Canadian Investor Protection Fund

2022 ANNUAL REPORT

CELEBRATING THE PAST. EMBRACING THE FUTURE.

TABLE OF CONTENTS

CIPF'S MISSION

To contribute to the security and confidence of customers of 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

PRE-AMALGAMATION

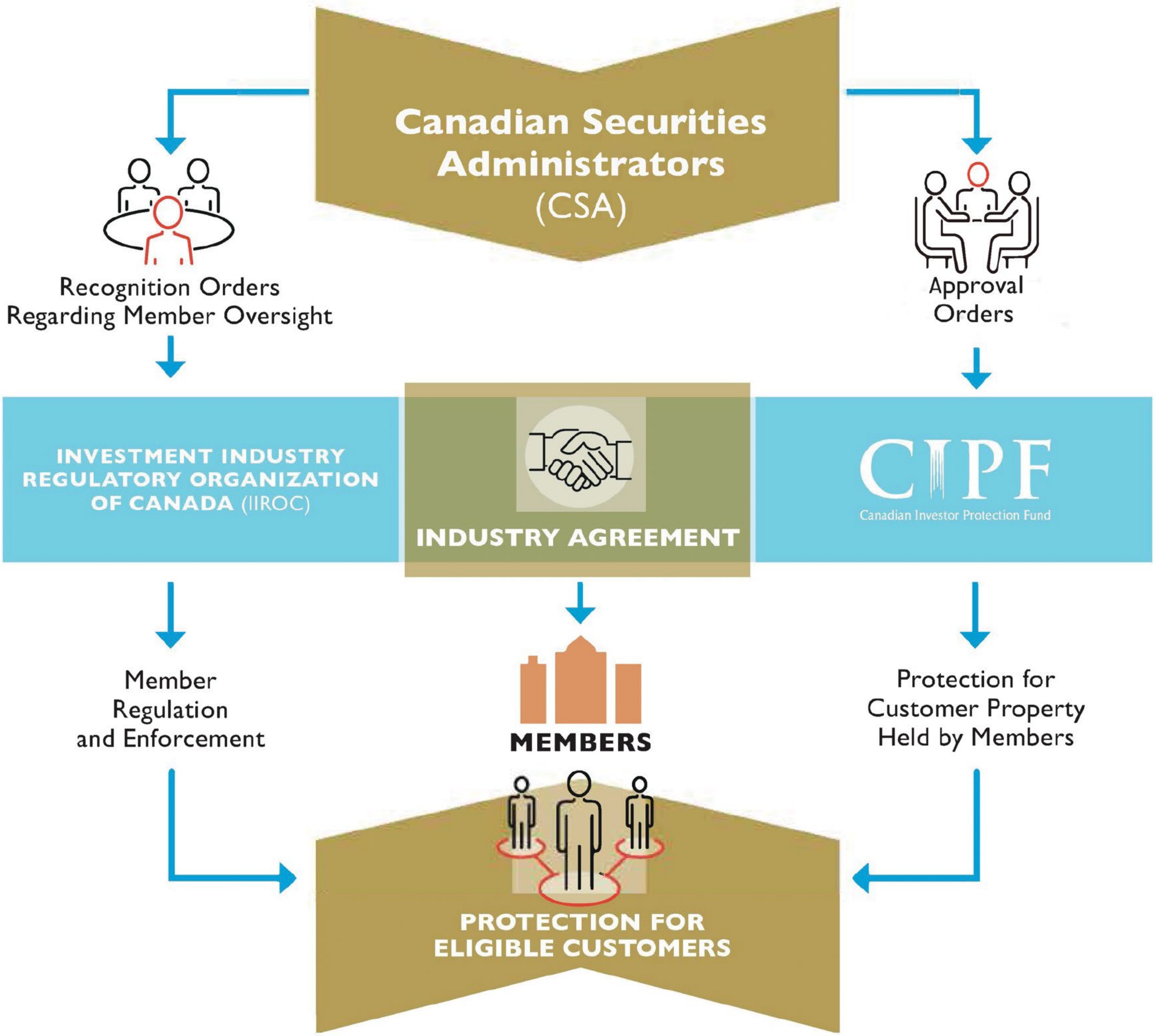
Throughout 2022, the Canadian Investor Protection Fund (CIPF) continued in its role as the compensation fund approved by the Canadian Securities Administrators (CSA), for investment dealers regulated by the Investment Industry Regulatory Organization of Canada (IIROC).

The CSA consists of the authority in each Canadian province and territory that, under statute, regulates the securities industry within its jurisdiction. Each regulator is responsible for promoting investor protection and fair and efficient capital markets. Until December 31, 2022, IIROC operated under Recognition Orders from the CSA, as the national self-regulatory organization (SRO) that oversaw all investment dealers and trading activity on both debt and equity marketplaces in Canada. CIPF was funded by investment dealer members of IIROC, and all IIROC investment dealer members were also automatically members of CIPF.

CIPF's role in the Canadian regulatory system was governed as follows:

- As articulated in provincial or territorial approval orders (Approval Orders), CIPF was approved by all CSA members as the investor protection fund (IPF) for investment dealer members across Canada. A Memorandum of Understanding (MOU) among CSA members set out the terms of their oversight framework for CIPF. CIPF's mandate and responsibilities were established through these documents.
- An Industry Agreement between CIPF and IIROC established the responsibilities of each of CIPF and IIROC. One key term in the agreement was that IIROC was required to provide prompt notice to CIPF of any situation that would likely require a payment by CIPF.

CIPF and the New Self-Regulatory Organization of Canada (renamed the Canadian Investment Regulatory Organization) signed a Transitional Services Agreement effective January 1, 2023, designed to ensure that the existing industry arrangements continue to govern the relationship between the entities, and until a new Industry Agreement is finalized.


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

CSA INITIATIVE TO CREATE A NEW ENHANCED SRO AND INTEGRATED INVESTOR PROTECTION FUND

On August 3, 2021, the CSA announced its plan to create a new, single SRO (new SRO) that would provide enhanced regulation of the investment industry. The new SRO would consolidate the functions of IIROC and the Mutual Fund Dealers Association of Canada (MFDA). As part of this initiative, CIPF and the MFDA Investor Protection Corporation (MFDA IPC) would be combined into an integrated investor protection fund (new IPF), which would be independent of the new SRO.

In 2022, CIPF and the MFDA IPC worked collaboratively to amalgamate into a new IPF, effective January 1, 2023.

Key 2022 milestones relating to the amalgamation included:

- Announcement in May of the new SRO and new IPF board members,
- Board approval in September of the amalgamation of the two investor protection funds into one new IPF,
- Approval by the CSA of the new IPF in November, and
- Appointment in December of Ms. Toni Ferrari as the inaugural President & CEO of the new IPF.

The name of the new IPF in English is the Canadian Investor Protection Fund (CIPF), and in French, Fonds canadien de protection des investisseurs (FCPI).

ROLE OF CIPF POST-AMALGAMATION, AS OF JANUARY 1, 2023

CIPF's "Members" are now members of the Canadian Investment Regulatory Organization (CIRO) that are:

- investment dealers, referred to as Investment Dealer Members, and/or
- mutual fund dealers that are not exclusively located in Québec, referred to as Mutual Fund Dealer Members,

collectively referred to as Members.

CIPF provides protection to eligible customers of Members in the event of a Member insolvency.

CIPF protection is not available to customers with mutual fund dealer accounts located in Québec. A mutual fund dealer account is considered to be located in Québec for the purposes of CIPF protection if the office serving the customer is located in Québec.

CIPF continues to be funded by its Members through two separate funds to protect eligible customers, namely the Investment Dealer Fund and the Mutual Fund Dealer Fund.

2023

As a result of an initiative led by the Canadian Securities Administrators, former CIPF and the MFDA IPC were amalgamated as of January 1, 2023.

MESSAGE FROM THE CHAIR

Donna Howard,
Chair

With exceptional leadership from the CIPF Board and professional staff throughout 2022, CIPF assiduously prepared for the amalgamation with the MFDA IPC while ensuring that it continued to meet its core investor protection responsibilities.

The Board's major focus last year was on the extensive preparations for the amalgamation between CIPF and our mutual fund dealer counterpart by year end. This involved working closely with senior partners at the MFDA IPC, the CSA, the two SROs and external counsel.

With Board oversight, CIPF staff identified and prioritized critical operational considerations and developed harmonized solutions. These efforts included completing a transitional agreement between CIPF and the New Self-Regulatory Organization of Canada (renamed the Canadian Investment Regulatory Organization), enabling CIPF to fulfil its responsibilities while allowing appropriate consideration in developing a new operating agreement between the two organizations.

In all these matters, we continued to emphasize evolution – not revolution – to act in a measured and thoughtful way that aligns with industry trends. For the investor protection sector, the integration of the two organizations will offer more efficiency and consistency: there will be one "go-to" source to seek investor protection support in the unlikely event of a Member insolvency.

A top priority in 2022 was the selection of a new leader for the new organization, a task supported by work that the Board had undertaken previously to establish essential leadership attributes. Late in the year, the two Boards jointly announced that Toni Ferrari, a highly experienced financial services executive, would be the inaugural President & CEO of the new organization. The former CIPF's long-time and esteemed President & CEO, Rozanne Reszel, announced in June her planned retirement at year's end, but continued to lead in a manner that provided a remarkably durable foundation from which Toni and the Board could build an even stronger future. We were pleased that Odarka Decyk, who led the MFDA IPC, joined the new CIPF in an executive capacity.

Continuity of leadership and retaining complementary skills and specialized expertise are fundamental to delivering on CIPF's investor protection mandate. Accordingly, the Board of the new CIPF retained all members of the two precursor Boards. The unified Board initially comprised 15 members with the intention to reduce the size as term limits arise and I was confirmed as Chair.

Beyond guiding the decision-making and logistical processes needed to unify the two organizations and create a cohesive relationship among staff and Board members, CIPF also attended to other vital matters. Notably, in the ongoing monitoring of the development of risks to the financial services sector, we reaffirmed and communicated to all parties that crypto assets would not be eligible for coverage. We also reviewed the risk models of both organizations as the approach will need to evolve post-amalgamation. Finally, we determined that a key Board priority for the coming year would be to engage in a strategic planning exercise to begin in 2023 and continue into 2024.

When reflecting on how to conclude this message, I thought about the genuine pride I feel in an organization that punches above its weight, most recently in its response to COVID-19 and in preparing for the amalgamation. It reinforces my expectations in the ability of the new CIPF to respond to future challenges as the organization continues to play a vital role in preserving confidence in the Canadian investment sector.

Donna Howard
Chair

MESSAGE FROM THE PRESIDENT & CEO

Rozanne Reszel,
President & CEO

In 2022, CIPF progressed efficiently along dual tracks, consistently fulfilling its responsibility to protect investors, while also laying the foundation for a smooth integration with the MFDA IPC in 2023.

The past several years have presented a series of unique challenges, despite the fact that no bankruptcies have occurred in seven years. Not long after our half-century celebration in 2019, a global pandemic upended the world. We had to rapidly adapt and we did.

In 2022, as we transitioned from remote operations to a partial return to the office, our top priority was to implement the amalgamation with our counterpart mutual fund investor protection organization, the MFDA IPC. This occurred while ensuring constant readiness for administering potential bankruptcies, our core mandate.

The integration required total focus. Throughout this time, we collaborated regularly with senior CSA staff through the Operational Working Group, and with the two SROs (IIROC and MFDA). The CSA added a new dual registration category, to allow Members to combine investment dealer and mutual fund dealer activities under a single legal entity. We established two coverage funds: one designated exclusively for former MFDA-registered dealers; a second for those registered as investment dealers or dealers that hold a dual registration license.

Maintaining strong relationships is key to effective crisis preparedness. We continued to interact with our domestic stakeholders and international peers. At the same time, we intensified our communications outreach to clarify our role and reinforce awareness of CIPF coverage limits and exclusions (for example, crypto assets). We increased social media activity and produced new podcasts to enhance interest in our website content. I am pleased to report that our posts more than doubled and our audiences on LinkedIn, Twitter and Facebook grew by 31% throughout 2022.

As the year proceeded, the process to unify the two organizations, their Boards and staff unfolded smoothly. We obtained our approval orders and confirmed the organization’s English name would remain Canadian Investor Protection Fund (CIPF), but refined the French name to Fonds canadien de protection des investisseurs (FCPI). To fulfil new service delivery requirements, we hired staff members with comprehensive French language capabilities. In December, the Board announced that Toni Ferrari (a people-oriented financial services senior executive) would become the new President & CEO upon my retirement at the end of 2022.

My tenure with CIPF began in 1990; my appointment as President & CEO in 1998. Over that period, three of my initiatives have held milestone significance for me: Establishing $1 million of coverage, which is generous relative to other domestic and international funds; implementing a credit risk based model to allocate assessments and project liquidity resource requirements; and securing a place for CIPF at the policy-making table. These accomplishments were also made possible by the extensive work undertaken by our Board, executives and overseeing regulators throughout the years.

At a late-year reception recognizing my contribution to CIPF, I cited a proverb that I believe reflects well on my tenure: “If you want to go fast, go alone. If you want to go far, go together.” Whatever I may have done was realized because I had the support of a talented and committed team – our Board, executives and staff. It is they who will carry forward with CIPF’s important work that is a most gratifying legacy, one that will accompany me as I too move forward.

Rozanne Reszel
President & CEO

OVERVIEW AND CORPORATE GOVERNANCE PRACTICES

PROVIDING CONFIDENCE

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

As of December 31, 2022, 168 investment dealers across Canada had CIPF membership. All Investment Dealer Members were listed on the CIPF website. As of January 1, 2023, all Members, including 84 Mutual Fund Dealer Members, are now listed on the CIPF website.

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.

1969

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

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 the customer following the Member's insolvency. Missing property can include:

- Securities
- Cash balances
- Commodity and futures contracts
- Segregated insurance funds
- Other property described in the CIPF Coverage Policy

CIPF does not cover:

- Crypto assets
- Losses resulting from any of the following:
    1. a drop in the value of investments for any reason
    2. unsuitable investments
    3. fraudulent or other misrepresentations
    4. misleading information that was given
    5. important information that was not disclosed
    6. poor investment advice
    7. the insolvency or default of an issuer of securities
- Securities held directly by the customer
- Mutual funds registered in the customer's name and held directly at the mutual fund company
- 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.

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.

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, at January 1, 2022, the Board was comprised of 12 directors: five Industry Directors and five Public Directors, as well as the Chair (a Public Director) and the President & CEO. The Board was reduced to 10 Directors at the Annual General Meeting in March 2022, when Ms. La Forest and Ms. Geisler reached their maximum terms on the Board. The reduction in Board size, provided for in the CIPF by-laws, was implemented in preparation for the amalgamation of CIPF and the MFDA IPC on January 1, 2023. In connection with the amalgamation, the Boards of the former CIPF and the MFDA IPC were combined so that the existing Directors of both organizations are members of the new fifteen-member Board of Directors, including the new President & CEO.

SOUND CORPORATE PRACTICES

In 2022, as an annual practice, CIPF directors confirmed 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.

1987

The insolvency of Osler Inc. in 1987 was the largest insolvency in CIPF's history and prompted a review of CIPF by the Board and its advisors, and a restructuring of CIPF.

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 in 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.

The Board of Directors has additionally 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.

2022 CORPORATE GOVERNANCE REPORTING

The approved schedule for director compensation at December 31, 2022, was:

Board

Annual retainer

$15,000 per year

Chair of the Board

An additional $24,000 per year, comprised of the regular $12,000 per annum, plus an additional $12,000 in 2022 to reflect additional work related to the amalgamation with the MFDA IPC

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, Special Joint Committee (CEO Search Committee) $10,000 per year

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, Special Board meetings regarding the amalgamation and Committee meetings for the year ended December 31, 2022:

Director	Board Meetings	Special Board Meetings [1]	Committee Meetings	Board & Committee Meetings
Rita Achrekar	5/5	8/8	8/8	21/21
Ann Davis	4/5	7/8	8/8	19/21
Brigitte Geisler[2]	1/1	4/4	2/2	7/7
Donna Howard	5/5	8/8	4/4	17/17
Anne La Forest[3]	1/1	3/4	2/2	6/7
Pierre Matuszewski	5/5	8/8	8/8	21/21
Rozanne Reszel	5/5	8/8	14/14	27/27
Richard Rousseau	5/5	8/8	7/7	20/20
Sharon Sparkes	5/5	8/8	6/6	19/19
Douglas Stratton	5/5	8/8	7/7	20/20
Bernard Turgeon	5/5	8/8	7/7	20/20
Peter Virvilis	5/5	8/8	7/7	20/20

[1] Special Board meetings were held related to the amalgamation with the MFDA IPC.

[2] Ms. Geisler completed her term on the Board in March 2022.

[3] Ms. La Forest completed her term on the Board in March 2022.

COMMITTEE DUTIES

CIPF BOARD AT WORK

In 2022, the Board delegated certain duties to its Committees:

AUDIT, FINANCE & INVESTMENT COMMITTEE

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

DUTIES

- Reviews budgets relative to the goals and objectives for the year
- Oversees the investment policies
- Reviews financial statements and financial disclosures
- Reviews systems of internal controls over financial reporting and anti-fraud programs
- Reviews agreements that require a Board resolution and provides a recommendation to the Board, where appropriate
- 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 and risk mitigation, and reviews reports on cyber incidents and management responses
- Responsible for the Whistleblower Policy and its underlying procedures

Starting January 1, 2023, duties have been expanded to include the review of the expense allocation to the Investment Dealer and Mutual Fund Dealer Funds.

COVERAGE COMMITTEE

SIGNIFICANCE

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

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 appeal committee members for Board approval
- Oversees and provides guidance on insolvency proceedings, coverage-related litigation, and relevant post-mortem reporting
- Recommends 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 and provides guidance on CIPF communications initiatives

GOVERNANCE, NOMINATING & HUMAN RESOURCES COMMITTEE

SIGNIFICANCE

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

DUTIES

- Reviews Board skills matrix and gap analysis
- Recommends to the Board a process for identifying and recruiting potential future Board members
- Reviews and recommends to the Board the nominees for election as directors
- Approves orientation processes for new directors and oversees ongoing director development
- Reviews and recommends to the Board the compensation for directors
- Reviews the succession plan for the Chair and each Committee Chair
- Evaluates overall performance of the Board, each Committee and directors and reports to the Board
- Monitors corporate governance best practices, legislation and developments; furthers adoption of best corporate governance practices
- Oversees human resource policies and procedures, benefits and pension plans, and compliance with relevant regulatory requirements
- Reviews CIPF's senior management organizational structure, including the selection of the President & CEO and makes recommendations to the Board
- Recommends to the Board the annual performance goals and the annual performance and compensation of the President & CEO
- Reviews and approves the annual performance goals and the annual performance and compensation for officers
- Reviews critical risks under the Committee's authority and oversees the management controls, processes and succession plans
- Oversees succession planning for the President & CEO and senior management

INDUSTRY RISK COMMITTEE

(As of January 1, 2023, renamed RISK COMMITTEE)

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 of such resources

DUTIES

- Monitors and oversees the methodology used to determine CIPF's liquidity resource requirements and recommends changes to the CIPF Board for approval
- Reviews adequacy of available liquidity resources in relation to CIPF's target liquidity resources and the credit/liquidity-risk exposure to Investment Dealer (ID) Members
- Oversees the procedures CIPF has in place to monitor the adequacy of, and any changes to, the Canadian Investment Regulatory Organization Capital Requirements
- Monitors and oversees the procedures CIPF has in place to identify and respond to ID Members that may pose a risk to CIPF's available liquidity resources
- Recommends the annual assessment target to be paid by ID Members for Board approval
- Monitors and oversees the fair allocation of the annual assessment target to ID Members, as specified by the CIPF Assessment Policy, and allocates the assessment target approved by CIPF's Board
- 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 the policy and appeal procedures
- Hears and decides on ID Member assessment appeals on behalf of the Board
- Provides guidance on ID Members' insolvency-related issues, including non-coverage-related litigation
- Reviews the CIPF Enterprise Risk Management framework

Starting January 1, 2023, additional duties have been expanded to include overseeing the methodology to project liquidity resources and related assessments of the Mutual Fund Dealer Fund, reviewing the annual target assessment and monitoring its adequacy.

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 coverage and the date when the financial loss of a customer is determined. The CIPF Coverage Policy also establishes coverage limits. For more information about the CIPF Coverage 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 for transacting securities or commodity and futures contracts business, 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, and excludes crypto assets.

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.

1990

To more accurately reflect the organization's role, the name of the fund was changed from the National Contingency Fund to the Canadian Investor Protection Fund. For the first time, coverage limits for customers were formally defined and Board membership was broadened to include Public Directors.

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 for transacting securities or commodity and futures contracts business, and
- Property that is eligible for coverage being held by the Member on the customer's behalf is not returned to the customer following the Member insolvency.

2011-15

Between 2011 and 2015, CIPF dealt with four investment dealer member insolvencies: MF Global Canada Co., Barret Capital Management Inc., First Leaside Securities Inc. and Octagon Capital Corporation.

CIPF protection does not depend upon the residency or citizenship of the customer.

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

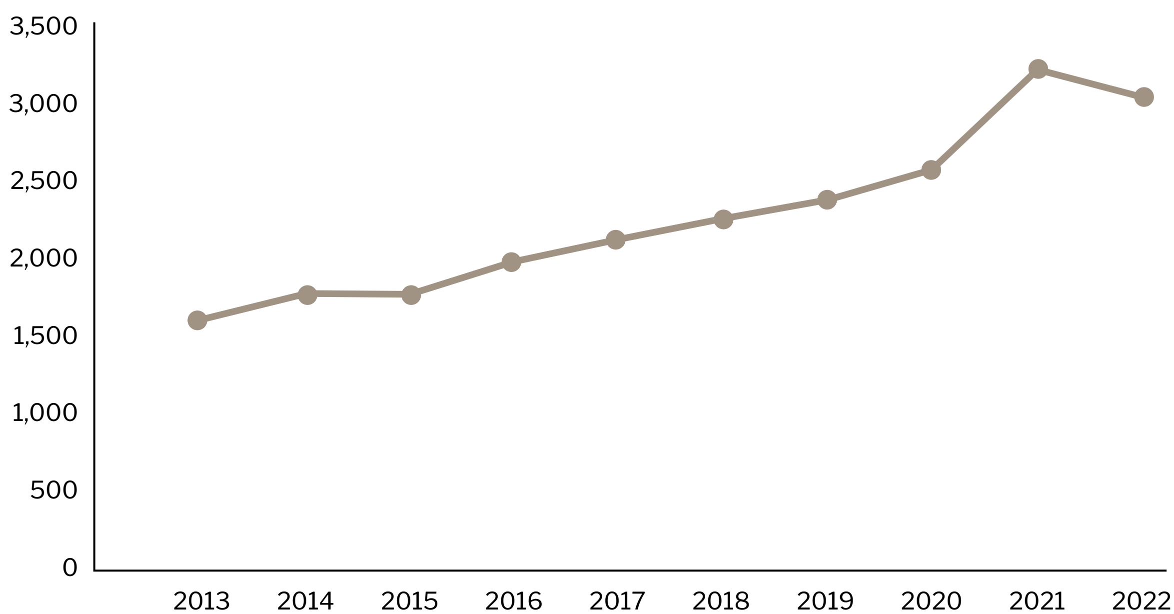
Information on the provision for claims and/or related expenses is provided in CIPF's financial statements, which are included in this Annual Report.

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.

Investment Dealer Members reported that net assets held for customers, a proxy for the property eligible for CIPF protection, were approximately $3.0 trillion at December 31, 2022.

NET CLIENT ASSETS REPORTED BY MEMBERS ($ BILLIONS)

AT DECEMBER 31, FOR THE YEARS 2013 TO 2022



INFORMING MEMBERS AND INVESTORS

Providing clear and accessible information about CIPF protection to Members, advisors, and investors is an ongoing priority for CIPF. CIPF's communications initiatives are intended to increase the level of awareness and education about CIPF among advisors and investors. For example, in 2022, we developed and executed a targeted social media strategy across LinkedIn, Twitter and Facebook.

The strategy was in response to the increased use of social media platforms as the primary way for investors and advisors to ask for and obtain information. Social media posts provide bite-sized information to investors and advisors about CIPF. This strategy has been a success, with significant increases in the size of the CIPF audience, as well as user engagement.

CIPF also offered two webcast training seminars: "CIPF and CDIC: Coverage and Disclosure" and "Overview of the Canadian Investor Protection Fund". These are both available on the CIRO website at www.iiroc.ca. The seminars are accredited for CIRO continuing education compliance programs for licensed individuals and offered in both English and French.

CIPF also released a short, animated video to explain CIPF coverage limits, including descriptions of separate and general accounts. This video was created to answer the most frequently asked questions about CIPF coverage, and is available on the CIPF website at www.cipf.ca.

The CIPF Podcast Channel is available on five different applications (Apple Podcasts, Google Podcasts, Spotify, Amazon Music and Deezer) with 16 published podcasts as of December 2022. In 2022, CIPF released the following four podcasts, two of which are available in both English and French: "Innovation in Financial Services," "International Perspectives: Best Practices for Compensation Funds," "Leading during Transformative Times" and "The Evolution of Fintech and the Way Forward." All CIPF podcasts are also available on the CIPF website.

CIPF continued to release regular e-blasts, including those focused on Investor Education Month, Financial Literacy Month, and Quarterly Resource Bundles.

CIPF continues to work closely with Members on compliance with the CIPF Disclosure Policy, which sets out requirements for disclosing CIPF membership.

PROMOTING AWARENESS OF INVESTOR PROTECTION

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

- The CIPF website, www.cipf.ca, provides information, including infographics, animated videos and case studies, about CIPF coverage.
- The CIPF website lists the legal entity names of all Members, so that investors can confirm that they are dealing with a CIPF Member and, as such, have CIPF protection.
- Investment Dealer Members must display the CIPF Decal at each business location where customers may visit.
- CIPF-related resources, including podcasts, advisor and investor series, infographics and case studies, are also available on the "Canadian Financial Literacy Database" operated by the Financial Consumer Agency of Canada. The Canadian Financial Literacy Database can be found at https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy.

2019

The Canadian Investor Protection Fund (CIPF) celebrated fifty years of service to investors since it was established in 1969. Having reached this milestone, CIPF remains steadfast in its commitment to fulfilling its mission and protecting investors.

CIPF is one of the sponsors for the web portal https://financeprotection.ca that aims to help Canadians find out how they are protected in the unlikely event that a Canadian financial institution fails. In 2022, a cross-organizational working group was established to redesign the web portal, and the new portal was launched in November 2022.

Questions about CIPF may be sent directly to info@cipf.ca. For complete CIPF contact information, please see the back cover.

LIQUIDITY RESOURCES

FINANCIAL STRENGTHS

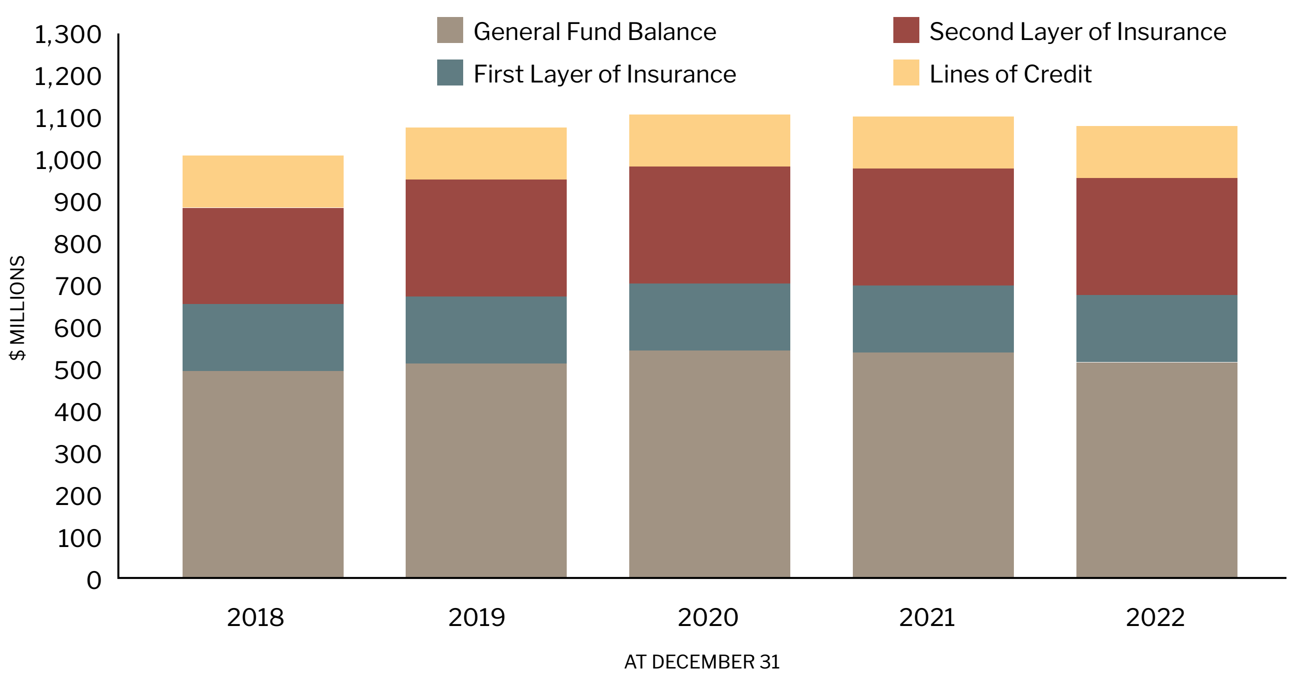
In 2022, the CIPF Board was responsible for the following in connection with Investment Dealer Members:

- Overseeing the ability of CIPF to meet its financial obligations to an Investment Dealer Member's customers if an insolvency were to occur
- Setting the annual Investment Dealer Member assessment target amount and determining how each Investment Dealer Member would be assessed
- Setting any additional assessments of Investment Dealer Members
- Approving the methodology, parameters, assumptions and calibrated inputs used by the credit risk based model to project the liquidity resource requirements needed to cover customer claims following the insolvency of an Investment Dealer Member

The CIPF credit risk based model is used to estimate the liquidity resources required to fulfil its mandate in respect to Investment Dealer Members. Key inputs into the model included quantitative and qualitative factors that estimated Investment Dealer Member insolvency risk and asset recovery risk. Investment Dealer Members with good corporate governance, profitability and capital generally presented less relative credit risk to CIPF.

In 2022, following a review and analysis, the Board approved a target liquidity resource level of $1.25 billion to fulfill CIPF's mandate with respect to Investment Dealer Members. CIPF's available liquidity resources for customer claims following the insolvency of an Investment Dealer Member, as at December 31, 2022, were $1.08 billion.

AVAILABLE LIQUIDITY RESOURCES 2018 TO 2022



CIPF POST-AMALGAMATION, AS OF JANUARY 1, 2023

The unaudited available liquidity resources to cover customer claims of insolvent members from the two types of Members were as follows:

- Investment Dealer Members totals $1.08 billion, and
- Mutual Fund Dealer Members totals $0.12 billion.

CIPF CAN DRAW ON SEVERAL LIQUIDITY RESOURCES TO PAY CUSTOMER CLAIMS OF INSOLVENT INVESTMENT DEALER MEMBERS

- The General Fund, which totalled $516.5 million as at December 31, 2022
- A primary insurance policy, which provides in the amount of $160 million in the annual aggregate, for losses in excess of $200 million in one year, and a second layer of excess insurance policy in the amount of $280 million for losses in excess of $360 million in one year
- Committed lines of credit from two Canadian chartered banks, totalling $125 million as at December 31, 2022
- The ability to assess Investment Dealer Members

The General Fund of $516.5 million at December 31, 2022, comprised the following:

- A portfolio of investments with a fair value of $519.2 million
- The net of all other assets and liabilities held by CIPF, which amounted to a net liability of $2.7 million

CIPF's Investment Policy for the General Fund is reviewed regularly by the CIPF Board.

This Investment Policy as at December 31, 2022 provided that all investment debt obligations must be issued or guaranteed by the Government of Canada or provincial or territorial governments. The policy required 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"

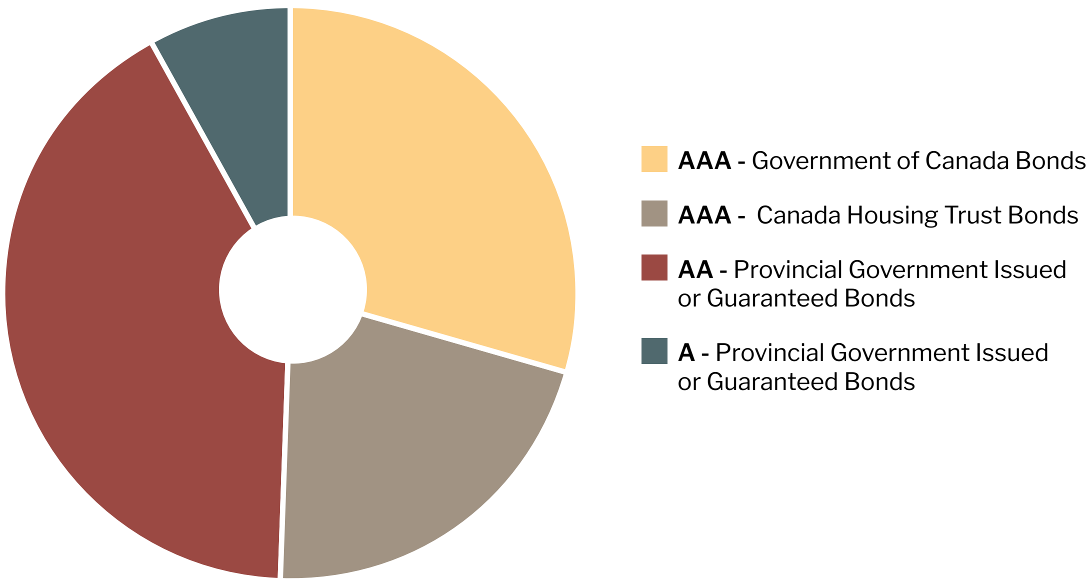
Effective January 1, 2023, with the amalgamation of CIPF and the MFDA IPC, CIPF established and now maintains two separate investment policies for the Investment Dealer Fund and the Mutual Fund Dealer Fund. These policies will be subject to regular review and approval by the CIPF Board.

CIPF INVESTMENT PORTFOLIO OF $519.2 MILLION (FAIR VALUE)

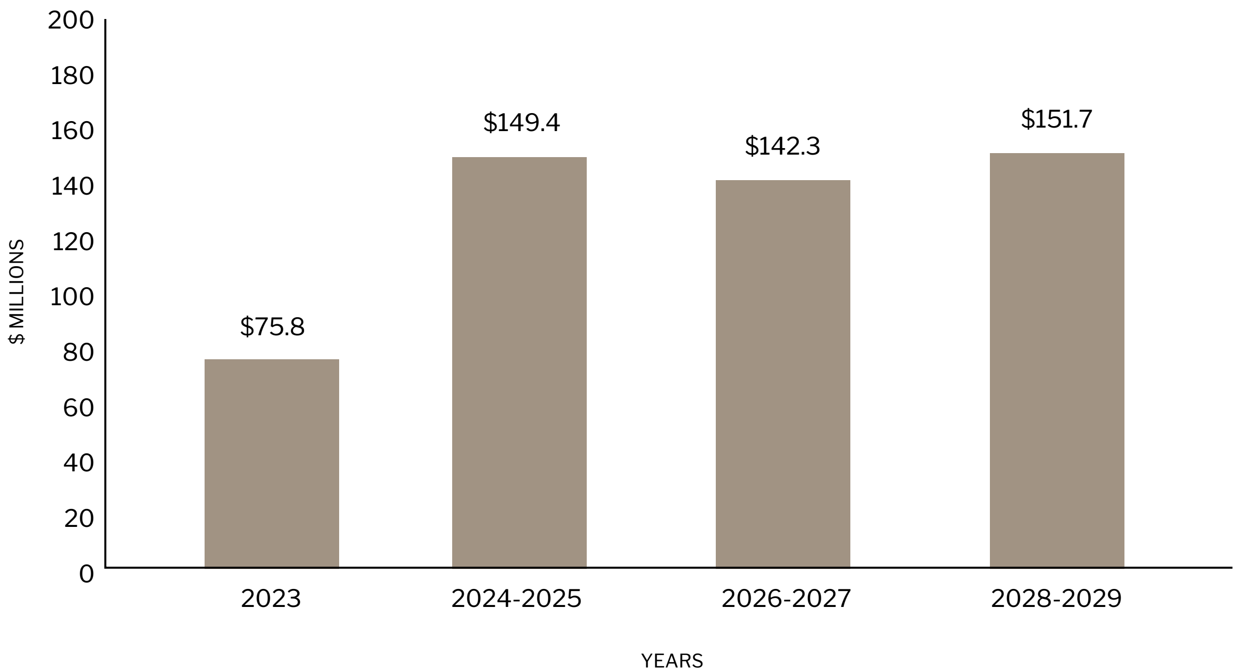
AT DECEMBER 31, 2022

DISTRIBUTION OF CREDIT RATINGS

AS RATED BY DBRS LIMITED



MATURITY BY YEAR



COMMENTARY ON FINANCIAL RESULTS

FINANCIAL REVIEW AND OUTLOOK

BALANCE SHEET

At December 31, 2022, CIPF held investments with a fair value of $519.2 million, that represented most of the total assets of $525.7 million. All investments are issued or guaranteed by the Government of Canada or provincial governments and are carried at fair value. The fair value of the investments is impacted by changes in interest rates. A hypothetical 100 basis point increase/decrease in interest rates would decrease/increase the fair value of the investments by $16.8 million (2021: $17.8 million). 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.

The balance in the General Fund at December 31, 2022 was $516.5 million, a decrease of $23.4 million over the prior year. The decrease resulted from the deficiency of revenues over expenses of $24.8 million, plus employee future benefits remeasurements of $1.6 million, less transfer to the Investment in Capital Assets Fund of $0.2 million.

The Investment in Capital Assets Fund was $0.4 million at December 31, 2022.

GENERAL FUND AT DECEMBER 31, 2022

The General Fund had net assets of $516.5 million at the end of 2022, a decrease of $23.4 million from the previous year.

REVENUES AND EXPENSES

CIPF had an excess of revenues over expenses before unrealized losses on investments in the General Fund of $11.4 million for the year ended December 31, 2022, compared to $12.8 million in 2021.

CIPF had unrealized losses during the year on investments due to the movement in market value of $36.2 million (2021: $17.8 million).

The net of the above resulted in a deficiency of revenues over expenses in the General Fund of $24.8 million for the year ended December 31, 2022, compared to a deficiency of $5.0 million in 2021.

There was no provision for claims and/or related expenses in 2022 or in 2021.

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

ASSESSMENTS IN 2022

The Board took the following steps to determine the regular quarterly assessments payable by Investment Dealer Members:

- The Board set 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 was then allocated based on each Member's relative risk, subject to a minimum assessment of $5 thousand annually and a maximum assessment of 1/4 % of a Member's gross revenue for the preceding four quarters.
- The Board approved assessment target in 2022 was $12.4 million versus $12.1 million in 2021. After allowing for minimum and maximum assessments, the net amount of regular assessments in 2022 was $12.6 million versus $12.3 million in 2021.

CIPF also assessed capital deficiency assessments of $20 thousand in 2022 (2021: $84 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 $260 thousand in 2022 (2021: $168 thousand) to Members that had high asset location risk, in accordance with the CIPF Assessment Policy.

INVESTMENT INCOME FOR 2022

The investment income at amortized cost for the year ended December 31, 2022 was $10.6 million, an increase of $5 thousand from 2021.

EXPENSES FOR 2022

Operating expenses in the General Fund for the year ended December 31, 2022, excluding integration costs, were $10.7 million, an increase of $0.4 million over the prior year. The increase is a result of higher salaries and employee benefits costs, communication costs, insurance costs and higher professional development, travel and meeting expenses as activities changed post pandemic. These increases were partially offset by decreases in professional fees and occupancy costs.

In addition to operating costs, CIPF incurred integration costs in the amount of $1.4 million in 2022 relating to the amalgamation of CIPF with MFDA IPC which was effective January 1, 2023. Integration costs included legal and other professional fees, personnel and consulting, additional insurance costs, directors fees and expenses and branding and CEO search fees.

The integration costs incurred in 2022 will be recovered by CIPF, as described in the December 9, 2022 memo to all Members: "New Investor Protection Fund – Integration Cost Recovery Assessment Model Guidelines".

OUTLOOK FOR 2023

As a result of the amalgamation of CIPF and the MFDA IPC on January 1, 2023, the Unrestricted Fund held by the MFDA IPC at December 31, 2022 became the Mutual Fund Dealer Fund at January 1, 2023. All investments held by the Mutual Fund Dealer Fund will be recorded at fair value as at January 1, 2023 (previously the bond portfolio was recorded at amortized cost). This change was made to align the accounting policies of the former CIPF and the MFDA IPC and resulted in a decrease in the investments held of $2.6 million to reflect fair value at January 1, 2023. As a result, the Mutual Fund Dealer Fund at January 1, 2023 is $50.5 million. The General Fund that was held by CIPF at December 31, 2022 of $516.5 million became the Investment Dealer Fund at January 1, 2023.

The former CIPF and the MFDA IPC Boards approved assessments of $14.4 million to be made in 2023, comprising $1.5 million to be assessed to Mutual Fund Dealer Fund members and $12.9 million to be assessed to Investment Dealer Fund members.

Investment income at amortized cost is forecast to be $12.73 million in 2023, comprising $1.23 million in the Mutual Fund Dealer Fund and $11.5 million in the Investment Dealer Fund. The difference between fair value and amortized cost will be reflected in the Statement of Revenues and Expenses and will be a function of interest rates.

The 2023 forecast for operating expenses is $12.91 million, of which $1.49 million is for the Mutual Fund Dealer Fund and $11.42 million is for the Investment Dealer Fund.

In addition to operating expenses, integration costs are forecast to be $0.88 million in 2023 to manage and complete integration initiatives. The forecast includes communication costs for branding, legal costs for negotiating a new Industry Agreement and other integration matters, project management and consultant costs.

The integration costs incurred in 2023 will be recovered by CIPF, as described in the December 9, 2022 memo to all Investment Dealer Members: “New Investor Protection Fund – Integration Cost Recovery Assessment Model Guidelines” and in the MFDA IPC Bulletin #0923-M dated December 9, 2022.

Deloitte.

Deloitte LLP
Bay Adelaide East
8 Adelaide Street West
Suite 200
Toronto ON M5H 0A9
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

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, 2022, 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, 2022, and its results of 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.

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.

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 23, 2023

Canadian Investor Protection Fund

Balance Sheet

as at December 31, 2022

(In thousands of dollars)

	2022	2021
	$	$
Assets		
Current assets		
Cash	**2,156**	1,117
Prepaid insurance and recoverables	**669**	601
Investments, at fair value (Note 4)	**519,229**	545,321
Member assessments receivable	**3,228**	3,138
	525,282	550,177
Tangible capital assets (Note 5)	**213**	283
Software development (Note 5)	**171**	57
	525,666	550,517
Liabilities		
Current liabilities		
Payables and accruals	**738**	591
Deferred lease inducements	**29**	29
	767	620
Long-term deferred lease inducements	**27**	56
Employee future benefits (Note 7)	**8,008**	9,641
	8,802	10,317
Fund balances		
Investment in Capital Assets Fund	**384**	340
General Fund	**516,480**	539,860
	516,864	540,200
	525,666	550,517

Approved by the Board

______________________________ Director

______________________________ Director

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

Canadian Investor Protection Fund

Statement of Revenues and Expenses and Changes in Fund Balances
for the year ended December 31, 2022
(In thousands of dollars)

	General Fund	Investment in Capital Assets Fund	**2022 Total**	2021 Total
	$	$	**$**	$
Revenues				
Regular assessments	12,622	-	**12,622**	12,275
Assessments for capital deficiencies	20	-	**20**	84
Assessments for asset location	260	-	**260**	168
Investment income	10,637	-	**10,637**	10,632
	23,539	-	**23,539**	23,159
Expenses				
Salaries and employee benefits (Note 7)	5,375	-	**5,375**	5,159
Bank lines of credit fees and insurance premium	2,467	-	**2,467**	2,444
Other operating costs	531	-	**531**	360
Directors' fees, travel and education	450	-	**450**	422
Professional fees	433	-	**433**	582
Occupancy	368	-	**368**	395
Communications	347	-	**347**	278
Computer server hosting and maintenance	334	-	**334**	280
Pension and other employment benefits (Note 7)	283	-	**283**	271
Amortization of tangible capital assets and software development	-	178	**178**	160
Custodial fees	124	-	**124**	129
Total expenses before the undernoted item	10,712	178	**10,890**	10,480
Integration costs (Note 1)	1,406	-	**1,406**	-
	12,118	178	12,296	10,480
Excess (deficiency) of revenues over expenses before the undernoted item	11,421	(178)	**11,243**	12,679
Unrealized losses on investments	(36,184)	-	**(36,184)**	(17,886)
Deficiency of revenues over expenses	(24,763)	(178)	**(24,941)**	(5,207)
Fund balances, beginning of year	539,860	340	**540,200**	544,431
Deficiency of revenues over expenses	(24,763)	(178)	**(24,941)**	(5,207)
Transfer to the Investment in Capital Assets Fund for additions	(222)	222	**-**	-
Employee future benefits remeasurements (Note 7)	1,605	-	**1,605**	976
Fund balances, end of year	516,480	384	**516,864**	540,200

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

Canadian Investor Protection Fund

Statement of Cash Flows
for the year ended December 31, 2022
(In thousands of dollars)

	2022	2021
	$	$
Operating activities		
Deficiency of revenues over expenses	**(24,941)**	(5,207)
Items not affecting cash		
Amortization of tangible capital assets and software development	**178**	160
Amortization of deferred lease inducements	**(29)**	(29)
Interest accrued	**319**	(49)
Bond premium amortization	**4,659**	5,014
Unrealized losses on investments	**36,184**	17,886
Employee future benefits remeasurements	**1,605**	976
Changes in non-cash working capital		
Prepaid insurance and recoverables	**(68)**	(32)
Member assessments receivable	**(90)**	(79)
Payables and accruals	**147**	133
Employee future benefits	**(1,633)**	(1,017)
	16,331	17,756
Investing activities		
Purchases of capital assets	**(222)**	(77)
Purchases of investments	**(90,933)**	(88,848)
Proceeds from maturities and sales of investments	**75,863**	71,294
	(15,292)	(17,631)
Increase in cash during the year	**1,039**	125
Cash, beginning of year	**1,117**	992
Cash, end of year	**2,156**	1,117

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

(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.

Effective January 1, 2023, CIPF amalgamated with the MFDA Investor Protection Corporation ("MFDA IPC"). Separately, IIROC and the Mutual Fund Dealers Association ("MFDA") amalgamated into the New Self-Regulatory Organization of Canada ("New SRO"). The purpose of the CIPF-MFDA IPC amalgamation is to create one investor protection fund to provide protection to clients of members of the New SRO. The continuing entity, following the amalgamation, has retained the CIPF name in English. The French name was changed to Fonds canadien de protection des investisseurs ("FCPI"). The first fiscal year end of the new CIPF will be December 31, 2023. Costs incurred in the year ended December 31, 2022 related to the amalgamation are:

Legal and other professional fees	$ 882
Insurance	160
Directors' fees and expenses	156
Personnel/Consulting	113
Branding and CEO search fees	95
Total	$1,406

The integration costs will be recovered by CIPF, as described in the December 9, 2022 memo to all Members: "New Investor Protection Fund – Integration Cost Recovery Assessment Model Guidelines".

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, lines of credit, 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.

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.

3. Summary of significant accounting policies (continued)

The Industry Agreement provides for a limit on assessments in any quarter such that no Member shall be assessed more than 1/4% of its aggregate gross revenue for the preceding four quarters (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.

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 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.

(In thousands of dollars, unless otherwise noted)

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, 2022. The weighted average yield to maturity of the portfolio at December 31, 2022 is 3.94% (2021 – 1.22%).

					2022	2021
	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	**9,804**	**19,231**	**47,953**	**76,327**	**153,315**	134,987
Yield	**4.51%**	**4.06%**	**3.44%**	**3.27%**	**3.50%**	1.17%
Canada Housing Trust bonds	**25,868**	**74,317**	**-**	**9,825**	**110,010**	146,429
Yield	**4.59%**	**4.20%**	**0.00%**	**3.71%**	**4.25%**	1.00%
Provincial bonds	**40,154**	**55,872**	**94,384**	**65,494**	**255,904**	263,905
Yield	**4.59%**	**4.23%**	**3.88%**	**3.90%**	**4.07%**	1.37%
	75,826	**149,420**	**142,337**	**151,646**	**519,229**	545,321

5. Tangible capital assets and software development

			2022
	Cost	**Accumulated amortization**	**Net book value**
	$	**$**	**$**
Office furniture and equipment	**332**	**307**	**25**
Leasehold improvements	**591**	**444**	**147**
Computers	**279**	**238**	**41**
Tangible capital assets	**1,202**	**989**	**213**
Software development	**1,677**	**1,506**	**171**

			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

(In thousands of dollars, unless otherwise noted)

6. Committed bank lines of credit and insurance

CIPF has committed lines of credit provided by two Canadian chartered banks totalling $125 million (2021 – $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 (2021 – $160 million) in the annual aggregate, in respect of losses to be paid by CIPF in excess of $200 million (2021 – $200 million) in the event of Member insolvency. CIPF has arranged a second layer of insurance in the amount of $280 million (2021 – $280 million) in respect of losses to be paid in excess of $360 million (2021 – $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.

The most recent actuarial valuations of the pension and the health benefit plans for accounting purposes were made on December 31, 2022.

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 and health benefit plans	
	2022	2021
	%	%
Discount rate	**4.9**	2.9

For measurement purposes, medical and drug claims assumed to increase by 11% in 2023, grading down to 5.0% over six years and dental claims assumed to increase by 9% in 2023, grading down to 5% per year over four years.

In addition to these plans, the salaries and employee benefits expense on the Statement of Revenues and Expenses and Changes in Fund Balances includes $0.25 million (2021 – $0.22 million) related to CIPF's contribution to the Group RSP plan.

(In thousands of dollars, unless otherwise noted)

8. Lease commitments

At December 31, 2022, CIPF has future minimum annual lease commitments of $471 (2021 – $748) for office space and information technology services as follows:

	$
2023	249
2024	222
	471

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

9. 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.

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 minimum and maximum exposures to any one province or territory to diversify exposures to provincial and territorial credit relative to the FTSE Canada Provincial bond index. The investment policy 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, are as follows:

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 $16.8 million (2021 – $17.8 million).

9. Financial instruments (continued)

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 (2021 – $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, 2022 and 2021, 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.

BOARD OF DIRECTORS

DECEMBER 31, 2022

Rozanne Reszel, Rita Achrekar, Ann Davis, Peter Virvilis, Richard Rousseau, Douglas Stratton, Pierre Matuszewski, Donna Howard, Bernard Turgeon, Sharon Sparkes

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

PUBLIC DIRECTORS

Ann Davis [1*, 3]
FCPA, FCA

Toronto, Ontario
Former Partner, KPMG LLP
(joined April 2017)

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

St. John's, Newfoundland and Labrador
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)

INDUSTRY DIRECTORS

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

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

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]

Saint-Lambert, 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)

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

CIPF SENIOR MANAGEMENT

AS AT DECEMBER 31, 2022

Rozanne Reszel FCPA, FCA, CFA, ICD.D President & CEO	**Linda Pendrill** CPA, CA CFO	**Joseph Campos** CFA, FRM Vice-President, Industry Risk	**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.

INTRODUCING OUR NEW PRESIDENT & NEW BOARD MEMBERS

AS OF JANUARY 1, 2023

INCOMING PRESIDENT & CEO

Toni Ferrari
CPA, CA
President & CEO

MESSAGE

It is my honour to lead the new CIPF as its inaugural President & CEO.

As a result of the amalgamation, CIPF now protects eligible customers of both investment dealers and mutual fund dealers that are members of the Canadian Investment Regulatory Organization (CIRO). This consolidation of investor protection funds in Canada marks an important step in CIPF's evolution.

Recognizing this pivotal change to the organization, CIPF's top priorities in 2023 include:

- Integrating policies, operational processes, and resources of CIPF's predecessor organizations,
- Collaborating with CIRO on a new operating agreement between the two organizations,
- Enhancing strategies to manage risk of loss to CIPF's Investment Dealer Fund and Mutual Fund Dealer Fund,
- Ensuring CIPF is continuously ready to deal with an insolvency, including having adequate liquidity resources available, and
- Continuing to raise awareness among investors and advisors regarding CIPF's role, mandate and coverage.

During this next phase of CIPF's journey, I will continue to work closely with the CIPF Board, officers and staff, as well as our regulatory partners and key stakeholders to ensure that CIPF fulfils its critical investor protection responsibilities.

A. Ferrari

Toni Ferrari
Incoming President & CEO

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

INCOMING DIRECTORS

Dawn Russell [2, 3*]
LL.B
Public Director
Vice-Chair of the CIPF Board
Former Chair of the MFDA IPC Board

Donald Murray [1, 3]
Public Director
Former MFDA IPC Board Member
Former Chair & CEO of the Manitoba Securities Commission

Walter Pavan [1, 4]
CPA, CA
Public Director
Former MFDA IPC Board Member

Sean Etherington [2*, 4]
Industry Director
Former MFDA IPC Board Member

André Langlois [1,4]
FSA, FCIA
Industry Director
Former MFDA IPC Board Member

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

Design: C|GROUP www.cgroupdesign.com

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