

CIPF

Canadian Investor Protection Fund

2020 ANNUAL REPORT

Get CIPF Protection

Invest with an IIROC Regulated Member

CONTENTS

2	CIPF's Role in the Canadian Regulatory System
4	Message from the Chair
6	Message from the President & CEO
8	Overview and Corporate Governance Practices
11	Committee Duties
13	CIPF Coverage
16	Liquidity Resources
18	Commentary on Financial Results
20	Independent Auditor's Report
22	Financial Statements
32	Board of Directors

CIPF'S MISSION

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

CIPF'S ROLE IN THE Canadian Regulatory System

GOVERNED BY TWO AGREEMENTS

CIPF is the compensation fund approved by the Canadian Securities Administrators (CSA) for Dealer Members 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 both debt and equity marketplaces in Canada. CIPF is funded by IIROC-regulated Dealer Members, and all IIROC Dealer Members are also automatically members of CIPF (Members).

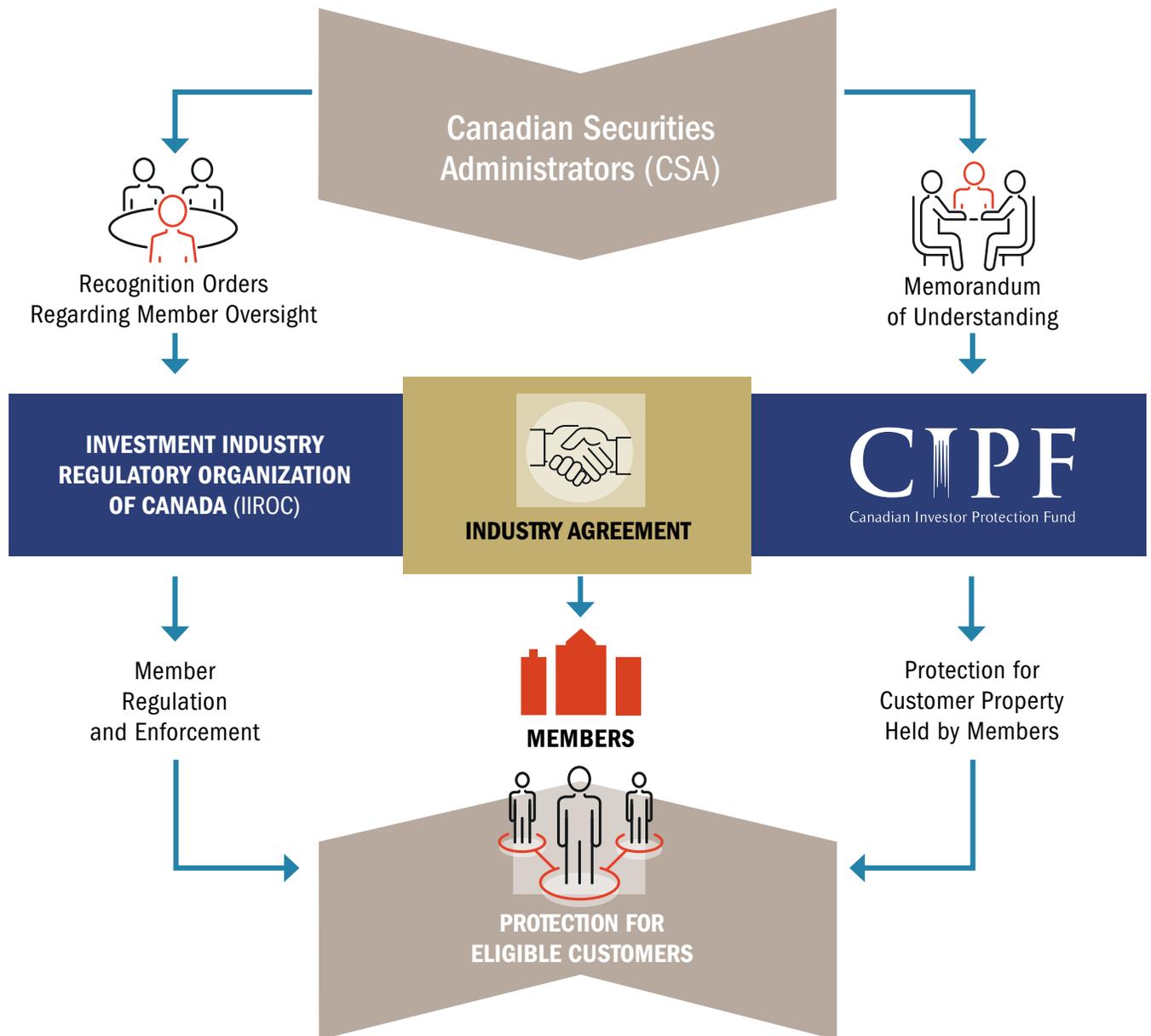
CIPF's role in the Canadian regulatory system is governed by the following agreements:

- As provided under Canadian provincial or territorial securities laws, CSA members have issued orders approving CIPF as an investor protection fund for IIROC Dealer Members (Approval Orders). A Memorandum of Understanding (MOU) among CSA members sets out the terms of their oversight framework for CIPF. CIPF's mandate and responsibilities are established through these documents.
- An Industry Agreement between CIPF and IIROC that establishes the respective responsibilities of CIPF and IIROC. One key term in the agreement is that IIROC must provide prompt notice to CIPF of any situation that is likely to require a payment by CIPF.

As part of a CSA project to streamline and harmonize the CIPF oversight regime, CSA members approved revisions to CIPF's Approval Orders and a new MOU among CSA members, which came into effect on January 1, 2021. Changes made to the CIPF oversight regime include:

- Amendments to the terms and conditions of CIPF's approval as an investor protection fund.
- Amendments to CIPF's reporting requirements.

CIPF'S ROLE IN THE Canadian Regulatory System



MESSAGE

from the Chair



Debra Hewson
Chair

During a year when COVID-19 presented many challenges, the CIPF Board revealed its true professionalism; ably pursued its investor protection mandate; and honed, enhanced and reimagined the Board recruitment process to secure excellent future organizational leadership.

None of us knew in December 2019 that it would be our final in-person meeting before a life-changing global event, or that 2020's meetings would be entirely virtual. Nor could we fully appreciate the impact of losing the rich, spontaneous interactions from being together in person. However, I have been consistently impressed by the adaptability, resilience and positive attitude of my Board colleagues (who had an almost perfect attendance record at our meetings) and CIPF staff. The volume, quality and thoughtfulness of our work never wavered. Relationships have remained strong. I have always said that it is really important to keep what is really important really important. And we have.

CIPF has a critical role in underpinning the Canadian securities industry and investor confidence. Even during the turbulent, uncertain, early period of the pandemic, CIPF was primed to react immediately if market volatility spurred an insolvency. It led a tabletop insolvency simulation exercise with relevant market participants to confirm this could be done remotely.

Our Board has pursued multiple initiatives during this complicated year. We confirmed that CIPF's liquidity resource requirements were appropriate and completed a strategic plan for 2021 to 2023 that prioritized ensuring CIPF's voice is heard in public consultations. CIPF made two public submissions on the future governance structure of the securities industry: both carry the consistent message that any modernized regulatory regime should *always* put the investor first.

MESSAGE

from the Chair

“The investment landscape is always changing and CIPF will actively engage in the regulatory response to this evolution.”

In 2020, we examined emerging, complex issues related to new product innovations, such as crypto assets, from the perspective of CIPF coverage. The investment landscape is always changing and CIPF will actively engage in the regulatory response to this evolution.

Board renewal has been top of mind for its directors this year. We undertook a detailed review of our recruitment and vetting process for new directors to ensure that CIPF will continue to attract top-notch candidates who bring valued experience and wisdom to our important work.

Accordingly, through this message, I want to welcome Sharon Sparkes as Public Director and Richard Rousseau as Industry Director. Both bring a wealth of experience and expertise to the CIPF Board.

My esteemed predecessor as Chair, Martin MacLachlan, and I will now retire from the Board. Martin has been on the Board since 2013 and has made an invaluable contribution over that time – he will be greatly missed.

CIPF Vice-Chair Donna Howard now becomes Chair. Donna brings strong governance capabilities and a true team orientation to CIPF. I am confident that she will provide excellent leadership and governance going forward. Donna and the entire CIPF Board will continue to be supported by a strong management team. Very capably led by President & CEO Rozanne Reszel, the CIPF professional staff is, without exception, smart and dedicated and laser focused on ensuring that the organization's mandate is upheld.

I had the honour to join the Board in March 2011 and to have served as the organization's Chair in my final year, its 51st. It has been a privilege and I am proud to have been part of the important work CIPF undertakes for our industry and for Canadian investors. I wholeheartedly wish the organization a future of continued success.



Debra Hewson

MESSAGE

from the President & CEO



Rozanne Reszel
President & CEO

In a most unusual year, when a global pandemic upended all normal patterns of life, CIPF effectively adapted to changed realities, overcame operational constraints and fulfilled its investor protection mandate established 51 years ago.

Our transition in the uncertain, early days of COVID-19 from an office in Toronto's downtown core to a work-from-home world happened quickly and efficiently. We have continued to function effectively since that time.

The initial agile response owed much to quickly deploying our business continuity plan and excellent support from our IT staff who equipped employees with essential resources for effective remote work activity. It has not been a completely seamless shift, nor could it be. Technology is indispensable, but the financial services sector is a people business that runs on relationships and collaboration that cannot be entirely replicated on a screen.

We therefore worked diligently to overcome barriers preventing in-person interaction. We formed a COVID-19 staff group to understand the needs of our employees and organized ongoing virtual townhall meetings to bring our employees together, supplemented by frequent updates that I have been circulating. We can envision retaining some flexible work arrangements while striving for optimal collaboration in our office post-pandemic. To maintain vital external connections, we have been reaching out regularly to partners in Canada and have been meeting virtually with counterparts in the United Kingdom, United States and Australia.

The year that passed saw no new bankruptcies: robust regulatory processes have proven their deep strengths. The health pandemic did not spur a financial pandemic; ironically, 2020 was a strong year for the markets and for our Members. However, as a responsive organization, we held our target assessment steady for a second consecutive year and reduced administrative burden by suspending filing of the Statement of Member Assets by Location (SMAL).

“Educating the industry and the public about our mandate is a top-level priority, so an 18-month communication initiative began rolling out in 2020 – as planned – and will continue in 2021.”

MESSAGE

from the President & CEO

Always being prepared for a potential bankruptcy is our signature responsibility. We therefore conducted a simulation exercise on handling an insolvency remotely and continue to work with the Canadian Derivatives Clearing Corporation (CDCC) to anticipate how our organizations, (which are subject to differing rules) would co-ordinate the transfer of futures accounts if a Member fails. This “think forward” orientation means that we continue to monitor the implications of broader investing trends for CIPF protection.

CIPF has strong convictions about investor protection and organizational governance. Accordingly, we made submissions to the Ontario Capital Markets Modernization Taskforce and to the CSA Consultation on the Self-Regulatory Organization Framework. We also considered the implications to CIPF if the self-regulatory structure were to change and how our organization might evolve if that occurred.

Educating the industry and the public about our mandate is a top-level priority, so an 18-month communication initiative began rolling out in 2020 – as planned – and will continue in 2021. It contains resources for advisors and investors and includes podcasts in English and French (available at cipf.ca). Guest speakers from the U.S. Securities Investor Protection Corporation, the Canada Deposit Insurance Corporation and the Investment Industry Association of Canada are featured.

I cannot close without acknowledging the unwavering support and confidence that our Board of Directors has provided to management and staff. In turn, our staff displayed all the hallmarks of true professionals, working diligently to maintain connections and perform their duties under extraordinary conditions. While we all long for a return to the everyday comforts of “normal,” it does give me confidence about our ability to manage any future challenges that may confront us.



Rozanne Reszel

OVERVIEW AND CORPORATE Governance Practices

PROVIDING CONFIDENCE

CIPF was established by the investment industry in 1969 to protect investors in the event of an IIROC Dealer Member insolvency.

All IIROC Dealer Members are automatically Members of CIPF. On December 31, 2020, 164 Dealer Members across Canada had CIPF membership. All Members are listed on the CIPF website. Every Member is required to include the CIPF Membership Identifier and the CIPF Explanatory Statement on all confirmations and account statements made available to customers.

If a Member becomes insolvent, customers may, in accordance with the CIPF Coverage Policy, claim for missing property. This is property held by a Member on behalf of the customer that is not returned to them following the Member's insolvency. Missing property can include:

- Securities
- Cash balances
- Commodities
- Futures contracts
- Segregated insurance funds
- Other property described in the CIPF Coverage Policy

1969

CIPF, originally named the National Contingency Fund, was established by several sponsoring self-regulatory organizations (SROs) at the time: the Canadian, Montreal, Toronto and Vancouver Stock Exchanges, and the Investment Dealers Association of Canada. Its purpose was to protect customers who suffered financial loss due to the failure of a Member of any of its SROs.

CIPF does not cover:

- Losses resulting from any of the following:
 - a drop in the value of investments for any reason
 - unsuitable investments
 - fraudulent or other misrepresentations
 - misleading information that was given
 - important information that was not disclosed
 - poor investment advice
 - the insolvency or default of an issuer of securities
- Securities held directly by the customer
- Other exclusions identified in the CIPF Coverage Policy

For more information on what CIPF does and does not cover, please refer to the CIPF website at www.cipf.ca.

In certain circumstances, CIPF's role may involve requesting the appointment of a trustee in bankruptcy. If a trustee is appointed, claims eligible for coverage are normally handled by ensuring the trustee has sufficient assets to transfer the customer accounts to another Member.

OVERVIEW AND CORPORATE Governance Practices

GOVERNANCE

Board Composition

The Board of Directors is responsible for the stewardship of CIPF. 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 CIPF by-laws, the Board is comprised of 12 directors: 5 Industry Directors and 5 Public Directors, as well as the Chair and the President & CEO. The by-laws provide for the nomination and election of directors to be made bearing in mind the desirability of appropriate and timely regional representation.

1997

The *Bankruptcy and Insolvency Act (Canada)* was amended to include Part XII, a section specific to the insolvency of investment dealers. Part XII names CIPF as a party that can apply to the court to appoint a trustee.

Sound Corporate Practices

Annually, CIPF directors confirm compliance with the following:

- Receiving the Directors' Handbook, reviewing it and achieving familiarity 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 that they understand the contents of the CIPF Employee Handbook, and that they have complied with key policies, including CIPF's Code of Conduct.

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

Besides empowering staff to report violations of CIPF's 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 on the CIPF website at www.cipf.ca.

OVERVIEW AND CORPORATE Governance Practices

2020 Corporate Governance Reporting

The approved schedule for director compensation at December 31, 2020 was:

Board

Annual retainer

\$15,000 per year

Chair of the Board

An additional \$12,000 per year

Board meetings

\$1,500 per meeting

Committee

Committee Chairs

\$4,000 per year

Committee meetings

\$1,000 for meetings less than two hours, \$1,500 for meetings in excess of two hours

Coverage-related Appeal Hearings, Assessment Appeal Hearings and preparation

\$400 per hour

Out-of-town travel fee

\$1,000 per meeting for directors who travel to attend Board or Committee meetings

Director attendance at Board and Committee meetings for the year ended December 31, 2020:

DIRECTOR	BOARD MEETINGS	COMMITTEE MEETINGS	BOARD AND COMMITTEE MEETINGS
Rita Achrekar	6/6	9/9	15/15
Ann Davis	6/6	7/7	13/13
Brigitte Geisler	6/6	8/8	14/14
Debra Hewson	6/6	5/5	11/11
Donna Howard	6/6	4/4	10/10
Anne La Forest	5/6	10/10	15/16
Martin MacLachlan	6/6	5/6	11/12
Pierre Matuszewski	6/6	10/10	16/16
Rozanne Reszel	6/6	17/17	23/23
Douglas Stratton	5/6	10/10	15/16
Bernard Turgeon	6/6	7/7	13/13
Peter Virvilis	6/6	9/9	15/15

A RECORD OF RETURNING PROPERTY

Since 1969, there have been 21 Member insolvencies involving claims to CIPF. All eligible customers with missing property have had their property returned to them by CIPF within the limits defined in the CIPF Coverage Policy.

COMMITTEE Duties

CIPF Board at Work

The Board has delegated certain duties to its Committees:



AUDIT, FINANCE & INVESTMENT COMMITTEE

Ann Davis, Chair

Duties

- Reviews the operating budget relative to the goals and objectives for the year
- Oversees the investment policies
- Reviews financial statements and financial disclosures
- Reviews systems of internal controls, risk management and anti-fraud programs
- Reviews significant legal agreements
- Monitors independence and performance of external auditors
- Reviews financial and investment risk exposures to CIPF
- Reviews the adequacy of security of information, information systems and recovery plans
- Reviews cyber risk exposure, risk mitigation policies and any cyber incidents and management responses
- Responsible for the Whistleblower Policy and its underlying procedures

Significance

- Provides confidence in the integrity of financial reporting and disclosure, associated accounting policies, internal controls, enterprise risk management, and compliance with legal and regulatory requirements
- Oversees and monitors management controls to minimize financial and investment risk exposure to CIPF



COVERAGE COMMITTEE

Anne La Forest, Chair

Duties

- Reviews and interprets the CIPF Coverage Policy, recommends changes to the Board for approval, and oversees that procedures are in place to comply with the Policy
- Reviews issues relating to CIPF coverage eligibility, and coverage-related policy issues
- Oversees the procedures for responding to claims and appeals, and recommends changes to the Board for approval
- Recommends the criteria for selection of the appeal committee members for Board approval
- Oversees and provides guidance on insolvency proceedings, coverage-related litigation, and relevant post-mortem reporting
- Recommends any changes to Part XII of the *Bankruptcy and Insolvency Act* (Canada) to the Board
- Interprets the CIPF Disclosure Policy and recommends changes to the Board for approval
- Oversees that procedures are in place to review CIPF's communications

Significance

- Oversees that CIPF's communications are clear, accurate and express the nature and intent of available coverage
- Oversees that payments from CIPF are made for valid claims in an unbiased manner to eligible customers and that all claimants, whether dealing with an appointed insolvency official or directly with CIPF, receive fair and consistent treatment
- Oversees that adequate procedures are in place to minimize risk of payments beyond what is intended by the CIPF Coverage Policy
- Provides procedures to hear claims and appeals

COMMITTEE Duties



GOVERNANCE, NOMINATING & HUMAN RESOURCES COMMITTEE

Pierre Matuszewski, Chair

Duties

- Manages the process for identifying and recruiting potential future Board members for Board approval
- Oversees the ongoing development for directors
- Annually reviews the succession plan for the Chair and each Committee Chair
- Conducts a biennial evaluation of overall Board performance, each Committee and directors and reports to the Board
- Monitors corporate governance best practices, legislation and developments; furthers adoption of best corporate governance practices
- Reviews human resources issues that may affect CIPF and oversees the management controls, processes and succession plans
- Oversees human resource policies and procedures, benefits and pension plans, and ensures compliance with relevant regulatory requirements

Significance

- Oversees CIPF decision-makers and their adherence to good governance
- Oversees and monitors the management of human resources opportunities and risks



INDUSTRY RISK COMMITTEE

Peter Virvilis, Chair

Duties

- Monitors and oversees adequacy of available liquidity resources in relation to the risk exposure of Members and recommends any required changes to the Board
- Monitors and oversees the procedures CIPF has in place to monitor the adequacy of, and any changes to, IIROC capital requirements
- Monitors and oversees the procedures CIPF has in place to identify and respond to Members that may pose a risk to CIPF's available liquidity resources
- Recommends the annual assessment target to be paid by Members for Board approval
- Monitors and oversees the fair allocation of the annual assessment target to Members, as specified by the CIPF Assessment Policy
- Reviews the CIPF Assessment Policy and the Assessment Appeal Procedures, recommends changes to the Board, and monitors and oversees the procedures established to ensure compliance with policies and procedures

- Hears and decides Member assessment appeals on behalf of the Board
- Provides guidance on Member insolvency-related issues, including non-coverage-related litigation

Significance

- Provides oversight of risk-monitoring and mitigation measures that offer critical safeguards to CIPF, Members and other key stakeholders
- Provides oversight and monitoring for the critical determination of the appropriate liquidity resources and related adequacy thereof

CIPF Coverage

COMMITTED TO INVESTORS

CIPF Coverage Policy

Responsibility for determining the eligibility of customers and customer losses lies with CIPF. When making decisions, CIPF is guided by the CIPF Coverage Policy, which defines customers who are eligible for protection and the date when financial loss of a customer is determined. The CIPF Coverage Policy also establishes coverage limits. For more information about this policy, including FAQs and case studies, please refer to the CIPF website at www.cipf.ca.

What CIPF Covers

If a customer has an account with a Member, and that Member becomes insolvent, CIPF works to ensure that any property being held for the customer by the Member at that time is given back to the customer, within certain limits. Property can include securities, cash and other property described in the CIPF Coverage Policy.

For an individual holding one or more accounts with a Member, the limits on CIPF protection are generally as follows:

- \$1 million for all general accounts combined (such as cash accounts, margin accounts and TFSAs), plus
- \$1 million for all registered retirement accounts combined (such as RRSPs, RRIFs and LIFs), plus
- \$1 million for all registered education savings plans (RESPs) combined, where the customer is the subscriber of the plan.

All coverage by CIPF is subject to the terms and conditions of the CIPF Coverage Policy and the CIPF Claims Procedures. For further information, please refer to the CIPF website at www.cipf.ca.

Protecting Eligible Customers

CIPF continues to fulfil its role of protecting eligible customers of insolvent Members. A customer is generally eligible for CIPF protection if:

- They have an account with a Member that is disclosed in the records of the firm.
- Property being held by the Member on the customer's behalf is not returned to the customer following the Member insolvency.

Certain customers are not eligible for CIPF protection. Please refer to the CIPF Coverage Policy for complete details.

Information on the provision for claims and/or related expenses is provided in CIPF's financial statements, which are included in this annual report.

Since CIPF was established in 1969, all eligible customers with missing property have had their property returned to them by CIPF within the limits defined in the CIPF Coverage Policy. This record is a tribute to the management and resources of CIPF and a reflection of the organization's commitment to protecting investors within the framework of the CIPF Coverage Policy.

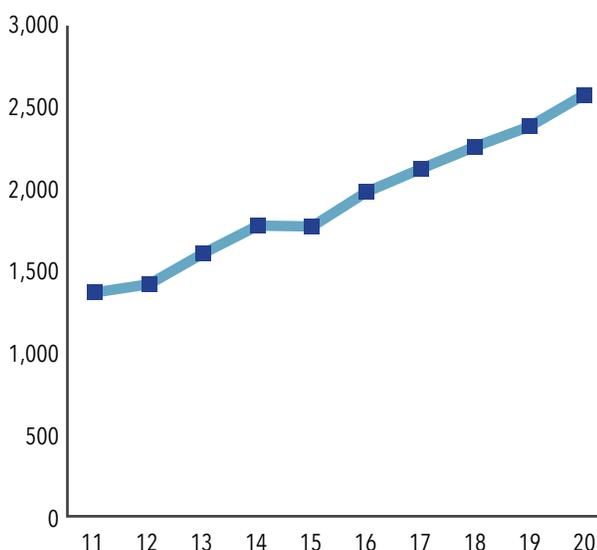
Members reported that net assets held for customers, a proxy for the property eligible for CIPF protection, were approximately \$2.6 trillion at December 31, 2020.

CIPF

Coverage

NET CLIENT ASSETS REPORTED BY MEMBERS

At December 31, for the years 2011 to 2020
(\$ Billions)



Informing Members and Investors

Providing clear and accessible information about CIPF protection to Members, advisors, and investors is an ongoing priority for CIPF. In 2020, this priority was furthered by the launch of a CIPF communications plan.

The communications plan focuses on tactics that aim to increase the level of awareness and education about CIPF among advisors and investors, by drawing on the results of quantitative and qualitative research studies conducted in late 2018 and early 2019.

As part of the communications plan, CIPF released three infographics that set out the key pieces of information that both advisors and investors should know about CIPF. The three infographics – “Most Common Myths about CIPF”, “CIPF and CDIC – How are They Different?”, and “Top Facts At-A-Glance” – are available on CIPF’s website.

CIPF also offers a webcast training seminar, “Overview of the Canadian Investor Protection Fund,” which is available on the IIROC website at www.iiroc.ca. The seminar is accredited as an IIROC continuing education compliance program and is offered in English and French.

In an effort to expand the variety of communication channels for providing information about CIPF, two CIPF podcasts were released in 2020 – “Lessons Learned from Past Crises” and “Leadership in Times of Crisis”. The podcasts are available on the CIPF website and on Apple Podcasts, Google Podcasts, and Spotify.

CIPF continues to work closely with Members on compliance with the CIPF Disclosure Policy, which sets out requirements for disclosing membership in CIPF. In 2020, CIPF launched an initiative to review and streamline the CIPF Disclosure Policy. An *ad hoc* working group created and led by CIPF staff comprised of Members, three CIPF directors, as well as CIPF and IIROC staff, provided input on amendments to the CIPF Disclosure Policy. Following a public comment period commencing in December 2020, amendments to the CIPF Disclosure Policy came into effect on February 10, 2021. Members have until December 31, 2021 to implement the amendments.

CIPF

Coverage

Promoting Awareness of Investor Protection

CIPF wants investors to know they are protected, and the limits of the protection. Several ways that this message is communicated are:

- The CIPF website, www.cipf.ca, provides information, including animated videos and case studies, about CIPF coverage.
- The CIPF website lists the legal entity names of all Members, so that investors can confirm their status.
- All Members must provide the CIPF Official Brochure to all new customers at the time of account opening and to all other customers upon request.
- All Members must include the CIPF Membership Identifier and the CIPF Explanatory Statement on all confirmations and account statements made available to customers.
- Members must display the CIPF Decal at each business location where customers may visit.

CIPF is one of the sponsors for the web portal www.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.

MEMBER—CANADIAN INVESTOR PROTECTION FUND

Every Member is responsible for including the CIPF Membership Identifier and the CIPF Explanatory Statement on all confirmations and account statements made available to customers.

LIQUIDITY Resources

FINANCIAL STRENGTHS

The CIPF Board is responsible for:

- Overseeing the ability of CIPF to meet its financial obligations to a Member's customers if an insolvency occurs.
- Setting the annual Member assessment target amount and determining how each Member will be assessed.
- Setting any additional assessments.

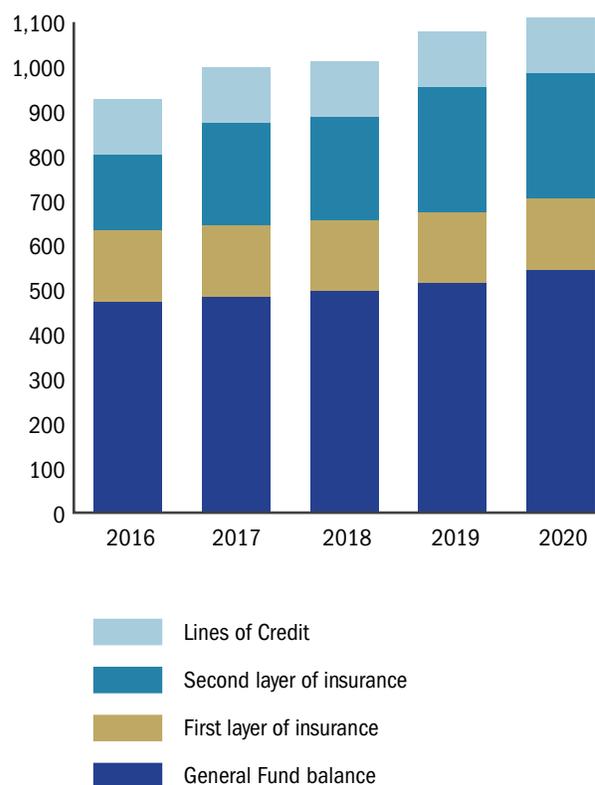
CIPF uses a credit-risk based model to estimate the liquidity resources required to fulfil its mandate. Key inputs into the model include quantitative and qualitative factors that estimate Member insolvency risk and asset recovery risk. Members with good corporate governance, profitability and capital will generally present less relative risk to CIPF.

In 2020, CIPF continued its process of engaging with Members with high asset location risk. The engagement process was designed to allow CIPF to obtain more Member-specific information in order to validate its projection of asset location risk. Where the asset location risk is deemed to be high, an Asset Location Assessment may be levied in accordance with CIPF's Assessment Policy.

In 2020, the Board set CIPF's target liquidity resources to \$1.25 billion to be reached in 2025. The available liquidity resources, as at December 31, 2020, amount to \$1.11 billion. CIPF's target liquidity resources will be reviewed by the Board in 2021.

AVAILABLE LIQUIDITY RESOURCES

At December 31, for the years 2016 to 2020
(\$ Millions)



LIQUIDITY

Resources

CIPF Can Draw on Several Liquidity Resources to Pay Customer Claims

- The General Fund of \$544.0 million at December 31, 2020.
- A primary insurance policy in the amount of \$160 million in the annual aggregate, in respect of losses to be paid by CIPF in excess of \$200 million in one year, and a second layer of excess insurance policy in the amount of \$280 million in respect of losses to be paid in excess of \$360 million in one year in the event of Member insolvency.
- Committed lines of credit totalling \$125 million from two Canadian chartered banks.
- The ability to assess Members.

The General Fund of \$544.0 million at December 31, 2020 comprises the following:

- A portfolio of investments with a fair value of \$550.6 million at December 31, 2020.
- The net of all other assets and liabilities held by CIPF, which at December 31, 2020 amounted to a net liability of \$6.6 million.

CIPF has an Investment Policy reviewed regularly by the CIPF Board.

The Investment Policy provides that all investment debt obligations must be issued or guaranteed by the Government of Canada or provincial or territorial governments. The policy requires all counterparties to meet the following rating equivalents, as determined by the rating agencies recognized by FTSE TMX Canada:

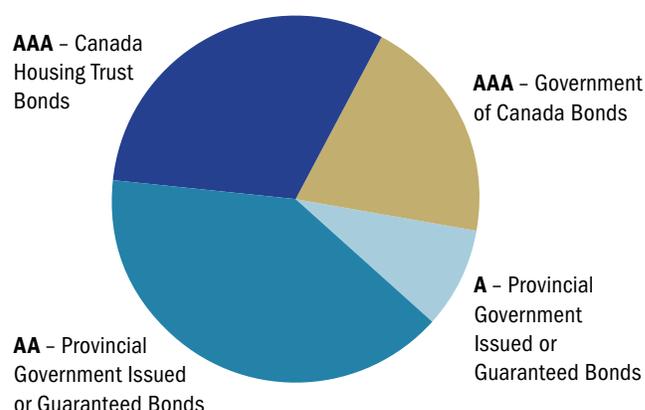
- For maturities beyond one year – DBRS Limited’s “A”.
- For cash and equivalents, DBRS Limited’s “R-1 Low”.

CIPF Investment Portfolio of \$550.6 Million (Fair Value)

At December 31, 2020

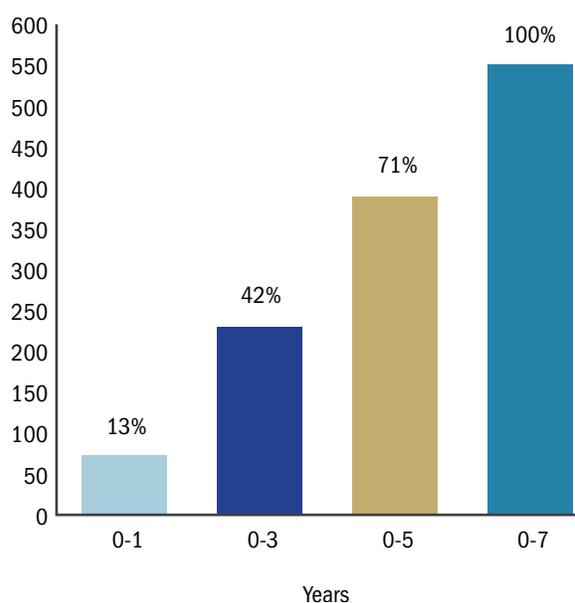
DISTRIBUTION OF CREDIT RATINGS

As rated by DBRS Limited



MATURITY BY TIME BAND

(\$ Millions)



COMMENTARY

on Financial Results

FINANCIAL REVIEW AND OUTLOOK

Balance Sheet

CIPF holds investments with a fair value of \$550.6 million, that represent most of the total assets of \$555.7 million. All investments are Government of Canada or provincial government guaranteed and are carried at fair value. At December 31, 2020, the investments at fair value include an unrealized gain of \$22.8 million (2019: \$5.9 million), due to yields at the time of purchase exceeding market yields at December 31, 2020. 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. An immediate hypothetical 100 basis point increase/decrease in interest rates would decrease/increase the fair value of the investments by \$18.1 million (2019: \$16.9 million).

The balance in the General Fund at December 31, 2020 was \$544.0 million, an increase of \$30.4 million over the prior year. The increase resulted from the excess of revenues over expenses of \$31.1 million, less employee future benefits remeasurements of \$0.5 million, less transfer to the Investment in Capital Assets Fund of \$0.1 million.

The Investment in Capital Assets Fund was \$0.4 million at December 31, 2020.

GENERAL FUND GROWS

The General Fund had net assets of \$544.0 million at the end of 2020, an increase of \$30.4 million from the previous year.

Revenues and Expenses

CIPF's excess of revenues over expenses in the General Fund was \$31.1 million for the year ended December 31, 2020, compared to an excess of revenues over expenses of \$18.1 million in 2019.

The excess of revenues over expenses in the General Fund of \$31.1 million was the net of:

- Excess of revenues over expenses before other items of \$14.0 million (2019: \$15.3 million)
- Unrealized gains during the year on investments due to the movement in market value of \$16.9 million (2019: \$2.6 million)
- Recovery of provision for claims and/or related expenses of \$0.1 million (2019: \$0.3 million)

CIPF generates revenue from assessments to Members and from investment income on the investment portfolio.

Assessments in 2020

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

- The Board sets the annual assessment amount, a component of liquidity resources, by using its risk-based assessment methodology and considering the target for the liquidity resources.
- The assessment is then allocated based on each Member's relative risk, subject to a minimum assessment of \$5 thousand annually and a maximum assessment of 1% of a Member's gross revenue.

COMMENTARY

on Financial Results

- After allowing for minimum and maximum assessments, the net amount of regular assessments in 2020 was \$12.2 million versus \$12.6 million in 2019. The decrease in assessments collected was due to the revenue cap. There was no year-over-year change to the Board-approved target assessment of \$12.1 million.

CIPF also assessed capital deficiency assessments of \$45 thousand in 2020 (2019: \$34 thousand) to Members that incurred capital deficiencies pursuant to IROC rules in any month, in accordance with the CIPF Assessment Policy.

Investment Income for 2020

The investment income for the year ended December 31, 2020 was \$11.5 million, a decrease from the 2019 investment income of \$12.4 million due to lower yield environment.

Expenses for 2020

Operating expenses for the year ended December 31, 2020 were \$9.7 million, no change from the prior year. An increase in salary expenses was offset by a decrease in professional fees and travel costs. Travel costs were lower due to the COVID-19 pandemic.

A recovery of provision for claims and/or related expenses of \$0.1 million was recorded during 2020 compared to \$0.3 million in 2019. The 2020 recovery of provision related to additional recoveries from the estate of Octagon Capital Corporation. At December 31, 2020, the trustee was in the process of winding up this estate.

Outlook for 2021

The Board-approved target assessment was set at \$12.1 million for 2021, the same level as in 2020.

Investment income at amortized cost is forecasted to be \$10.8 million in 2021, lower than the 2020 income of \$11.5 million due to the reinvestment of funds at lower rates.

Investments in the General Fund balance are recorded at fair value, which at December 31, 2020 was \$22.8 million higher than the amortized cost (2019: \$5.9 million). The movement in fair value compared to the amortized cost is a function of interest rates and cannot be predicted.

CIPF is forecasting the 2021 operating expenses to be \$10.3 million, \$0.6 million higher than in 2020 due to higher salaries, bank lines of credit fees and travel costs.

INDEPENDENT Auditor's Report

To the Members and Board of Directors of the
Canadian Investor Protection Fund

Opinion

We have audited the financial statements of the Canadian Investor Protection Fund (the "Organization"), which comprise the balance sheet as at December 31, 2020, and the statements of revenues and expenses and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The signature of Deloitte LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants
Licensed Public Accountants
March 19, 2021

FINANCIAL Statements

Balance Sheet

as at December 31, 2020

(In thousands of dollars)

	2020	2019
	\$	\$
Assets		
Current assets		
Cash	992	1,041
Prepaid insurance and recoverables	569	591
Investments, at fair value (Note 4)	550,619	518,882
Recoverable from the estate trustee (Note 9)	-	333
Member assessments receivable	3,059	3,155
	555,239	524,002
Tangible capital assets (Note 5)	395	471
Software development (Note 5)	28	43
	555,662	524,516
Liabilities		
Current liabilities		
Payables and accruals	458	353
Deferred lease inducements	29	29
	487	382
Long-term deferred lease inducements	86	115
Employee future benefits (Note 7)	10,658	9,944
	11,231	10,441
Fund balances		
Investment in Capital Assets Fund	423	514
General Fund	544,008	513,561
	544,431	514,075
	555,662	524,516

Approved by the Board

Director

Director

The accompanying notes to the financial statements are an integral part of this financial statement.

FINANCIAL Statements

Statement of Revenues and Expenses and Changes in Fund Balances for the year ended December 31, 2020 (In thousands of dollars)

	General Fund	Investment in Capital Assets Fund	2020 Total	2019 Total
	\$	\$	\$	\$
Revenues				
Regular assessments	12,154	-	12,154	12,572
Assessments for capital deficiencies	45	-	45	34
Investment income	11,531	-	11,531	12,386
	23,730	-	23,730	24,992
Expenses				
Salaries and employee benefits (Note 7)	4,772	-	4,772	4,384
Bank lines of credit fees and insurance premium	2,265	-	2,265	2,247
Pension and other employment benefits (Note 7)	485	-	485	530
Directors' fees, travel and education	429	-	429	495
Other operating costs	401	-	401	478
Occupancy	393	-	393	408
Professional fees	379	-	379	572
Computer server hosting and maintenance	235	-	235	240
Communications	218	-	218	257
Amortization of tangible capital assets and software development	-	175	175	215
Custodial fees	128	-	128	121
	9,705	175	9,880	9,947
Excess (deficiency) of revenues over expenses before the undernoted items				
	14,025	(175)	13,850	15,045
Recovery of (provision for) claims and/or related expenses (Note 9)	107	-	107	283
Unrealized gains on investments	16,939	-	16,939	2,584
Excess (deficiency) of revenues over expenses	31,071	(175)	30,896	17,912
Fund balances, beginning of year				
	513,561	514	514,075	495,917
Excess (deficiency) of revenues over expenses	31,071	(175)	30,896	17,912
Transfer to the Investment in Capital Assets Fund for additions	(84)	84	-	-
Employee future benefits remeasurements (Note 7)	(540)	-	(540)	246
Fund balances, end of year	544,008	423	544,431	514,075

The accompanying notes to the financial statements are an integral part of this financial statement.

FINANCIAL Statements

Statement of Cash Flows for the year ended December 31, 2020

(In thousands of dollars)

	2020	2019
	\$	\$
Operating activities		
Excess of revenues over expenses	30,896	17,912
Items not affecting cash		
Amortization of tangible capital assets and software development	175	215
Amortization of deferred lease inducements	(29)	(29)
Interest accrued	93	(248)
Bond premium amortization	4,940	4,131
Unrealized gains on investments	(16,939)	(2,584)
Employee future benefits remeasurements	(540)	246
Changes in non-cash working capital		
Prepaid insurance and recoverables	22	34
Member assessments receivable	96	(471)
Recoverable from the estate trustee	333	117
Payables and accruals	105	(16)
Employee future benefits	714	(28)
	19,866	19,279
Investing activities		
Purchases of capital assets	(84)	(395)
Purchases of investments	(163,277)	(85,469)
Proceeds from maturities and sales of investments	143,446	66,768
	(19,915)	(19,096)
(Decrease) increase in cash during the year	(49)	183
Cash, beginning of year	1,041	858
Cash, end of year	992	1,041

The accompanying notes to the financial statements are an integral part of this financial statement.

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

1. Organization

The Canadian Investor Protection Fund (“CIPF”) was established in 1969 by an Agreement and Declaration of Trust, by its then sponsoring Self-Regulatory Organizations (“SROs”), to protect customers who have suffered financial loss due to the insolvency of a Member of any one of the sponsoring SROs.

CIPF was incorporated by letters patent dated November 19, 2001 as a corporation without share capital under provisions of Part II under the *Canada Corporations Act*. On March 24, 2014, CIPF received its Certificate of Continuance from Industry Canada to continue under the *Canada Not-for-profit Corporations Act* as required by the legislation.

Effective January 1, 2002, an industry agreement (the “Original Industry Agreement”) was established between the SROs and CIPF, replacing the Agreement and Declaration of Trust. The parties to this agreement included the Investment Dealers Association of Canada (“IDA”) and CIPF.

Effective June 1, 2008, the IDA combined with Market Regulation Services Inc. to become the Investment Industry Regulatory Organization of Canada (“IIROC”). At that time, IIROC was the only SRO that carried on Member regulation activities in respect of its Members and accordingly, IIROC and CIPF agreed that the Original Industry Agreement be terminated and replaced by a new Industry Agreement (the “Industry Agreement”) effective September 29, 2008. The parties to the new Industry Agreement are IIROC and CIPF. Throughout these financial statements, the reference to Member means a Dealer Member of IIROC.

CIPF is a not-for-profit member corporation, as described in Section 149(1)(l) of the *Income Tax Act* (Canada) and, as such, is not subject to either federal or provincial income taxes.

2. Statement of compliance with Canadian accounting standards for not-for-profit organizations

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants Canada Handbook – Accounting.

3. Summary of significant accounting policies

The significant accounting policies are as follows:

General Fund

The purpose of the General Fund is to provide protection to customers of Members who, in accordance with the CIPF Coverage Policy, have suffered or may suffer financial loss as a result of the insolvency of a Member, all on such terms and conditions as may be determined by CIPF in its sole discretion.

In the event of Member insolvencies, the claims against CIPF are limited to the financial losses suffered by eligible customers of Members for the failure of the Member to return or account for customer property solely as a result of the insolvency of a Member. CIPF can draw on several sources to pay customer claims, including the General Fund, insurance and the ability to assess Members. In the event that CIPF would be unable to satisfy such claims in their entirety, the Board would determine the period over which to assess Members to make up the shortfall.

Investment in Capital Assets Fund

The Investment in Capital Assets Fund represents CIPF’s unamortized balance of its capital assets and intangible assets.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant areas requiring the use of estimates are recovery of (provision for) claims and/or related expenses, and employee future benefits obligation. Actual results could differ from those estimates.

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

3. Summary of significant accounting policies (continued)

Financial instruments

CIPF's financial instruments consist of cash, investments, recoverable from the estate trustee, Member assessments receivable, and payables and accruals.

CIPF initially measures its financial instruments at fair value. Subsequently, all financial instruments are recorded at amortized cost, except for investments which are recorded at fair value.

Cash

Cash includes cash on hand and cash balances in bank and investment accounts.

Investments

Investments are comprised of fixed income securities and are carried at fair value. Gains and losses resulting from the difference between fair value and amortized cost are recorded as unrealized gains (losses) on investments in the Statement of Revenues and Expenses and Changes in Fund Balances. Accrued interest on the fixed income securities is included in the Investments balance.

Regular assessments and assessments for capital deficiencies

Regular assessment amounts are set by the Board of Directors and are payable by Members each quarter. The amount assessed by the Board is allocated to each Member based on a differential rate, which is derived from a Member's risk relative to other Members. Regular assessments are subject to a minimum and maximum amount. New members pay twice their regular assessment for the first three years of membership. Additional assessments are paid by Members that have incurred capital deficiencies.

The Industry Agreement provides for a limit on assessments in any calendar year such that no Member shall be assessed more than 1% of its aggregate gross revenue (maximum amount) unless an additional amount is required to either cover operational expenses or to permit CIPF to meet the obligations under its bank lines of credit. This limit does not apply to the minimum, new Member and capital deficiency assessments.

Regular assessments and assessments for capital deficiencies are recorded in these financial statements when they are assessed. As provided for in the Industry Agreement, the assessments are collected by IIROC on behalf of CIPF. IIROC is required, under the terms of the Industry Agreement, to pay to CIPF the amount of the assessments (whether or not collected from Members).

Investment income

Investment income includes interest earned, net of any amortization of bond premiums or discounts using the effective interest rate method. Realized gains and losses on maturity or sale of an investment are recorded separately on the Statement of Revenues and Expenses and Changes in Fund Balances.

Provision for claims and/or related expenses

Provision for claims from customers of insolvent Members is recorded when CIPF is notified of potential claims and CIPF makes a determination that the claims are eligible under CIPF's Coverage Policy. Provision for related expenses, such as trustee's fees, legal fees, hearing costs and other administrative costs, is recorded when a reliable estimate can be made of the costs to administer the potential claims. Recoveries of amounts paid or accrued with respect to customers' claims and administrative costs are recorded when reasonably determinable. No amounts are set aside to cover possible losses and customer claims that could arise from future insolvencies.

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

3. Summary of significant accounting policies (continued)

Tangible capital assets and software development

Tangible capital assets and software development are recorded at cost and are amortized in the Investment in Capital Assets Fund on the following basis:

Office furniture and equipment	Straight-line method over 5 years
Leasehold improvements	Straight-line method over the term of the lease
Computers	Straight-line method over 3 years
Software development	Straight-line method over 3 years

Deferred lease inducements

Deferred lease inducements are taken into income over the term of the lease.

Employee future benefits

CIPF accrues for its obligations under employee future benefit plans and the related costs as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.
- Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. These differences between actual results and actuarial assumptions are recognized directly in the General Fund balance in the Balance Sheet and reported as pension remeasurements as a separate item in the Statement of Revenues and Expenses and Changes in Fund Balances.
- Past service costs for plan amendments are immediately recognized as pension remeasurements in the Statement of Revenues and Expenses and Changes in Fund Balances.

4. Investments

The investments are held by CIBC Mellon Global Securities Company as custodian.

In accordance with CIPF's board-approved investment policy, investments are held until maturity, unless directed by the Board or to make a payment in accordance with the mandate of CIPF. Financial markets have experienced significant volatility as a result of COVID-19. There may be significant effects on the future fair value of the investment portfolio.

The following table discloses the fair value, maturity and average yields to maturity of CIPF's investments at December 31, 2020. The weighted average yield to maturity of the portfolio at December 31, 2020 is 0.49% (2019 – 1.92%).

					2020	2019
	Less than 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total fair value	Total fair value
	\$	\$	\$	\$	\$	\$
Canada bonds	17,802	15,911	21,258	54,895	109,866	79,838
Yield	0.24%	0.24%	0.30%	0.44%	0.35%	1.71%
Canada Housing Trust bonds	21,283	65,898	82,595	-	169,776	181,568
Yield	0.23%	0.28%	0.49%	-	0.38%	1.90%
Provincial bonds	33,613	75,735	54,780	106,849	270,977	257,476
Yield	0.23%	0.36%	0.68%	0.87%	0.61%	2.00%
	72,698	157,544	158,633	161,744	550,619	518,882

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

5. Tangible capital assets and software development

	2020		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	332	264	68
Leasehold improvements	591	290	301
Computers	227	201	26
Tangible capital assets	1,150	755	395
Software development	1,443	1,415	28
			2019
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	309	240	69
Leasehold improvements	591	213	378
Computers	221	197	24
Tangible capital assets	1,121	650	471
Software development	1,411	1,368	43

6. Committed bank lines of credit and insurance

CIPF has committed lines of credit provided by two Canadian chartered banks totalling \$125 million (2019 – \$125 million). IIROC has guaranteed these lines of credit by pledging its ability to assess Members.

CIPF has arranged insurance in the amount of \$160 million (2019 – \$160 million) in the annual aggregate, in respect of losses to be paid by CIPF in excess of \$200 million (2019 – \$200 million) in the event of Member insolvency. CIPF has arranged a second layer of insurance in the amount of \$280 million (2019 – \$280 million) in respect of losses to be paid in excess of \$360 million (2019 – \$360 million) in the event of Member insolvency.

7. Employee future benefits

CIPF has the following defined benefit pension plans:

- pension benefits to a retired employee since September 1, 1998. This pension benefit plan is not registered under the *Income Tax Act* (Canada), nor is it funded.
- a Supplementary Executive Retirement Plan (SERP) for certain executives, effective April 9, 2002. This plan is not registered under the *Income Tax Act* (Canada), nor is it funded.

CIPF also provides extended health benefits on retirement to full-time permanent employees who retire on or after age 55 with service greater than ten years. Employees who qualify for extended health benefits prior to December 31, 2024 will continue to be eligible for these benefits. Those who do not qualify by December 31, 2024 will no longer become eligible for these benefits. These extended health benefits terminate at age 75. This plan is not funded.

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

7. Employee future benefits (continued)

The most recent actuarial valuation of the pension plans for accounting purposes was made on December 31, 2020, and the most recent actuarial valuation of the health benefit plan for accounting purposes was made on December 31, 2019.

CIPF's benefit plan expense is recorded in pension and other employment benefits expenses.

The significant actuarial assumptions adopted in measuring CIPF's accrued benefit obligations are as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Discount rate	2.5	3.0	2.5	3.0	2.5	3.0
Rate of compensation increase	-	-	3.0	3.0	-	-

For measurement purposes, inflation of medical expenses was assumed to be 7% in 2020, grading down to 4.5% over five years. Inflation of dental costs was assumed to be 4% per year.

In addition to these plans, the salaries and employee benefits expense on the Statement of Revenues and Expenses and Changes in Fund Balances includes \$0.22 million (2019 – \$0.21 million) related to CIPF's contribution to the Group RSP plan.

8. Lease commitments

At December 31, 2020, CIPF has future minimum annual lease commitments of \$882 (2019 – \$1,216) for office space, office equipment and information technology services as follows:

	\$
2021	238
2022	221
2023	221
2024	202
2025	-
	<u>882</u>

CIPF is also committed to its share of operating costs and taxes with respect to the office lease, which approximates \$0.23 million per year.

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

9. Recoverable from the estate trustee

The recoverable from the estate trustee and the change in the recoverable and receipts during the year are as follows:

	Recoverable at January 1, 2020	Increase in Recoverable	Receipts during the year	Recoverable at December 31, 2020
	\$	\$	\$	\$
Octagon Capital Corporation	333	107	(440)	-

	Recoverable at January 1, 2019	Increase in Recoverable	Receipts during the year	Recoverable at December 31, 2019
	\$	\$	\$	\$
Octagon Capital Corporation	450	283	(400)	333

At December 31, 2020, the following Member insolvency continued to be under the administration of a trustee in bankruptcy:

Octagon Capital Corporation

Octagon Capital Corporation ("Octagon") was suspended by IROC on December 3, 2015 and a trustee in bankruptcy was appointed on December 4, 2015.

During the year ended December 31, 2020, CIPF received \$0.44 million (2019 – \$0.4 million) from the trustee due to settlement agreements reached by the trustee. The recovery of provision for claims and/or related expenses for the year ended December 31, 2020 was \$0.11 million (2019 – \$0.28 million).

At December 31, 2020, CIPF has a nil recoverable balance from the estate trustee on the Balance Sheet (2019 – \$0.33 million). The trustee is in the process of winding up the estate.

10. Financial instruments

The fair value of a financial instrument is the estimated amount CIPF would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair value of cash, Member assessments receivable, and payables and accruals approximates their carrying value due to the immediate or short-term nature of these financial instruments.

The fair value of CIPF's fixed income investments is determined by reference to published bid price quotations at year-end. These investments have maturity dates and effective interest rates as disclosed in Note 4.

NOTES TO THE Financial Statements

December 31, 2020

(In thousands of dollars, unless otherwise noted)

10. Financial instruments (continued)

Risk management

Risk management relates to the understanding and active management of risks associated with invested assets. Investments can be exposed to interest rate, liquidity, credit, market and currency risk. CIPF manages its exposure to the risks associated with its investment portfolio by following the Board-approved investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. The policy requires that at least 50% of investments be held in Government of Canada issued or guaranteed securities, with the balance in provincial or territorial government issued or guaranteed securities.

The investment policy provides for the following minimum and maximum exposures to any one province or territory, including entities guaranteed by that province or territory, in relation to the provincial and territorial unamortized book value:

Ontario - 35% to 55%

Quebec - 20% to 40%

British Columbia and Alberta combined - 10% to 20%

All other provinces and territories combined - 10% to 20%

The policy provides for investing in a laddered portfolio with a maximum term to maturity of 7 years.

Significant risks that are relevant to CIPF's investments are as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of investments will fluctuate due to changes in market interest rates. CIPF manages the interest rate risk exposure of its investment portfolio by following the investment policy described above and by holding all investments until maturity, unless required to make a payment in accordance with the mandate of CIPF or as directed by the Board.

An immediate hypothetical 100 basis point increase/decrease in interest rates would decrease/increase the fair value of the investments by \$18.1 million (2019 – \$16.9 million).

Liquidity risk

Liquidity risk is the risk that CIPF will not be able to meet its cash outflow commitments as they fall due. This includes the risk of being forced to sell assets at depressed prices resulting in realized losses on sale. CIPF manages the liquidity risk exposure by following the investment policy described above and by maintaining lines of credit of \$125 million (2019 – \$125 million).

Credit risk

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations. CIPF manages the credit risk exposure of its investment portfolio by following the investment policy described above. At December 31, 2020 and 2019, all investments were in securities issued by counterparties that met or exceeded the minimum credit rating of "A" as rated by two nationally recognized rating agencies (DBRS Limited and Standard & Poor's).

Market risk

Market risk is the risk that the fair value of investments will fluctuate as a result of changes in market conditions, whether these changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. CIPF manages the market risk exposure of its investment portfolio by following the investment policy described above.

Currency risk

Currency risk is the risk that the fair value of investments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. All assets and liabilities of CIPF are denominated in Canadian dollars and as such are not subject to currency risk.

COVID-19

The outbreak of COVID-19 has caused significant economic disruption and slow down, including greater volatility in the financial markets. CIPF may be subject to greater operational, credit, liquidity, and market risk.

BOARD of Directors

December 31, 2020

Chair



Debra Hewson³
Vancouver, British Columbia
President & CEO, Odlum Brown Limited
(joined March 2011)

President & CEO



Rozanne Reszel
FCPA, FCA, CFA, ICD.D
Toronto, Ontario
(joined September 1998)

Public Directors



Ann Davis^{1*,4}
FCPA, FCA
Toronto, Ontario
Former Partner, KPMG LLP
(joined April 2017)



Douglas Stratton^{2,3}
CFA, ICD.D
Edmonton, Alberta
Vice-President, Alberta
Investment Management Corporation
(joined June 2016)



Donna Howard¹
ICD.D
Vice-Chair
Smiths Falls, Ontario
Former Adviser to the Governor of the
Bank of Canada and former Chief of
the Financial Markets Department for
the Bank of Canada
(joined March 2015)



Bernard Turgeon^{1,4}
Ph.D.
Quebec City, Quebec
Former Associate Deputy Minister at
the Ministry of Finance of Quebec
(joined April 2017)



Anne La Forest^{2*,3}
LL.M, LL.B
Fredericton, New Brunswick
Faculty of Law at University of
New Brunswick
Former Member of the New Brunswick
Securities Commission
(joined April 2014)

BOARD of Directors

Industry Directors



Rita Achrekar^{3,4}
FRM, ICD.D
Toronto, Ontario
Former Senior Vice-President,
Global Risk Management, Scotiabank
(joined April 2018)



Pierre Matuszewski^{2,3*}
ICD.D
Montreal, Quebec
Former President & CEO of Société
Générale (Canada Branch) and of
Société Générale Capital Canada Inc.
(joined April 2016)



Brigitte Geisler^{1,2}
LL.M, LL.B
Toronto, Ontario
Capital Markets Professional Consultant
Former Director of Market Regulation at
Ontario Securities Commission
(joined April 2014)



Peter Virvilis^{2,4*}
Vancouver, British Columbia
CFO, Haywood Securities Inc.
(joined April 2017)



Martin MacLachlan^{1,4}
LL.M, LL.B, ICD.D
Toronto, Ontario
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.
(joined April 2013)

Committees

- ¹ Audit, Finance & Investment Committee
- ² Coverage Committee
- ³ Governance, Nominating & Human Resources Committee
- ⁴ Industry Risk Committee
- * Committee Chair

Biographical information about each director and officer is available on the CIPF website at www.cipf.ca.

Officers

Debra Hewson
Chair

Donna Howard
ICD.D
Vice-Chair

Rozanne Reszel
FCPA, FCA, CFA, ICD.D
President & CEO

Joseph Campos
CFA, FRM
Vice-President, Industry Risk

Linda Pendrill
CPA, CA
CFO

Ilana Singer
LL.B
Vice-President & Corporate Secretary



Canadian Investor Protection Fund

Canadian Investor Protection Fund

First Canadian Place
100 King Street West
Suite 2610, P.O. Box 481
Toronto, Ontario M5X 1E5

Tel: 416-866-8366
Toll free: 1-866-243-6981
Fax: 416-360-8441
E-mail: info@cipf.ca

www.cipf.ca