CIPF
Canadian Investor Protection Fund

2021 ANNUAL REPORT

GET CIPF PROTECTION
INVEST WITH AN IIROC
REGULATED MEMBER

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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 property to eligible customers in cases where a Member becomes insolvent.

CIPF'S ROLE IN THE CANADIAN REGULATORY SYSTEM

GOVERNED BY TWO AGREEMENTS

The Canadian Investor Protection Fund (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:

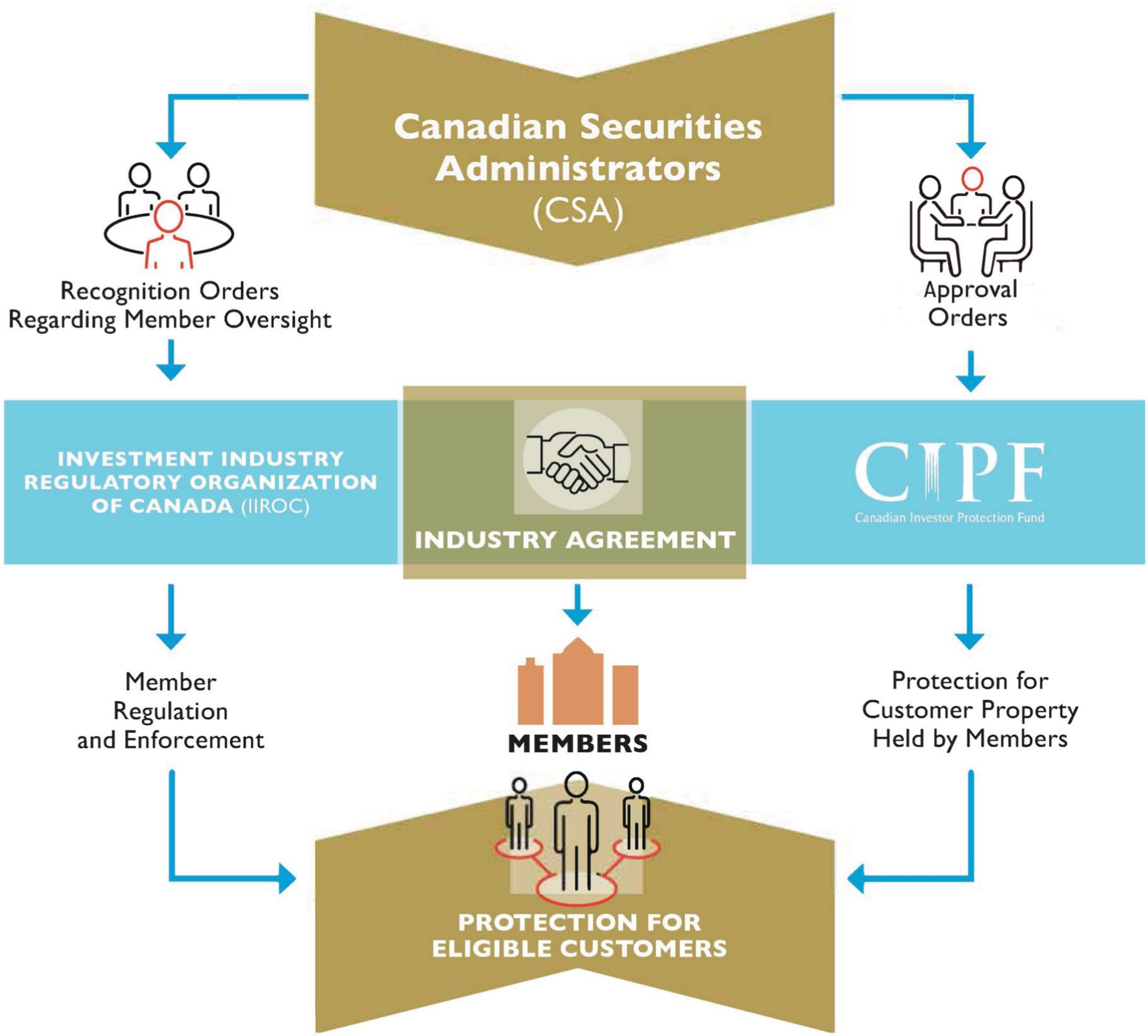
- As provided under Canadian provincial or territorial securities laws, CSA members have issued orders approving CIPF as an investor protection fund (IPF) for IIROC Dealer Members (Approval Orders). A Memorandum of Understanding (MOU) among CSA members sets out the terms of their oversight framework 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 IPF.
- Amendments to CIPF's reporting requirements.

NEW CSA INITIATIVE

On August 3, 2021, the CSA announced its plan to create a new, single self-regulatory organization (SRO) that will provide enhanced regulation of the investment industry. The new SRO will consolidate the functions of IIROC and the Mutual Fund Dealers Association of Canada (MFDA). The CSA will also combine two existing IPFs – CIPF and the MFDA Investor Protection Corporation (MFDA IPC) – into an integrated IPF independent of the new SRO. CIPF supports the new CSA initiative and its focus on investor protection.


Canadian Securities Administrators (CSA)
Recognition Orders Regarding Member Oversight
Approval Orders
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)
INDUSTRY AGREEMENT
CIPF
Canadian Investor Protection Fund
Member Regulation and Enforcement
MEMBERS
Protection for Customer Property Held by Members
PROTECTION FOR ELIGIBLE CUSTOMERS

MESSAGE FROM THE CHAIR

Donna Howard, Chair

In a year of operational challenge and preparation for organizational change, CIPF continued to fulfil its responsibility to protect Canadian investors.

For the CIPF Board, 2021 represented renewal. We bid farewell with gratitude to two former Chairs and directors: Martin MacLachlan and Debra Doucette (Hewson). And we welcomed two new members, Richard Rousseau and Sharon Sparkes, after a robust and transparent recruitment process. They are extremely well-qualified and have enhanced our team. Our Board has truly risen to the occasion during COVID-19. As a group, in-person communication – which nurtures creative problem-solving – would have been ideal, but we have remained effective throughout the pandemic.

The single most significant development last year was the announcement that IIROC and the MFDA, and the IPFs related to them, will be combined into a single new SRO and a new, independent IPF by year-end 2022. We strongly support this timely and welcome measure to create regulatory consistency and to reduce costs and complexity for the sector and investors. We appreciate that the announcement aligned with our recommendation to retain the independence of the funds from the SRO and we are working closely with the MFDA IPC to plan our shared future.

Subject to CSA approval, our existing boards will be integrated with the optimal size and structure achieved step by step. We remain "firehouse ready" to respond to all contingencies under our mandate.

Always being prepared to respond to an insolvency in an evolving financial services marketplace is a hallmark responsibility for CIPF. Accordingly, we held a strategic planning session in September, including one-on-one Board member interactions. We took a deeper dive in examining the risks of new financial vehicles, including fully-paid securities lending and crypto assets. We have had and continue to hold informal policy dialogues with the regulators about innovative solutions. And we know we will need to re-examine our risk assessment and modelling post-integration to ensure our readiness and management capabilities are kept current.

Leadership continuity and cultivation was another theme last year. CIPF had a "CEO Search Playbook" to prepare for executive change: we built on this foundation, supported by an external resource, to identify success criteria for our senior leadership. These efforts folded into integration planning, as an executive search committee was formed with the awareness that our highly respected and long-serving CEO, Rozanne Reszel, will be retiring at the end of 2022.

Finally, a persistent challenge for *all* investor protection funds is that parties subject to coverage only really consider protection limits when submitting a claim. This has created an ongoing need for CIPF to engage in educational initiatives to deepen advisor and investor understanding: we expect that activity will continue within the New IPF.

During my tenure, the relationship between the Board and CIPF's senior leadership team has been characterized by an extremely high level of professionalism and responsiveness. And my Board colleagues have brought an exceptionally diversified skillset and broad industry and public perspective to our important work, empowering us to act in the best interest of those we serve. They sustain the excellence we will build on as CIPF evolves into the next phase of protecting Canadian investors.

Donna Howard
Chair

MESSAGE FROM THE PRESIDENT & CEO

Rozanne Reszel, President & CEO

During a second consecutive year disrupted by a global pandemic, CIPF actively pursued its mandate to protect Canadian investors while laying the foundation for an even more efficient and effective future.

Despite manageable operational interruptions caused by COVID-19, CIPF remained ever ready to manage a potential bankruptcy. However, preparing for the CIPF and the MFDA IPC amalgamation alongside the IIROC and MFDA integration remained a pressing priority.

As a forward-looking organization, this pending change deserved and continues to receive singular attention. The CSA are resolute about implementing it on schedule; we will focus our energies on doing so.

CIPF supports this consolidation to simplify structures, reduce sector costs and provide more consistency and clarity for investors, and communicated this outlook with MFDA IPC. Our keen interest was to ensure the independence of the combined protection fund, and that will occur when the new entity begins operating.

Beyond shaping structural change, CIPF addressed other matters affecting our relations with Canadian investors and financial advisors. This included implementing flexible procedural changes to improve the claims appeals process and modernizing the disclosure policy governing member firms so that it aligns with a predominantly digital working environment.

In spring, we launched a revitalized website in English and French, fulfiling an integrated 18-month communications plan. The page views per month are telling: for January to April, there were 10,758; for May (launch), 28,487, and for June to December: 29,661. We also published an array of new educational content, including podcasts featuring our experts with guests from counterpart organizations and plan to produce more. For advisors, we offered a new IIROC CE credit-eligible webinar with the Canada Deposit Insurance Corporation (CDIC).

Work started in prior years also advanced. We crafted a Framework for Pre-Insolvency Coverage Interpretations and are collaborating with IIROC on what comes next. Canada has leapt ahead of the world in creating a regulatory framework for crypto asset investments: this has implications for investment dealers and therefore for CIPF. Crypto asset-based investments are *not* eligible for coverage today. CIPF also continued to support the process of developing the rules for Canadian Derivatives Clearing Corporation's (CDCC) Gross Customer Margining/ Segregation and Portability regime, which is slated for implementation in 2022.

Engaging with international compensation organizations has always contributed to CIPF's effectiveness and secures invaluable connections for handling cross-border bankruptcies. We therefore consulted with peers in Spain about how they handled an insolvency remotely during the pandemic. We also organized a virtual coffee chat with eight international organizations and plan to sustain this forum and the relationships it fosters.

CIPF's credit and liquidity risk monitoring capabilities were enhanced to be consistent with best practices: this will better enable CIPF to meet its liquidity resource requirements if an insolvency occurs.

Last year, CIPF refreshed its leadership. We gained two talented Board members, Sharon Sparkes and Richard Rousseau, and installed a new Chair with deep experience, Donna Howard, who is primed to ensure continuity of care in the new entity.

In the coming year, new executive leadership will guide the new IPF while retaining a team that consistently exhibits professionalism of the highest calibre, and it is to them that I extend a special note of closing gratitude. It has been my privilege to guide you and to work with you. What we achieved could not have occurred without you.

Rozanne Reszel
President & CEO

Sound governance is a continuing priority for CIPF because it is a critical consideration for Members and other key stakeholders.

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, 2021, 165 investment dealers 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

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 settled by ensuring the trustee has sufficient assets to transfer the customer accounts to another Member.

1969

CIPF, originally named the National Contingency Fund, was established by several sponsoring self-regulatory organizations (SROs) at the time: the Canadian, Montréal, 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.

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.

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.

1997

In 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.

The approved schedule for director compensation at December 31, 2021 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, 2021:

Director	Board Meetings	Committee Meetings	Board and Committee Meetings
Rita Achrekar	6/6	7/7	13/13
Ann Davis	6/6	6/7	12/13
Brigitte Geisler	6/6	8/8	14/14
Debra Doucette (Hewson)	1/1	1/1	2/2
Donna Howard	6/6	6/6	12/12
Anne La Forest*	2/2	3/3	5/5
Martin MacLachlan	1/1	2/2	3/3
Pierre Matuszewski	6/6	8/8	14/14
Rozanne Reszel	6/6	15/15	21/21
Richard Rousseau	6/6	5/5	11/11
Sharon Sparkes	6/6	5/5	11/11
Douglas Stratton	6/6	9/9	15/15
Bernard Turgeon	6/6	6/6	12/12
Peter Virvilis	6/6	8/8	14/14

[1]Anne La Forest was on leave from May, 2021 to November, 2021

COMMITTEE DUTIES

CIPF BOARD AT WORK

The Board has delegated certain duties to its Committees:

AUDIT, FINANCE & INVESTMENT COMMITTEE

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, and compliance with legal and regulatory requirements
- Oversees and monitors management controls to minimize financial and investment risk exposure to CIPF

COVERAGE COMMITTEE

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

GOVERNANCE, NOMINATING & HUMAN RESOURCES COMMITTEE

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

DUTIES

- Oversees and monitors the methodology used to determine CIPF's liquidity resource requirements, target liquidity requirements and allocate the assessment target approved by CIPF's Board
- Monitors and oversees adequacy of available liquidity resources in relation to the credit and liquidity 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-measurement, 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 that is used solely for the purpose of transacting securities, commodities or futures contracts, 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 and is used solely for the purpose of transacting securities, commodities or futures contracts.
- 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.

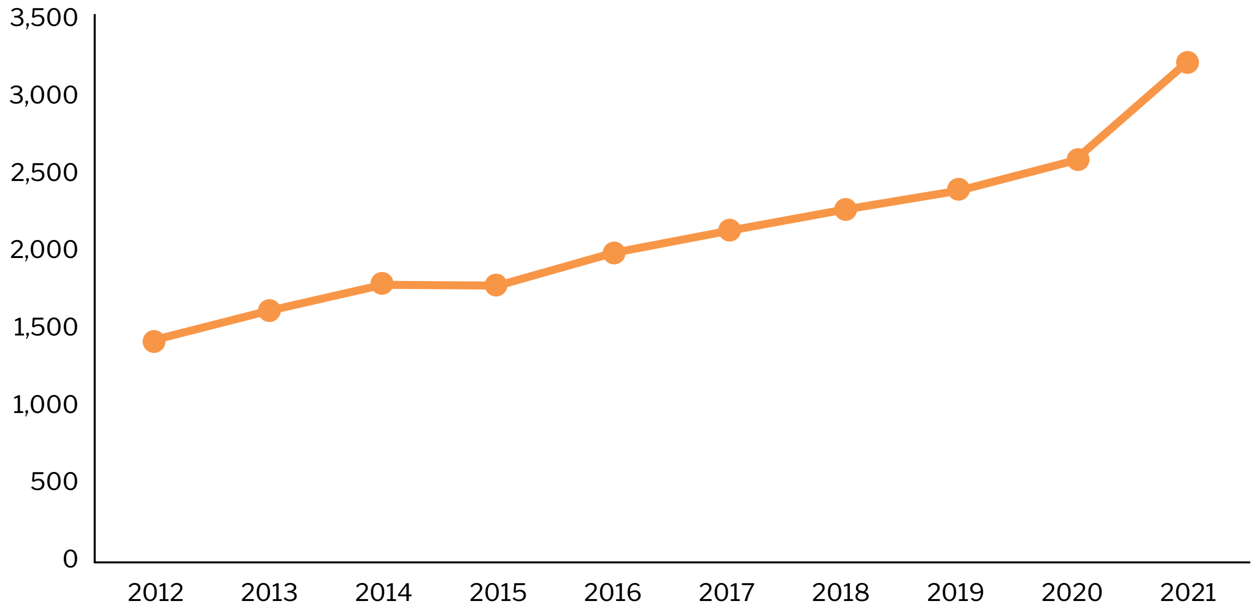
Information on the provision for claims and/or related expenses is provided in CIPF's financial statements, which are included in this annual report.

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 $3.2 trillion at December 31, 2021.

NET CLIENT ASSETS REPORTED BY MEMBERS ($ BILLIONS)

AT DECEMBER 31, FOR THE YEARS 2012 TO 2021



INFORMING MEMBERS AND INVESTORS

Providing clear and accessible information about CIPF protection to Members, advisors, and investors is an ongoing priority for CIPF. In 2021, this priority was furthered by the release of materials as part of the CIPF communications plan launched in 2020.

The communications plan focuses on initiatives 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 releases infographics that set out the key pieces of information that both advisors and investors should know about CIPF. The three infographics released in 2020 – "Most Common Myths about CIPF", "CIPF and CDIC – How are They Different?", and "Top Facts At-A-Glance" – were supplemented by additional infographics released in 2021. CIPF released a video and an accompanying infographic entitled "Do you Qualify for CIPF Protection?", as well as an infographic called "3 FAQs about CIPF". These materials are available on CIPF's website.

In 2021, CIPF also offered two webcast training seminars, "CIPF and CDIC: Coverage and Disclosure" and "Overview of the Canadian Investor Protection Fund," which are available on the IIROC website at www.iiroc.ca. These seminars are accredited as

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.

IIROC continuing education compliance programs and offered in English and French. CIPF released a resource bundle for advisors in 2021 containing some of the most relevant CIPF content created specifically for advisors.

In an effort to expand the variety of communication channels for providing information about CIPF, CIPF launched the CIPF Podcast Channel in 2021. Six CIPF podcasts were released in 2021 – "Investor Education in Modern Times", "Independence of Compensation Funds", "Insolvency in Times of Crisis", "Resolving Customer Disputes in Times of Crisis", "Regulating in Times of Crisis" and "Financial Innovation from a Global Perspective." These podcasts, along with two podcasts that were released in 2020, are available on the CIPF website and on Apple Podcasts, Google Podcasts, Spotify, Amazon Music and Deezer.

In 2021, CIPF also launched a new website, which is mobile-friendly. The website presents information in a user-friendly manner.

CIPF continues to work closely with Members on compliance with the CIPF Disclosure Policy, which sets out requirements for disclosing membership in CIPF. Further to an initiative launched by CIPF in 2020 to review and streamline the CIPF Disclosure Policy, amendments to the CIPF Disclosure Policy came into effect on February 10, 2021. Members had until December 31, 2021 to implement the amendments.

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:

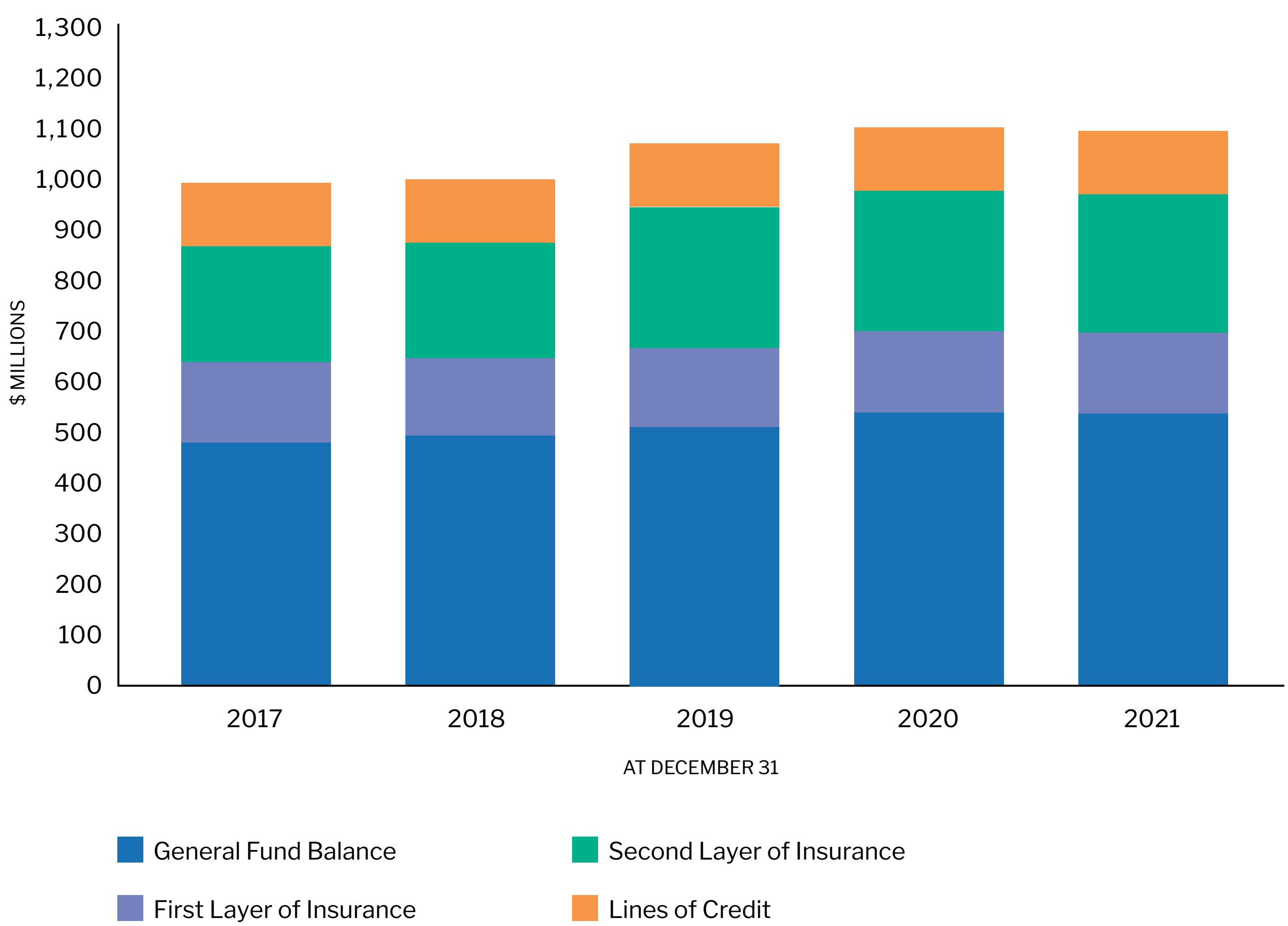
- Overseeing the ability of CIPF to meet its financial obligations to a Member's customers if an insolvency occurs
- Setting the annual Member assessment target amount and determining how each Member will be assessed
- Setting any additional assessments

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 2021, following a review and analysis, the Board confirmed that the target liquidity resources be set at $1.25 billion, to be reached by 2025. The available liquidity resources, as at December 31, 2021, amount to $1.1 billion.

AVAILABLE LIQUIDITY RESOURCES 2017 TO 2021



CIPF CAN DRAW ON SEVERAL LIQUIDITY RESOURCES TO PAY CUSTOMER CLAIMS

- The General Fund of $539.9 million at December 31, 2021
- 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 $539.9 million at December 31, 2021 comprises the following:

- A portfolio of investments with a fair value of $545.3 million at December 31, 2021
- The net of all other assets and liabilities held by CIPF, which at December 31, 2021 amounted to a net liability of $5.4 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:

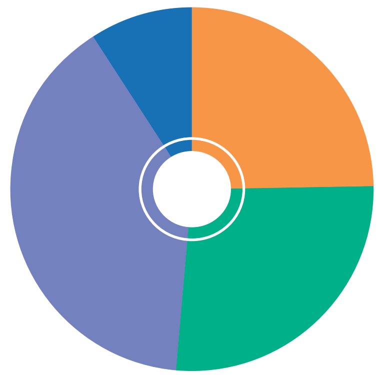
- For maturities beyond one year – DBRS Limited's "A"
- For cash and equivalents, DBRS Limited's "R-1 Low"

CIPF INVESTMENT PORTFOLIO OF $545.3 MILLION (FAIR VALUE)

AT DECEMBER 31, 2021

DISTRIBUTION OF CREDIT RATINGS

As rated by DBRS Limited



AAA - Government of Canada Bonds

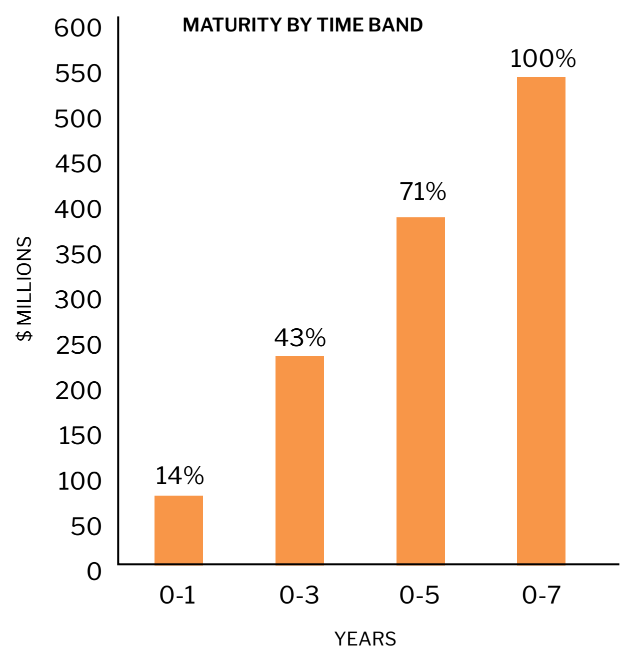
AAA - Canada Housing Trust Bonds

AA - Provincial Government Issued or Guaranteed Bonds

A - Provincial Government Issued or Guaranteed Bonds

CIPF INVESTMENT PORTFOLIO OF $545.3 MILLION (FAIR VALUE)

AT DECEMBER 31, 2021



COMMENTARY ON FINANCIAL RESULTS

FINANCIAL REVIEW AND OUTLOOK

BALANCE SHEET

CIPF holds investments with a fair value of $545.3 million, that represent most of the total assets of $550.5 million. All investments are Government of Canada or provincial government guaranteed and are carried at fair value. At December 31, 2021, the investments at fair value include an unrealized gain of $4.9 million (2020: $22.8 million), due to yields at the time of purchase exceeding market yields at December 31, 2021. CIPF's investment policy is to hold investments until maturity, unless required to make a payment in accordance with the mandate of CIPF or as directed by the Board. It is therefore unlikely that any unrealized gain will be realized. 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 $17.8 million (2020: $18.1 million).

The balance in the General Fund at December 31, 2021 was $539.9 million, a decrease of $4.1 million over the prior year. The decrease resulted from the deficiency of revenues over expenses of $5.0 million, plus employee future benefits remeasurements of $1.0 million, less transfer to the Investment in Capital Assets Fund of $0.1 million.

The Investment in Capital Assets Fund was $0.3 million at December 31, 2021.

REVENUES AND EXPENSES

CIPF had an excess of revenues over expenses before unrealized losses on investments in the General Fund of $12.8 million for the year ended December 31, 2021, compared to an excess of revenues over expenses before unrealized gains on investments of $14.0 million in 2020.

CIPF had unrealized losses during the year on investments due to the movement in market value of $17.8 million (2020: unrealized gains of $16.9 million).

The net of the above resulted in a deficiency of revenues over expenses in the General Fund of $5.0 million for the year ended December 31, 2021, compared to an excess of revenues over expenses of $31.1 million in 2020.

There was no provision for claims and/or related expenses (2020: $0.1 million recovery)

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

GENERAL FUND AT DECEMBER 31, 2021

The General Fund had net assets of $539.9 million at the end of 2021, a decrease of $4.1 million from the previous year.

ASSESSMENTS IN 2021

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.
- After allowing for minimum and maximum assessments, the net amount of regular assessments in 2021 was $12.4 million versus $12.2 million in 2020. There was no year-over-year change to the Board-approved target assessment of $12.1 million.

CIPF also assessed capital deficiency assessments of $84 thousand in 2021 (2020: $45 thousand) to Members that incurred capital deficiencies pursuant to IIROC rules in any month, in accordance with the CIPF Assessment Policy.

CIPF assessed asset location assessments of $168 thousand in 2021 (2020: $nil) to Members that had high asset location risk, in accordance with the CIPF Assessment Policy.

INVESTMENT INCOME FOR 2021

The investment income for the year ended December 31, 2021 was $10.6 million, a decrease from the 2020 investment income of $11.5 million due to lower yield environment.

EXPENSES FOR 2021

Operating expenses in the General Fund for the year ended December 31, 2021 were $10.3 million, an increase of $0.6 million over the prior year. An increase in salaries and employee benefits expense, bank lines of credit fees and insurance premium and professional fees was partially offset by a decrease in pension and other employment benefits.

There was no provision for claims and/or related expenses in 2021, compared to a recovery in the prior year of $0.1 million. The 2020 recovery of provision related to additional recoveries from the estate of Octagon Capital Corporation. At December 31, 2021, the trustee was in the process of winding up this estate, and the estate was discharged on January 7, 2022.

OUTLOOK FOR 2022

The Board-approved target assessment is set at $12.4 million for 2022, an increase of 1.9% over the prior year.

Investment income at amortized cost is forecasted to be $10.2 million in 2022, lower than the 2021 income of $10.6 million due to the reinvestment of funds at lower rates.

Investments are recorded at fair value, which at December 31, 2021 was $4.9 million higher than the amortized cost (2020: $22.8 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 2022 operating expenses in the General Fund to be $10.9 million, $0.6 million higher than in 2021 due to higher travel costs as it is expected that staff and Directors will travel. In addition, CIPF is forecasting expenditures of $1.5 million in costs related to the amalgamation with the MFDA IPC, including legal fees and consulting fees. The amalgamation of CIPF and the MFDA IPC is expected to occur on January 1, 2023.

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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, 2021, 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, 2021, and its financial performance and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO").

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 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 ASNPO, 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.

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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 25, 2022

BALANCE SHEET

AS AT DECEMBER 31, 2021

(In thousands of dollars)

	2021	2020
	$	$
Assets		
Current assets		
Cash	**1,117**	992
Prepaid insurance and recoverables	**601**	569
Investments, at fair value (Note 4)	**545,321**	550,619
Member assessments receivable	**3,138**	3,059
	550,177	555,239
Tangible capital assets (Note 5)	**283**	395
Software development (Note 5)	**57**	28
	550,517	555,662
Liabilities		
Current liabilities		
Payables and accruals	**591**	458
Deferred lease inducements	**29**	29
	620	487
Long-term deferred lease inducements	**56**	86
Employee future benefits (Note 7)	**9,641**	10,658
	10,317	11,231
Fund balances		
Investment in Capital Assets Fund	**340**	423
General Fund	**539,860**	544,008
	540,200	544,431
	550,517	555,662

Approved by the Board

______________________________________ Director

______________________________________ Director

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

STATEMENT OF REVENUES & EXPENSES & CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of dollars)

	General Fund	Investment in Capital Assets Fund	**2021 Total**	2020 Total
	$	$	**$**	$
Revenues				
Regular assessments	12,275	-	**12,275**	12,154
Assessments for capital deficiencies	84	-	**84**	45
Assessments for asset location	168	-	**168**	-
Investment income	10,632	-	**10,632**	11,531
	23,159	-	**23,159**	23,730
Expenses				
Salaries and employee benefits (Note 7)	5,159	-	**5,159**	4,772
Bank lines of credit fees and insurance premium	2,444	-	**2,444**	2,265
Professional fees	582	-	**582**	379
Directors' fees, travel and education	422	-	**422**	429
Occupancy	395	-	**395**	393
Other operating costs	360	-	**360**	401
Computer server hosting and maintenance	280	-	**280**	235
Communications	278	-	**278**	218
Pension and other employment benefits (Note 7)	271	-	**271**	485
Amortization of tangible capital assets and software development	-	160	**160**	175
Custodial fees	129	-	**129**	128
	10,320	160	**10,480**	9,880
Excess (deficiency) of revenues over expenses before the undernoted items	12,839	(160)	**12,679**	13,850
Recovery of (provision for) claims and/or related expenses (Note 9)	-	-	**-**	107
Unrealized (losses) gains on investments	(17,886)	-	**(17,886)**	16,939
(Deficiency) excess of revenues over expenses	(5,047)	(160)	**(5,207)**	30,896
Fund balances, beginning of year	544,008	423	**544,431**	514,075
(Deficiency) excess of revenues over expenses	(5,047)	(160)	**(5,207)**	30,896
Transfer to the Investment in Capital Assets Fund for additions	(77)	77	**-**	-
Employee future benefits remeasurements (Note 7)	976	-	**976**	(540)
Fund balances, end of year	539,860	340	**540,200**	544,431

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

(In thousands of dollars)

	2021	2020
	$	$
Operating activities		
(Deficiency) excess of revenues over expenses	**(5,207)**	30,896
Items not affecting cash		
Amortization of tangible capital assets and software development	**160**	175
Amortization of deferred lease inducements	**(29)**	(29)
Interest accrued	**(49)**	93
Bond premium amortization	**5,014**	4,940
Unrealized losses (gains) on investments	**17,886**	(16,939)
Employee future benefits remeasurements	**976**	(540)
Changes in non-cash working capital		
Prepaid insurance and recoverables	**(32)**	22
Member assessments receivable	**(79)**	96
Recoverable from the estate trustee	**-**	333
Payables and accruals	**133**	105
Employee future benefits	**(1,017)**	714
	17,756	19,866
Investing activities		
Purchases of capital assets	**(77)**	(84)
Purchases of investments	**(88,848)**	(163,277)
Proceeds from maturities and sales of investments	**71,294**	143,446
	(17,631)	(19,915)
Increase (decrease) in cash during the year	**125**	(49)
Cash, beginning of year	**992**	1,041
Cash, end of year	**1,117**	992

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

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.

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, assessments for capital deficiencies and assessments for asset location

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. Assessments for asset location are assessed on Members that have a high degree of asset location risk.

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, assessments for capital deficiencies and assessments for asset location 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 the CIPF 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.

(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 Services 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.

The following table discloses the fair value, maturity and average yields to maturity of CIPF's investments at December 31, 2021. The weighted average yield to maturity of the portfolio at December 31, 2021 is 1.22% (2020 – 0.49%).

	Less than 1 year	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**2021 Total fair value**	2020 Total fair value
	$	**$**	**$**	**$**	**$**	$
Canada bonds	**5,465**	**23,600**	**30,524**	**75,398**	**134,987**	109,866
Yield	**0.66%**	**0.98%**	**1.19%**	**1.27%**	**1.17%**	0.35%
Canada Housing Trust bonds	**36,940**	**69,757**	**36,458**	**3,274**	**146,429**	169,776
Yield	**0.26%**	**1.17%**	**1.36%**	**1.68%**	**1.00%**	0.38%
Provincial bonds	**35,205**	**62,754**	**87,734**	**78,212**	**263,905**	270,977
Yield	**0.60%**	**1.12%**	**1.55%**	**1.71%**	**1.37%**	0.61%
	77,610	**156,111**	**154,716**	**156,884**	**545,321**	550,619

(In thousands of dollars, unless otherwise noted)

5. Tangible capital assets and software development

			2021
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Office furniture and equipment	**332**	**287**	**45**
Leasehold improvements	**591**	**367**	**224**
Computers	**227**	**213**	**14**
Tangible capital assets	**1,150**	**867**	**283**
Software development	**1,513**	**1,456**	**57**

			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

6. Committed bank lines of credit and insurance

CIPF has committed lines of credit provided by two Canadian chartered banks totalling $125 million (2020 – $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 (2020 – $160 million) in the annual aggregate, in respect of losses to be paid by CIPF in excess of $200 million (2020 – $200 million) in the event of Member insolvency. CIPF has arranged a second layer of insurance in the amount of $280 million (2020 – $280 million) in respect of losses to be paid in excess of $360 million (2020 – $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.

(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, 2021, 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**	
	2021	2020	**2021**	2020	**2021**	2020
	%	%	**%**	%	**%**	%
Discount rate	**2.9**	2.5	**2.9**	2.5	**2.9**	2.5
Rate of compensation increase	**-**	-	**-**	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 (2020 – $0.22 million) related to CIPF's contribution to the Group RSP plan.

8. Lease commitments

At December 31, 2021, CIPF has future minimum annual lease commitments of $748 (2020 – $882) for office space and information technology services as follows:

	$
2022	264
2023	260
2024	224
	748

CIPF is also committed to its share of operating costs and taxes with respect to the office lease, which approximates $0.21 million per year.

(In thousands of dollars, unless otherwise noted)

9. Recovery of (provision for) claims and/or related expenses

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

	Recoverable at January 1, 2021	**Increase (Decrease) in Recoverable**	**Receipts during the year**	**Recoverable at December 31, 2021**
	$	**$**	**$**	**$**
Octagon Capital Corporation	**-**	**-**	**-**	**-**

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

At December 31, 2021, 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 IIROC on December 3, 2015 and a trustee in bankruptcy was appointed on December 4, 2015.

During the year ended December 31, 2021, CIPF received $nil (2020 – $0.44 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, 2021 was $nil (2020 – $0.11 million).

At December 31, 2021, CIPF has a $nil recoverable balance from the estate trustee on the Balance Sheet (2020 – $nil). The estate was discharged on January 7, 2022.

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.

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 $17.8 million (2020 – $18.1 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 (2020 – $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, 2021 and 2020, 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.

11. Upcoming amalgamation

On August 3, 2021, the Canadian Securities Administrators ("CSA") announced its plan to create a new single self-regulatory organization ("SRO") that will provide enhanced regulation of the investment industry. The new SRO, as described in the publication of CSA Position Paper 25-404, New Self-Regulatory Organization Framework, will consolidate the functions of IIROC and the Mutual Fund Dealers Association of Canada ("MFDA"). The CSA initiative will also combine the two existing investor protection funds – the Canadian Investor Protection Fund and the MFDA Investor Protection Corporation – into an integrated fund independent of the new SRO. The effective date of the amalgamation of the two funds is expected to be January 1, 2023.

BOARD OF DIRECTORS

DECEMBER 31, 2021

CHAIR

Donna Howard [3]
ICD.D

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)

PRESIDENT & CEO

Rozanne Reszel
FCPA, FCA, CFA, ICD.D

Toronto, Ontario

(joined September 1998)

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.

PUBLIC DIRECTORS

Ann Davis [1*, 3]
FCPA, FCA

Toronto, Ontario

Former Partner,
KPMG LLP
(joined April 2017)

Anne La Forest [1, 2*]
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)

Sharon Sparkes [1, 2]
FCPA, FCA, ICD.D

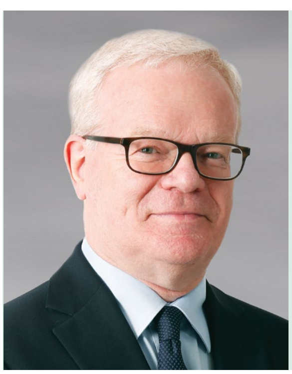
St. John's, Newfoundland

Former Interim President & CEO of the Newfoundland and Labrador Liquor Corporation
(joined March 2021)

Douglas Stratton [2, 3]
CFA, ICD.D

Edmonton, Alberta

Former Vice-President, Alberta Investment Management Corporation
(joined June 2016)



Bernard Turgeon [1, 4]
Ph.D.

Québec City, Québec

Former Associate Deputy Minister at the Ministry of Finance of Québec
(joined April 2017)

Committees
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*Committee Chair

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INDUSTRY DIRECTORS

Rita Achrekar [3, 4]
FRM, ICD.D

Toronto, Ontario

Former Senior Vice-President, Global Risk Management, Scotiabank (joined April 2018)

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)

Pierre Matuszewski [3*, 4]
ICD.D

Senneville, Québec

Former President & CEO of Société Générale (Canada Branch) and of Société Générale Capital Canada Inc. (joined April 2016)

Richard Rousseau [2, 4]

Grand-Mère, Québec

Vice-Chair of the Private Client Group, Québec, at Raymond James Ltd. (joined March 2021)

Peter Virvilis [2, 4*]

Vancouver, British Columbia

CFO, Haywood Securities Inc. (joined April 2017)

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

OFFICERS

Donna Howard
ICD.D

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

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

CANADIAN INVESTOR PROTECTION FUND

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