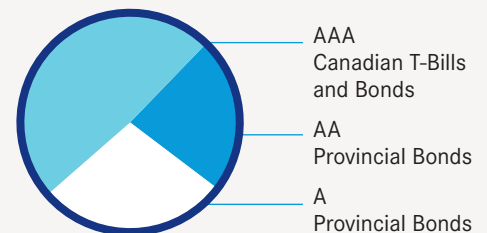
The Fund’s Investment Policy requires at least 15% of the investments to be in short-term instruments to meet liquidity needs; the maximum term to maturity of any instrument is 11 years.

CIPF INVESTMENT PORTFOLIO OF \$431 MILLION (FAIR VALUE)

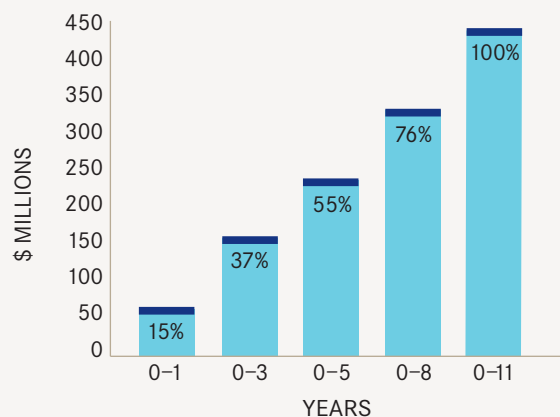
At December 31, 2013

DISTRIBUTION OF CREDIT RATINGS

As rated by DBRS Limited



MATURITY BY TIME BAND



FINANCIAL REVIEW AND OUTLOOK

Commentary on Financial Results

Balance Sheet

Total assets of \$435.1 million include investments at fair value of \$431.5 million. All investments are Government of Canada or provincial government issued or guaranteed and are carried at fair value. At December 31, 2013, the investments at fair value include an unrealized gain of \$12.6 million (2012: \$27.2 million) due to yields at the time of purchase exceeding market yields at December 31, 2013. If interest rates rise, this unrealized gain could be materially diminished or even reversed to an unrealized loss, depending on the magnitude of the rate change.

The balance in the General Fund at December 31, 2013 was \$423.3 million, a decrease of \$1.3 million from the previous year. The decrease resulted from:

- Deficiency of revenues over expenses of \$1.2 million, which was the net of:
 - Excess of revenues over expenses before other items of \$17.3 million
 - Provision for claims and related expenses of \$3.9 million
 - Unrealized losses during the year on investments due to the movement in market value of \$14.6 million
- Transfer to the Capital Assets Fund of \$0.1 million

The Investment in Capital Assets Fund was \$0.1 million at December 31, 2013.

Revenues and Expenses

CIPF's deficiency of revenues over expenses was \$1.2 million for the year ended December 31, 2013, compared to an excess of revenues over expenses of \$15.4 million in 2012. The Fund generates revenue from assessments and from investment income on the investment portfolio.

Assessments in 2013

The Board takes the following steps to determine the quarterly assessments payable by Members:

- The Board sets the annual assessment amount by using its risk-based assessment methodology and considering the total resources required to achieve a target fund size
- The assessment is then allocated based on each Member's relative risk, subject to a minimum assessment of \$5,000 annually and a maximum assessment of 1% of a Member's gross revenue

After allowing for minimum and maximum assessments, the net amount assessed to Members was \$10.3 million in 2013 versus \$9.5 million for 2012. The increase of \$0.8 million was due to the Board-approved increase in the annual assessment amount to \$10.5 million effective Q2 2013 and the completion of the phasing in of the increase in the annual assessment in Q2 2012 to \$10.0 million.

CIPF also assessed capital deficiency assessments of \$0.1 million in 2013 (2012: \$0.2 million) to Members that incurred capital deficiencies pursuant to IROC rules in any month, in accordance with CIPF's Assessment Policy.

GENERAL FUND

The General Fund had net assets of \$423.3 million at the end of 2013, a decrease of \$1.3 million from the previous year.

FINANCIAL REVIEW AND OUTLOOK

Commentary on Financial Results

Investment Income for 2013

The investment income for the year ended December 31, 2013 was \$14.1 million, less than the prior year of \$14.4 million, as a result of lower average yields.

Expenses for 2013

Operating expenses for the year ended December 31, 2013 were \$7.2 million, a \$0.5 million or 7.3% increase compared to 2012, due to the following:

- Salaries and employee benefits were \$0.3 million higher due to staffing changes
- Professional fees were \$0.1 million higher due to increased activity related to succession planning
- Bank lines of credit fees and excess insurance premium were \$.05 million higher due to the cost of a full year at a higher amount of the excess insurance policy (increased from \$116 million to \$131 million in May 2012)

A provision for claims and related expenses of \$3.9 million was recorded during 2013 compared to a recovery for claims of \$0.5 million in 2012. The 2013 expense comprises an expense for claims and related expenses for the Barret Capital Management Inc. insolvency of \$0.7 million and \$3.3 million for the First Leaside Securities Inc. insolvency, offset by a \$0.1 million recovery on the Rampart Securities Inc. estate.

Outlook for 2014

Regular assessment income is expected to be \$11.2 million in 2014, an increase of \$0.9 million due to an increase in the Board-set assessment amount.

Investment income at amortized cost is forecasted to be \$14.1 million in 2014, the same as in 2013 due to a decrease in the forecasted amortized yield, offset by a forecasted increase in the size of the fund.

Investments in the General Fund balance are recorded at fair value, which at December 31, 2013 was \$12.6 million higher than the amortized cost (2012: \$27.2 million). The movement in fair value compared to the amortized cost is a function of interest rates and cannot be predicted.

The Fund is forecasting the 2014 operating expenses to be \$7.5 million, an increase of \$0.3 million over the previous year, primarily due to higher travel costs and the one-time costs of moving offices.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS



To the Board of Directors of the **Canadian Investor Protection Fund**

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2013, the summary statement of revenues and expenses and changes in general fund balance for the year ended December 31, 2013 are derived from the audited financial statements of the **Canadian Investor Protection Fund** as at December 31, 2013 and for the year then ended.

We expressed an unmodified audit opinion on those financial statements in our report dated April 1, 2014.

The summary financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the **Canadian Investor Protection Fund**.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in Note 1 to the summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of the **Canadian Investor Protection Fund** for the year ended December 31, 2013 are a fair summary of those financial statements, in accordance with the basis described in Note 1 to the summary financial statements.

Deloitte LLP

Chartered Professional Accountants

Chartered Accountants

Licensed Public Accountants

April 1, 2014

Toronto, Canada

SUMMARY FINANCIAL STATEMENTS

SUMMARY BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

	DECEMBER 31, 2013	DECEMBER 31, 2012
	\$	\$
Assets		
Current		
Cash	466	561
Prepaid insurance and recoverables	358	358
Investments, at fair value	431,460	431,877
Member assessments receivable	2,694	2,460
	434,978	435,256
Tangible capital assets	43	57
Software development	49	69
	435,070	435,382
Liabilities		
Current		
Payables and accruals	684	690
Provision for claims and related expenses	4,223	3,826
Deferred lease inducements	–	24
	4,907	4,540
Employee future benefits	6,796	6,108
Fund balances		
Investment in Capital Assets	92	126
General	423,275	424,608
	435,070	435,382

SUMMARY STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN GENERAL FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31 (IN THOUSANDS OF DOLLARS)

	2013	2012
	\$	\$
Revenues		
Regular assessments and assessments for capital deficiencies	10,426	9,694
Investment income	14,074	14,365
	24,500	24,059
Expenses		
Operating expenses	7,200	6,711
Excess of revenues over expenses before the undernoted items	17,300	17,348
Recovery of (provision for) claims and related expenses	(3,914)	467
Gain on value of CDS preferred shares	–	2,691
Unrealized losses on investments	(14,611)	(5,123)
Excess (deficiency) of revenues over expenses	(1,225)	15,383
General Fund, beginning of year	424,608	409,270
Excess (deficiency) of revenues over expenses	(1,225)	15,383
Transfer to the Investment in Capital Assets Fund for capital asset additions	(108)	(45)
General Fund, end of year	423,275	424,608

Note 1—Applied criteria in the preparation of the summary financial statements

The criteria applied by management in the preparation of these summary financial statements are as follows:

- a) the information in the summary financial statements is in agreement with the related information in the audited financial statements;
- b) the summary statements of cash flows and of changes in investment in capital assets fund have not been presented, as the relevant information can be obtained from the audited financial statements; and
- c) the summary financial statements contain the information necessary to avoid distorting or obscuring matters disclosed in the related audited financial statements, including the notes thereto.

Reference may be made to the audited set of financial statements which are available on the Canadian Investor Protection Fund's website cipf.ca.

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December 31, 2013



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(joined as an Industry Director in June 2008)

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Former Executive Vice-President,
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King City, Ontario



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Former Partner, KPMG LLP
Calgary, Alberta



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(joined April 2006)

President, Landal Inc.
Former Cabinet Minister
and Deputy Premier of New Brunswick
Moncton, New Brunswick



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(joined January 2009)

Founder and Managing Partner,
Trio Capital Inc.
Former Deputy Minister of Finance
for the Government of Quebec
Outremont, Quebec



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(joined April 2007)

President & Chief Executive Officer,
Addenda Capital Inc.
Toronto, Ontario

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Biographical information about each Director and Officer is available on cipf.ca under *About Us*.



Industry Directors



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(joined June 2008)

Executive Vice-President,
Casgrain & Company Limited
Montreal, Quebec



DEBRA A. HEWSON^{2,3}
(joined March 2011)

President & Chief Executive Officer,
Odlum Brown Limited
Vancouver, British Columbia



MARTIN L. MacLACHLAN, LL.B.^{1,3}
(joined April 2013)

General Counsel and Senior Vice-President,
Legal Affairs, and Corporate Secretary of
Canaccord Genuity Group Inc. and of its wholly
owned subsidiary, Canaccord Genuity Corp.
Toronto, Ontario



T. HUGH McNABNEY, CGA^{2,4}
(joined January 2009)

Consultant to the financial services industry
Former Chief Financial Officer,
Scotia McLeod Inc.
Orillia, Ontario

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Chief Financial Officer

ILANA SINGER, LL.B

Vice-President

¹ Member of the Audit,
Finance & Investment Committee

² Member of the Coverage Committee

³ Member of the Governance,
Nominating & Human Resources Committee

⁴ Member of the Industry Risk Committee

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