CIPF

Canadian Investor Protection Fund

2023 Annual Report

Evolving

Responding

Protecting

This year's Annual Report cover depicts a strong, powerful arrow moving across the page. The design expresses how CIPF is focused on moving forward with purpose, emerging from the amalgamation as a stronger protection fund, better equipped to protect investors in Canada.

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.

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Message from the Chair

For the CIPF Board, 2023 was an important transition year following the amalgamation of the Former CIPF and MFDA Investor Protection Corporation (MFDA IPC) on January 1 and a change in leadership. Our focus was on the ongoing integration to support a stronger foundation and ensure that CIPF is prepared to fulfil its role in providing protection for Canadian investors in the event of a member insolvency.

The joint background efforts and cooperation of leadership and the Boards of the two predecessor organizations preceding the amalgamation supported an aligned vision and a seamless integration. The productive environment it fostered owes much to the engaged leadership of the new President and CEO, Toni Ferrari, and the initiative and strong commitment of the CIPF team, as well as the guidance of an engaged and diversified Board to bring everyone together with a shared focus. At the same time, the unwavering commitment to investor protection was maintained. No insolvency occurred during the year, but CIPF was and is fully prepared to respond in such an event.

CIPF had established ambitious objectives, aspiring to achieve full integration in all material respects as soon as possible. This concentrated resources on the most critically significant tasks CIPF faced. Progress has been made on a new Cooperative Operating Agreement (COA) governing the bilateral relationship with the Canadian Investment Regulatory Organization (CIRO). Meanwhile, a transitional agreement is serving effectively in an interim capacity. Additionally, initial groundwork essential for the strategic planning exercise was undertaken. Both of these vitally important measures continue to be at the top of the CIPF agenda for 2024.

CIPF has continued to benefit from the broad expertise of the Directors from the two predecessor Boards, particularly during this transition year, with corporate memory, diverse expertise and guidance shared throughout this challenging first year. The gradual reduction in Board size from 15 began in March as the former Chair of the MFDA IPC, Dawn Russell, elected to leave. Douglas Stratton and Pierre Matuszewski will complete their terms this year. Both of these individuals have made meaningful contributions, and on behalf of the Board, I would like to express my gratitude. With further departures, including my own anticipated in 2025, the Board will have vacancies, so succession planning moves to the forefront of our responsibilities.

Though I am conscious of the complexities and challenges that lie ahead, I am heartened by the strength of the organization, and more importantly of its people. Toni and her dedicated team, and our well-focused Board, have made it possible to respond to the challenges of today and to prepare effectively for those we foresee for the future. I am confident that CIPF will continue to play a fundamental role in preserving confidence in Canada's investment sector.

Donna Howard
Chair

Message from the President and CEO

During 2023, CIPF undertook significant initiatives to unify two predecessor organizations, integrate their Boards, staff and resources, and pursue a path forward. CIPF proceeded on multiple fronts strengthening our foundation, aligning best practices across the two predecessors and modernizing our organization as it fulfils its mandate of protecting Canadian investors.

Combining the Former CIPF and the MFDA IPC – each with a distinct mandate, risk models and organizational and operational differences – into a single unit with a shared focus and culture, required top-to-bottom execution. This foundational work was pursued vigorously and smoothly by the executive team and staff, and was a significant accomplishment, even as the work continues in 2024.

On integration, we instituted a renewed focus on ensuring constant bankruptcy vigilance, readiness and management, updating our insolvency "playbook" and participating in simulation exercises with CIRO and the Canadian Derivatives Clearing Corporation. In a similar vein, CIPF updated its Business Continuity Plan and cyber-risk plan and the executive team participated in a cyber attack simulation. We also centralized the corporate secretarial function and enhanced our HR and training capabilities, including cross-training to reduce key person reliance.

On a strategic level, we adapted CIPF coverage and assessments for new mutual fund dealer introducing/investment dealer carrying broker arrangements working with CIRO, as well as for dual registrants working with the Autorité des marchés financiers (AMF). We also worked very closely with CIRO and our respective Boards toward establishing a new Cooperative Operating Agreement, defining how two independent organizations work together to safeguard investors while minimizing the regulatory burden to the industry. Work on this important initiative will be a focus in 2024.

As we continued bringing CIPF together into a well-functioning organization, we also looked ahead to identify future enhancements. These included considering refinements in risk assessment and modelling, scenario planning and liquidity management. We continue to explore if, when and how the two existing pools of funds should be merged. For the industry, we remain committed to deliver adequate coverage while minimizing costs.

Our active engagement with peer organizations internationally, as well as domestically, is essential in an interconnected investing world and a source of pride: we led the steering committee for a meeting of global protection funds in Budapest and, domestically, we hosted the 2023 Finance Protection Forum. Our communications outreach continued to clarify our role, including the nature and limits on the protection we provide, via podcasts and social media posts.

CIPF is well regarded by its international peers as an effective compensation fund that maintains confidence in the capital markets. I am certain that we – our highly engaged and supportive Chair and Board, capable executive team and hard-working staff – will continue to fulfil our mission purposefully. The journey to attain that goal is ongoing; I am honoured to lead it.

Toni Ferrari
President and CEO

CIPF's Role in the Canadian Regulatory System

FIRST YEAR AS MERGED ENTITY

Prior to 2023, there were two compensation funds in Canada for the investment industry:

- Former Canadian Investor Protection Fund (Former CIPF) – since 1969, the approved compensation fund for investment dealers regulated by the Investment Industry Regulatory Organization of Canada (IIROC)
- MFDA Investor Protection Corporation (MFDA IPC) – since 2002, the approved compensation fund for mutual fund dealers regulated by the Mutual Fund Dealers Association of Canada (MFDA)

Both compensation funds were approved by the Canadian Securities Administrators (CSA). The CSA is the umbrella organization of Canada's provincial and territorial securities regulators. Each regulator is responsible for promoting investor protection and fair and efficient capital markets.

On August 3, 2021, the CSA announced its plan to create a new, single self-regulatory organization (new SRO) that would provide enhanced regulation of the investment industry. The new SRO would consolidate the functions of IIROC and MFDA. As part of this initiative, the Former CIPF and the MFDA IPC would be combined into an integrated investor protection fund, which would be independent of the new SRO.

As of January 1, 2023, the Former CIPF and the MFDA IPC were amalgamated to form a new investor protection fund: the Canadian Investor Protection Fund (CIPF)/Fonds canadien de protection des investisseurs (FCPI). At the same time, IIROC and MFDA were amalgamated to form a new self-regulatory organization, which later adopted the name Canadian Investment Regulatory Organization (CIRO)/Organisme canadien de réglementation des investissements (OCRI).

SINCE 1969, THERE HAVE BEEN

23 Member insolvencies

involving claims to CIPF or its predecessor organizations. All eligible customers with missing property have had their property returned to them by CIPF within the limits and the guidelines of the Former CIPF and MFDA IPC Coverage Policies.

CIPF's Role in the Canadian Regulatory System

CIPF provides protection to CIRO Members which are:

- investment dealers, referred to as Investment Dealer Members, and/or
- mutual fund dealers, referred to as Mutual Fund Dealer Members

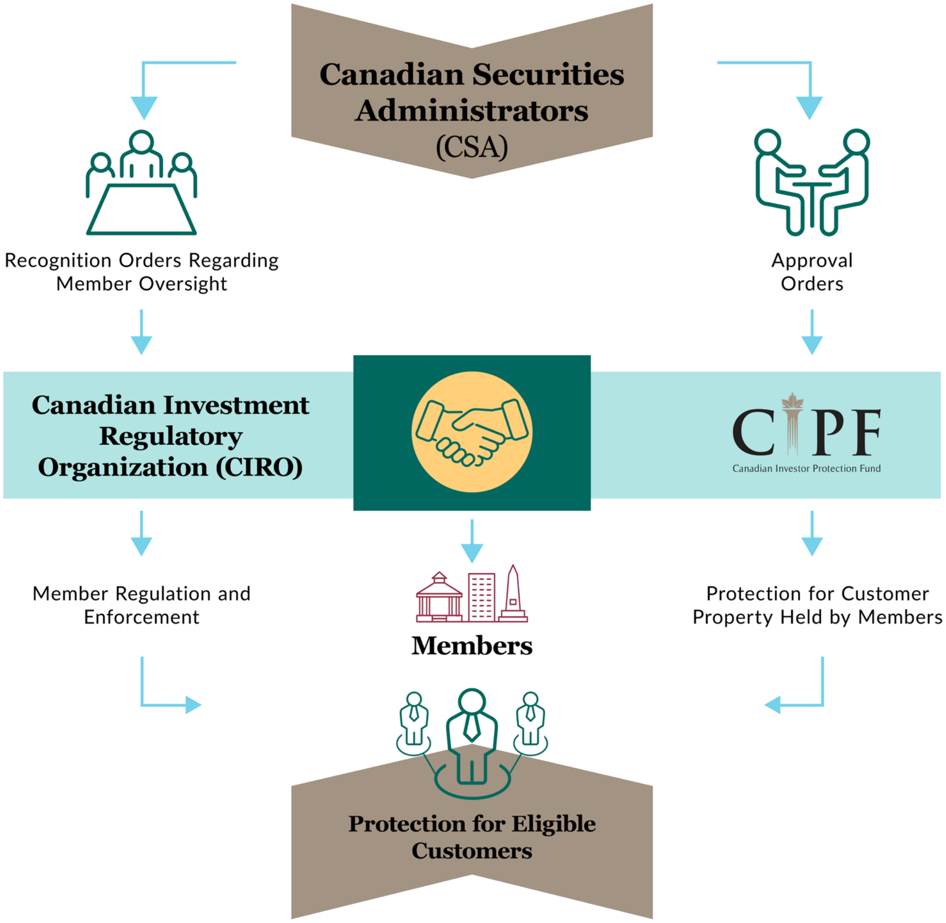
(collectively, referred to as Members or individually as Member).

As of December 31, 2023, customers of 167 investment dealers and 84 mutual fund dealers across Canada were eligible for CIPF coverage. All Members are listed on the CIPF website.

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

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

- As articulated in provincial or territorial approval orders (Approval Orders), CIPF is approved by all CSA members as the investor protection fund for CIRO Members. A Memorandum of Understanding (MOU) among CSA members set out the terms of their oversight framework for CIPF. CIPF's mandate and responsibilities are established through these documents.
- The Industry Agreement between the Former CIPF and IIROC and the Services Agreement and Information Sharing Agreement between the MFDA IPC and the MFDA, each as modified by the Transitional Agreement between CIPF and CIRO, establish the respective responsibilities of CIPF and CIRO. It is the intention of CIPF and CIRO to negotiate and enter into a new Cooperative Operating Agreement (COA).



2023 Year in Review

During 2023, CIPF worked toward integrating policies, processes and resources of the two predecessor organizations (namely the Former CIPF and the MFDA IPC).

CIPF COMPLETED THE FOLLOWING KEY STRATEGIC INITIATIVES LAST YEAR:

- All four officers from CIPF's predecessors were retained, ensuring leadership continuity as CIPF continues to benefit from their knowledge and experience. In September, CIPF instituted a new organizational structure, which has empowered us to maximize staff learning and development opportunities and strengthen internal processes. As part of the new structure, a standalone Membership Team was created to lead the ongoing monitoring of both member firms that could pose a risk to the fund, the assessment process and the insolvency readiness program for both Investment Dealer Members and Mutual Fund Dealer Members.
- In addition to the organizational structure, CIPF enhanced Human Resources capabilities to support a greater emphasis on developing and engaging its staff to foster a fully integrated culture, as well as to support various HR initiatives, such as the new succession planning process implemented for the executive team.
- We pursued longer-term integration projects, such as an alignment of CIPF's investment strategies. In addition, CIPF made significant progress in establishing a new consolidated and enhanced Enterprise Risk Management (ERM) Framework, which aims to formalize standards and practices in order to set a consistent approach to managing CIPF's enterprise risks. Lastly, CIPF commenced its work to assess whether and how the Investment Dealer Fund's credit-risk based model could be applied to the Mutual Fund Dealer Fund.
- CIPF also continued to work with stakeholders on new regulatory initiatives that arose as a result of the merger. In 2023, we confirmed with the Autorité des marchés financiers (AMF) that CIPF coverage is available for Members who are registered

as both investment dealers and mutual fund dealers (Dual Registered Investment Dealer Members) in Québec, and the CIPF Board approved a new assessment methodology based on new mutual fund dealer introducing/investment dealer carrying broker arrangements.

- We continued to reinforce strong relationships with other domestic and international compensation funds. We led the Steering Committee of investor compensation schemes (ICS) to hold an in-person global protection funds meeting in Budapest in May 2023. In November, we hosted the 2023 Finance Protection Forum with delegates from other domestic compensation funds, including the Canada Deposit Insurance Corporation (CDIC).
- CIPF made progress towards achieving a new COA with CIRO. In December 2023, the CIPF Board of Directors established an *ad hoc* Board subcommittee to negotiate any remaining matters in 2024.

EXECUTIVE TEAM

Back row, left to right

Joseph Campos, CFA, FRM
SVP & Chief Risk Officer

Linda Pendrill, CPA, CA
SVP, CFO & Corporate Services

Odarka Decyk, CPA, CA
SVP, Membership

Front row, left to right

Ilana Singer, LL.B
SVP, Legal, Policy & Corporate Secretary

Toni Ferrari, CPA, CA
President & CEO

Biographical information about each executive team member is available on the CIPF website at www.cipf.ca.

2024 Year at a Glance

With a strong foundation set in 2023, and direction from our Board and the executive team, CIPF's top priorities in 2024 include the following:

1) 3-YEAR STRATEGIC PLANNING

One of CIPF's priorities is to develop the CIPF Strategic Plan 2025-2027 and communicate the strategy to its stakeholders. As part of this process, CIPF will also review its mission statement for continued relevance with CIPF's mandate as well as the evolving industry and regulatory framework.

2) ENHANCING INSOLVENCY READINESS FOR INVESTMENT DEALERS AND MUTUAL FUND DEALERS

With guidance from the Membership Team, a number of initiatives are already underway, which will be continued in 2024:

- Working to advance the risk management program of Mutual Fund Dealer Members and continuing to coordinate with the AMF on formalizing a collaborative framework for integrating Québec mutual fund dealers.
- Advancing the CIPF insolvency readiness program and training CIPF staff to manage an insolvency within the provisions of our new structure.
- Enhancing an insolvency "playbook" to better define and formalize roles, responsibilities and processes for effective insolvency management.

3) PEOPLE STRATEGY AND CULTURE

CIPF will continue its people strategy initiative and evolve the culture to be one that values accountability, collaboration, learning, and continuous improvement in an inclusive environment that celebrates success. As part of evolving its people culture, CIPF will emphasize staff training and development – both technical training with respect to mutual fund and investment dealers, as well as soft skills training. In addition, CIPF will extend its new succession planning process for key staff of the organization.

4) CONTINUING THE INTEGRATION ACTIVITIES

CIPF will continue to advance on the longer-term integration projects. This will include alignment of investment policies of our two funds as well as the implementation of the enhanced ERM Framework. We will also continue to review the credit-risk based model that currently underpins the Investment Dealer Fund, so that we can more precisely determine the Liquidity Resource Requirements that we need. Lastly, we will continue the work to determine if the merger of the two funds would be appropriate.

5) OPERATIONAL RESILIENCY

To ensure that CIPF is operationally equipped to carry out its mandate with minimal interruptions, CIPF will continue its efforts to enhance its cybersecurity and its business continuity and disaster recovery planning, including conducting a cyber simulation with the executive team and the Board.

6) REINFORCING STRONG RELATIONSHIPS WITH ALL KEY CIPF STAKEHOLDERS

CIPF will look to finalize the COA with CIRO. Maintaining strong relationships with our international counterparts remains essential to staying on top of global trends and common issues that investor protection funds face. CIPF will continue to actively participate in meetings of international and domestic compensation schemes.

CIPF Coverage

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 AND DOES NOT COVER

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 and cash equivalents
- Commodity and futures contracts
- Segregated 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, unless it is otherwise in the custody or control of the Member.
- Other exclusions identified in the CIPF Coverage Policy

CIPF protection is also not available to customers for a mutual fund dealer account located in Québec, unless the Member is also registered as an investment dealer. A mutual fund dealer account is considered to be located in Québec for the purposes of CIPF coverage if the office serving the customer is located in Québec.

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.

BETWEEN 2011 AND 2015, THE PREDECESSOR ORGANIZATIONS OF CIPF DEALT WITH

five Member insolvencies:

– MF Global Canada Co.

– Barret Capital Management Inc.

– First Leaside Securities Inc.

– W.H. Stuart Mutuals Ltd.

– Octagon Capital Corporation

COVERAGE LIMITS

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, FHSAs 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. To determine whether a claim is eligible, CIPF considers the following "Three Points of Eligibility":

- **Eligible Customer:** Generally all customers of the insolvent firm are considered to be eligible, unless they are on the list of ineligible customers. Ineligible customers include a director of the firm or an individual who contributed to the firm's insolvency.
- **Eligible Account:** The account must be held with a Member, disclosed in the records of the firm, and used for transacting securities or commodity and futures contracts business.

- **Eligible Property:** Property that is eligible for coverage, held by the Member on the customer's behalf, and is not returned to the customer following the Member's insolvency. Eligible property includes cash and securities and excludes crypto assets.

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

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 the Former CIPF was established in 1969 and MFDA IPC in 2002, all eligible customers with missing property have had their property returned to them within the limits defined in the Former CIPF and MFDA IPC Coverage Policies. 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 its Coverage Policy.

WORKING WITH MEMBERS AND OTHER STAKEHOLDERS TO PROTECT CUSTOMERS

CIPF engages in risk management activities to minimize the likelihood of losses, which includes conducting risk analysis associated with Members and identifying Members that may be in financial difficulty and that could pose a risk to either funds. Throughout this process, CIPF works collaboratively with CIRO.

CIPF is also responsible for the determination of CIPF assessments for all Investment Dealer Members, including Dual Registered Investment Dealer Members, and Mutual Fund Dealer Members.

The CIPF insolvency readiness program covers the entire bankruptcy claims process, from confirming an insolvency, to assessing if coverage is applicable, to appointing and managing a trustee, and co-ordinating its activities within CIPF as well as with external stakeholders, such as CIRO and the CSA. CIPF leads and participates in insolvency simulation exercises with CIRO, the CSA and other industry participants (such as CDS and CDCC) to ensure that all parties are aware of respective roles and responsibilities when a Member is in financial difficulty.

Investment Dealer Members reported that net assets held for customers, a proxy for the property eligible for CIPF protection, were approximately $3.3 trillion at December 31, 2023. Mutual Fund Dealer Members reported that the assets under administration were approximately $673 billion.

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.

In 2023, CIPF continued to execute a targeted social media strategy across LinkedIn, Twitter and Facebook. The strategy is 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 a webcast training seminar: "CIPF Coverage: Demystifying Common Myths". It is available on the CIRO website at www.ciro.ca. The seminars are accredited for CIRO continuing education compliance programs for licensed individuals and offered in both English and French.

In addition, CIPF released a short, animated video to explain CIPF's "Three Points of Eligibility" – eligible customer, eligible account and eligible property. The video has an accompanying infographic which provides the key information on each point of eligibility, both of which are 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 19 published podcasts as of December 2023. In 2023, CIPF released the following three podcasts: "Resilient Leadership," "Financial Innovation from a Global Perspective: Part II," and "Regulating Financial Innovation." All CIPF podcasts are also available on the CIPF website.

CIPF continued to release regular e-blasts, including those focused on Investor Education Month, new CIPF Brochure release, 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 and coverage.

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 www.canada.ca/en/financial-consumer-agency/programs/financial-literacy.

CIPF is one of the sponsors for the web portal www.financeprotection.ca, that aims to help Canadians find out how they are protected in the unlikely event that a Canadian financial institution fails.

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

Corporate Governance Practices

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.

BOARD COMPOSITION

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 became members of the CIPF Board of Directors. As of January 1, 2023, the Board was comprised of 15 directors: President & CEO, six Industry Directors and eight Public Directors, including the Chair. The Board was reduced to 14 directors in March 2023, when Ms. Dawn Russell resigned from the Board.

SOUND CORPORATE PRACTICES

In 2023, as an annual practice, CIPF directors confirmed that they have read and complied with the CIPF Code of Conduct for Directors. The CIPF Code of Conduct for Directors requires compliance with the following, among others:

- Disclosing any actual or potential conflicts of interest to the Chair or Board at large
- Considering each existing or proposed activity, appointment, or commercial arrangement to determine whether it might be an actual or potential 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 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.

2023 CORPORATE GOVERNANCE REPORTING

The approved schedule for director compensation as at December 31, 2023 for all Public and Industry Directors (which excludes President & CEO) was:

Board

Annual Retainer
$15,000 per year

Chair of the Board
$12,000 per annum, plus for 2023, an additional $12,000 to reflect additional work related to integration activities

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, 2023:

Director	Attendance at Board Meetings	Attendance at Committee Meetings
Rita Achrekar	5/5	6/6
Ann Davis	5/5	6/6
Sean Etherington	5/5	3/4
Toni Ferrari	5/5	10/10
Donna Howard	5/5	4/4
André Langlois	5/5	3/4
Pierre Matuszewski	5/5	6/6
Donald Murray	5/5	6/6
Walter Pavan	5/5	4/4
Richard Rousseau	5/5	4/4
Dawn Russell	1/1	2/2
Sharon Sparkes	5/5	4/4
Douglas Stratton	5/5	6/6
Bernard Turgeon	5/5	4/4
Peter Virvilis	5/5	4/4

In December 2023, the CIPF Board of Directors established an *ad hoc* Board subcommittee to help guide negotiations with CIRO regarding any outstanding matters on the COA. The subcommittee (comprised of Donna Howard, Ann Davis, Sean Etherington, Donald Murray and Peter Virvilis) held one meeting in 2023. The COA subcommittee members will receive the above Committee meetings fees and out-of-town travel fees.

COMMITTEE DUTIES

CIPF Board at Work

In 2023, the Board delegated certain duties to its Committees:

Audit, Finance & Investment Committee:
is responsible for reviewing the integrity of financial reporting and disclosure, the associated accounting policies, internal controls, and compliance and legal regulatory requirements. The Audit, Finance & Investment Committee also assesses the financial and investment risks that CIPF is exposed to and ensures that adequate management controls are in place to minimize such risk.

Governance, Nominating & Human Resources Committee:
is responsible for reviewing the effectiveness of CIPF's corporate governance system and the human resource issues that CIPF is exposed to and ensuring that adequate management controls and processes are in place to minimize such risks. It also recommends the nominees for election as Directors of CIPF to the Board.

Coverage Committee:
is responsible for recommending Coverage Policy and Disclosure Policy changes to the Board, supervising insolvency proceedings and related litigation, and for the oversight of the claims process. It also oversees CIPF's communications initiatives.

Risk Committee:
is responsible for monitoring the adequacy of the two segregated funds' resources in relation to the credit-risk each is exposed to due to the failure of a Member. It also ensures procedures are in place to monitor the adequacy of SRO Capital Requirements and to identify and respond to Members that may pose a risk to CIPF's available liquidity resources. In addition, the Risk Committee oversees and monitors CIPF's management of enterprise risks as well as recommends changes to CIPF's Assessment Policies and related Procedures to the Board.

BOARD OF DIRECTORS

December 31, 2023

Toni Ferrari, Rita Achrekar, Ann Davis, Walter Pavan, Peter Virvilis, Richard Rousseau, André Langlois, Douglas Stratton, Pierre Matuszewski, Sean Etherington, Donald Murray, 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

Toni Ferrari
CPA, CA
Toronto, Ontario
(joined January 2023)

PUBLIC DIRECTORS

Ann Davis[3,4*]
FCPA, FCA
Toronto, Ontario
Former Partner, KPMG LLP
(joined April 2017)

Donald Murray[1,3*]
LLB
Winnipeg, Manitoba
Former Chair & CEO of the Manitoba Securities Commission
(joined October 2020)

Walter Pavan[1,4]
CPA, CA
Mississauga, Ontario
Former CFO of Scotia Asset Management L.P.
(joined October 2020)

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)

Sean Etherington[2*,4]
Toronto, Ontario
EVP and Co-head of Canadian Wealth for CI Financial and President of CI Assante Wealth Management
(joined May 2018)

André Langlois[1,4]
FSA, FCIA
Montréal, Québec
President of Desjardins Financial Security Investments Inc. and Senior Vice-President, Independent Network, Sales and Distribution
(joined February 2022)

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[1,2]
Saint-Lambert, Québec
Former 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 Risk Committee
*Committee Chair

Biographical information about each Director is available on the CIPF website at www.cipf.ca.

Liquidity Resources

FINANCIAL STRENGTHS

In 2023, the CIPF Board was responsible for the following in connection with Investment Dealer and Mutual Fund Dealer Members:

- Overseeing the ability of CIPF to meet its financial obligations to a Member's customers if an insolvency were to occur
- Setting the annual assessment target amounts for each of the dealer categories and determining how each Member would be assessed
- Setting any additional assessments for Members
- Approving the methodologies, parameters and assumptions used to project the Liquidity Resource Requirements needed to cover customer claims following the insolvency of either an Investment Dealer Member or a Mutual Fund Dealer Member

Investment Dealer Fund Liquidity Resources

The CIPF credit-risk based model is used to estimate the liquidity resources required to fulfil CIPF's mandate with 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 2023, following a review and analysis, the Board approved a target liquidity resource level of $1.25 billion to fulfil 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, 2023, were $1.1 billion. To obtain a more precise projection of the Liquidity Resource Requirements for the Investment Dealer Fund, CIPF is requesting additional data from Investment Dealer Members in order to more accurately reflect the magnitude of the assets subject to CIPF coverage.

Mutual Fund Dealer Fund Liquidity Resources

CIPF performs annual reviews to assess the adequacy of the liquidity resources required to fulfil its mandate with respect to Mutual Fund Dealer Members. The annual review considers quantitative and qualitative measures such as the Members' assets under administration and trends and risk factors relevant to the Mutual Fund Dealer Members. In addition, observations and recommendations resulting from periodic reviews of the fund size by a third party are incorporated into CIPF's annual review.

In 2023, following a review and analysis, the Board approved a target liquidity resource level of $120 million to fulfil CIPF's mandate with respect to Mutual Fund Dealer Members allowing the Mutual Fund Dealer Fund to grow organically once the target liquidity was met. CIPF's available liquidity resources for customer claims following the insolvency of a Mutual Fund Dealer Member, as at December 31, 2023, were $123 million.

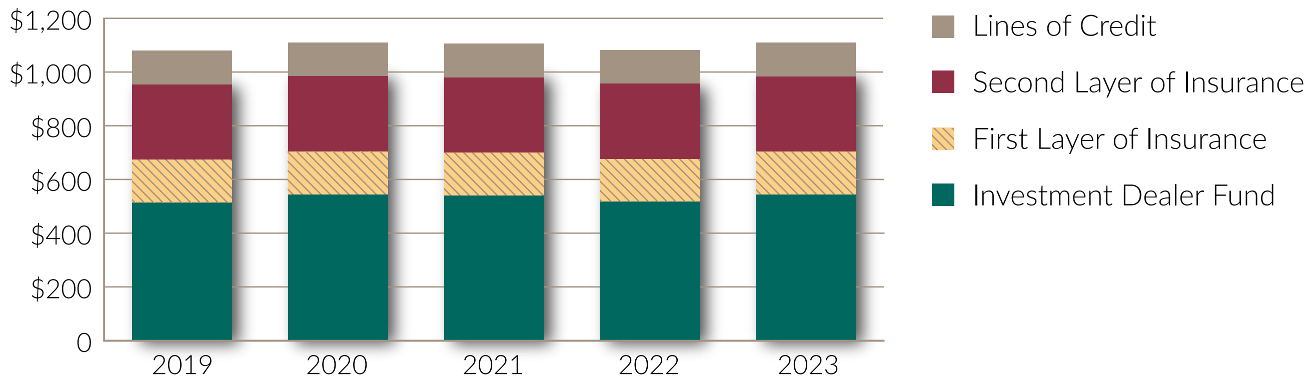
AVAILABLE LIQUIDITY RESOURCES 2019 TO 2023

In addition to the Investment Dealer Fund and the Mutual Fund Dealer Fund, CIPF also has for liquidity committed lines of credit and insurance for each of the Investment Dealer Fund and Mutual Fund Dealer Fund.

AVAILABLE LIQUIDITY RESOURCES 2019 TO 2023

Investment Dealer Fund

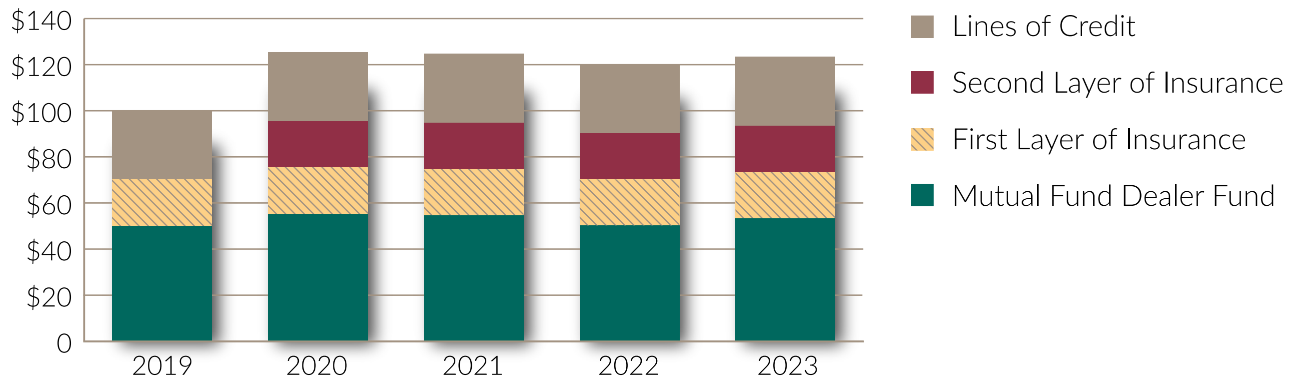
At December 31 ($ Millions)



AVAILABLE LIQUIDITY RESOURCES 2019 TO 2023

Mutual Fund Dealer Fund

At December 31 ($ Millions)



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

The Investment Dealer Fund is available to satisfy potential claims for coverage under the CIPF Coverage Policy by customers of Members duly registered under Canadian securities legislation in the category of "investment dealer" or in the categories of both "investment dealer" and "mutual fund dealer". The Mutual Fund Dealer Fund is available to satisfy potential claims for coverage under the CIPF Coverage Policy by customers of Members duly registered under Canadian securities legislation in the category of "mutual fund dealer".

Liquidity Resources: Investment Dealer Fund

In addition to the ability to assess Investment Dealer Members, there are three core components comprising the total liquidity resources available in the event of an insolvency of an Investment Dealer Member:

- The Investment Dealer Fund, which totalled $543.3 million as at December 31, 2023, and is primarily comprised of a portfolio of investments with fair value of $545.7 million and net liabilities over the other assets in the amount of $2.4 million
- 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, 2023

Liquidity Resources: Mutual Fund Dealer Fund

In addition to the ability to assess Mutual Fund Dealer Members, there are three core components comprising the total liquidity resources available in the event of an insolvency of a Mutual Fund Dealer Member:

- The Mutual Fund Dealer Fund, which totalled $53.3 million as at December 31, 2023, and was primarily comprised of a portfolio of investments with a fair value of $51.7 million and net other assets over liabilities of $1.6 million
- A primary insurance policy, which provides in the amount of $20 million in the annual aggregate, for losses in excess of $30 million in one year, and a second layer of excess insurance policy in the amount of $20 million for losses in excess of $50 million in one year
- A committed line of credit from a Canadian chartered bank, in the amount of $30 million as at December 31, 2023

Liquidity Resource: Investment Portfolios

CIPF maintains separate investment portfolios for each of the Investment Dealer Fund and Mutual Fund Dealer Fund. The Board approves the respective investment policies for the Investment Dealer Fund and Mutual Fund Dealer Fund, and regularly reviews the portfolios' holdings for compliance with the respective policies.

Investment Dealer Fund

The Investment Dealer Fund Investment Policy as at December 31, 2023 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"

Mutual Fund Dealer Fund

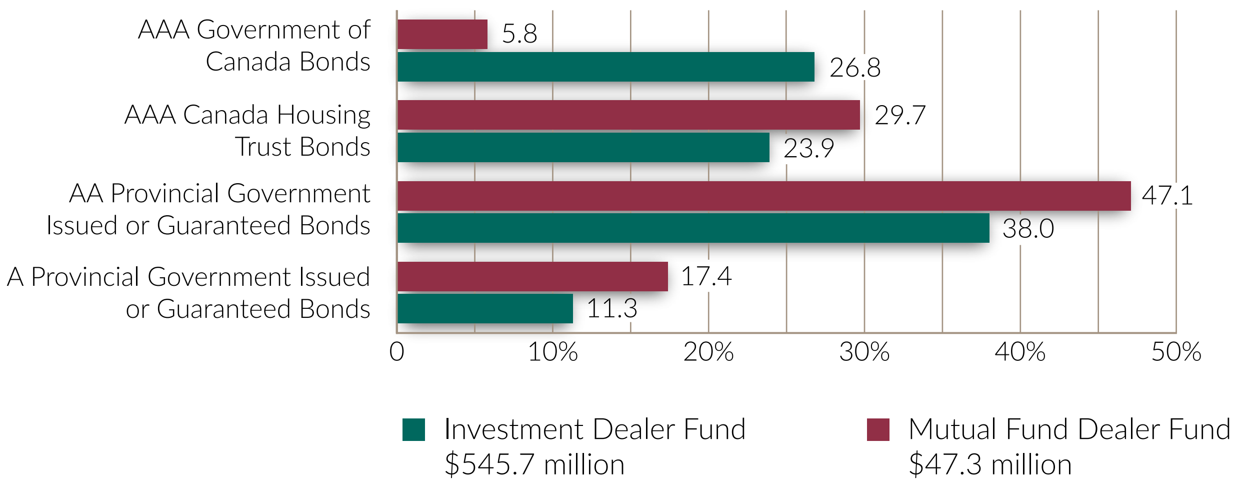
The Mutual Fund Dealer Fund Investment Policy provided that investments must be in highly liquid Canadian or provincial government guaranteed debt obligations that mature over a 10-year period except for up to 10% of the portfolio which may be invested in certain corporate fixed income instruments (or pooled funds or similar investment vehicles comprised primarily of such instruments) measured on the basis of market value, denominated and payable in Canadian dollars.

The Mutual Fund Dealer Fund investment policy limits the exposure to individual investments, such as limiting the maximum portfolio exposure to a single province to 20%.

CIPF FIXED INCOME INVESTMENT PORTFOLIOS (FAIR VALUE)

Distribution of Credit Ratings

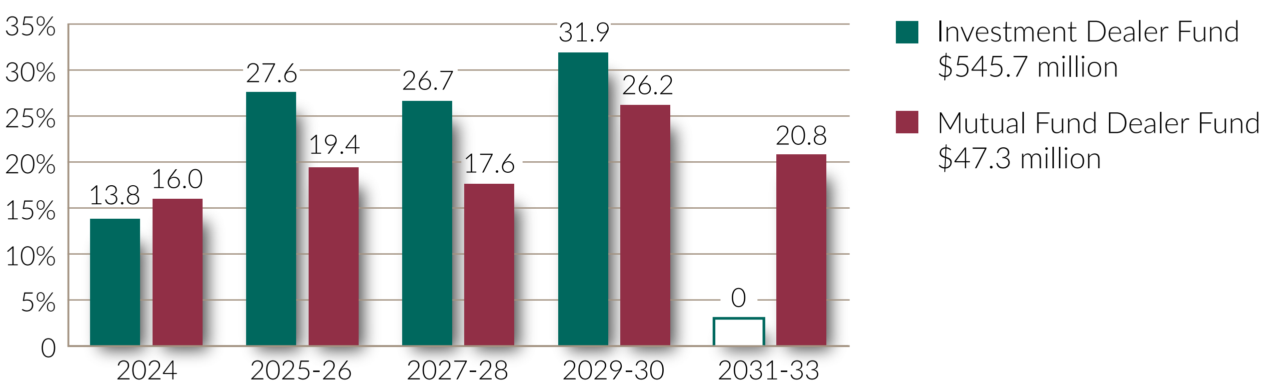
As rated by DBRS Limited
At December 31, 2023 (Percentage %)



CIPF FIXED INCOME INVESTMENT PORTFOLIOS (FAIR VALUE)

Maturity by Year

At December 31, 2023 (Percentage %)



Commentary on Financial Results

FINANCIAL REVIEW AND OUTLOOK

Balance Sheet

As a result of the amalgamation of the Former CIPF and the MFDA IPC on January 1, 2023, the Unrestricted Fund held by 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 were 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 $2.9 million to reflect fair value at January 1, 2023. As a result, the Mutual Fund Dealer Fund at January 1, 2023 was $50.2 million. The General Fund that was held by the Former CIPF at December 31, 2022 of $516.5 million became the Investment Dealer Fund at January 1, 2023.

At December 31, 2023, CIPF held an investment portfolio for the Investment Dealer Fund and an investment portfolio for the Mutual Fund Dealer Fund with a combined fair value of $597.5 million, representing most of CIPF's total assets of $606.0 million as at December 31, 2023. The Investment Dealer Fund and Mutual Fund Dealer Fund investments accounted for 91% and 9%, respectively, of total investments.

The two fixed income investment portfolios comprise investments that 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 fixed income securities by $18.2 million in the Investment Dealer Fund and $1.9 million in the Mutual Fund Dealer Fund for a total of $20.1 million (2022: $18.5 million). CIPF's investment policies are to hold fixed income investments until maturity, unless required to make a payment in accordance with the mandate of CIPF or as directed by the Board. A small portion, 9%, of the Mutual Fund Dealer Fund investment portfolio is invested in mutual funds that are primarily invested in fixed income corporate debt instruments.

INVESTMENT DEALER FUND

$543.3 million in net assets

at the end of 2023, an increase of $26.8 million from the previous year.

The balance in the Investment Dealer Fund at December 31, 2023 was $543.3 million, an increase of $26.8 million over the prior year. The increase resulted from the excess of revenues over expenses of $27.3 million, less employee future benefits remeasurements of $0.3 million, and the transfer to the Investment in Capital Assets Fund of $0.2 million.

MUTUAL FUND DEALER FUND

$53.3 million in net assets

at the end of 2023, an increase of $3.1 million from the previous year.

The balance in the Mutual Fund Dealer Fund at December 31, 2023 was $53.3 million, an increase of $3.1 million over the prior year which was attributable to the excess of revenues over expenses of $3.1 million.

The Investment in Capital Assets Fund was $0.3 million at December 31, 2023.

Revenues and Expenses

CIPF had an excess of revenues over expenses before unrealized gains on fixed income investments of $15.1 million for the year ended December 31, 2023, compared to $10.7 million in 2022. CIPF had unrealized gains during the year on fixed income investments due to the movement in market value of $15.0 million (2022: $40.1 million losses). The net of the above resulted in an excess of revenues over expenses of $30.1 million for the year ended December 31, 2023, compared to a deficiency of $29.4 million in 2022.

CIPF generated revenue from assessments to Members of CIRO and from investment income on the Investment Dealer Fund and Mutual Fund Dealer Fund investment portfolios.

Assessments in 2023

As directed by the CSA in its Approval Orders of CIPF, the methodologies applied to assessments for each category of Member remained consistent with the respective predecessor protection funds. As a result, total regular assessments were $15.0 million in 2023 compared to combined regular assessments of Former CIPF and MFDA IPC of $14.2 million in 2022, representing a 5.6% increase.

Investment Dealers

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 is then allocated based on each Member's relative risk, subject to a minimum assessment of $5 thousand annually and a maximum quarterly assessment of ¼% of a Member's gross revenue for the preceding four quarters.
- The Board approved assessment target in 2023 was $12.9 million versus $12.4 million in 2022. After allowing for minimum and maximum assessments, the net amount of regular assessments in 2023 was $13.3 million versus $12.6 million in 2022.

CIPF also assessed capital deficiency assessments of $61 thousand in 2023 (2022: $20 thousand) to Investment Dealer Members that incurred capital deficiencies in any month pursuant to CIRO rules, in accordance with the CIPF Investment Dealer Assessment Policy.

CIPF levied asset location assessments of $412 thousand in 2023 (2022: $260 thousand) to Investment Dealer Members that had high asset location risk, in accordance with the CIPF Investment Dealer Assessment Policy.

Mutual Fund Dealers

The Board sets the annual assessment of Mutual Fund Dealer Members to cover operating costs incurred by or allocated to the Mutual Fund Dealer Fund. Assessments for Mutual Fund Dealer Members were established in the normal course of the annual budgeting process and approved by the CIPF Board. The regular assessments are calculated as a percentage of the two-year average Assets Under Administration (AUA) based on AUA data reported by Members. AUA for assessment purposes excludes customer accounts of Members located in Quebec as no coverage is provided for these accounts as per the Coverage Policy.

Regular assessments in 2023 were $1.7 million, versus $1.6 million in 2022.

Investment Income for 2023

Investment income is primarily comprised of interest and accretion of the bond premiums and discounts earned on the two investment portfolios at amortized cost. It also includes distributions and realized and unrealized gains and losses from mutual funds held in the Mutual Fund Dealer Fund investment portfolio. The investment income for the year ended December 31, 2023 was $13.6 million, an increase of $2.1 million from 2022. The 19% increase is attributable to an increase in the yield of fixed income investments at amortized cost, as bonds at lower yields matured and new investments were purchased at higher yields.

Operating Expenses

Total operating expenses for the year ended December 31, 2023, excluding integration costs, were $13.2 million, an increase of $0.9 million over the prior year. The increases in expenses were primarily a result of additional staff to support strategic initiatives implemented to create a unified, effective and efficient investor protection fund to align with the CSA's vision outlined in its August 3, 2021, position paper. These initiatives included:

- Committing extensive staff resources and engaging external legal counsel with negotiating an updated Industry Agreement, the COA, with CIRO. 50% of costs relating to the negotiation of the COA with CIRO are integration costs with the remaining 50% being attributed to regular operating expenses that benefit all Members. Efforts to finalize the COA will continue into 2024 and the costs will be charged 100% to operating expenses
- Commencement of longer term key initiatives including: (i) alignment of investment strategies for the two funds; (ii) a Fit-for-Purpose Assessment of the credit-risk based model for mutual fund dealers; and (iii) a new Enterprise Risk Management Framework
- Significant education and advocacy efforts by CIPF on new regulatory initiatives resulting from the merger including dual registrations and new introducing/carrying broker arrangements between investment dealers and mutual fund dealers
- Broadening stakeholder engagement by leading the Steering Committee of International Investor Compensation Schemes (ICS) tasked with organizing the annual international ICS conference; and hosting the 2023 domestic Finance Protection Forum for Canadian protection funds
- Focused staff training on mutual fund dealer operations and related regulatory processes
- Dedicated efforts to integrate day to day activities and bring those that were previously provided by the MFDA in-house

Allocation of Expenses

Total expenses, excluding integration costs, comprise $11.4 million and $1.5 million attributable to the operations of the Investment Dealer Fund and the Mutual Fund Dealer Fund, respectively, and $0.3 million in the Capital Assets Fund.

The Board approved an allocation method for both operating and integration costs to facilitate proper assessment allocations, between the Investment Dealer Fund and Mutual Fund Dealer Fund. Direct costs are separately captured for the Investment Dealer Fund and Mutual Fund Dealer Fund with indirect costs being allocated to each fund using a cost allocation model based on the respective costs of the predecessor organizations. Specifically, direct costs include costs associated with fund liquidity resources such as excess insurance premiums, credit facilities and investment management and custody fees. Indirect or shared costs, which are predominantly comprised of salaries and employee benefits, occupancy costs, director fees, communications and professional fees, were allocated 91% to the Investment Dealer Fund and 9% to the Mutual Fund Dealer Fund.

Integration Costs

In addition to operating costs, CIPF incurred total integration costs in the amount of $0.8 million compared to $2.9 million in 2022 and $0.2 million in 2021, relating to the amalgamation and integration of CIPF with MFDA IPC. Integration costs included legal and other professional fees, contract and additional staffing resources, directors fees and expenses, branding and CEO search fees.

Professional fees included engaging an external consultant to review roles and responsibilities of executives and other senior staff and implementing a new structure designed to maximize staff learning and development and strengthen internal processes. In addition, 50% of costs relating to the negotiation of the COA with CIRO are integration costs.

Integration costs were being tracked and attributed to the fund, Investment Dealer Fund and/or Mutual Fund Dealer Fund, for which they were incurred. The method used to allocate shared operating expenses was also used to allocate shared integration costs between the funds. Specifically, direct costs were allocated to the fund to which they related and indirect costs were split 91% to the Investment Dealer Fund and 9% to the Mutual Fund Dealer Fund.

As described in the December 9, 2022 communication to all Members: "New Investor Protection Fund – Integration Cost Recovery Assessment Model Guidelines", integration costs incurred relating to the amalgamation will be recovered from certain CIRO Members and will include all costs incurred to December 31, 2023.

CIPF Investment Dealer Assessment Policy and the CIPF Mutual Fund Dealer Assessment Policy set out the special integration assessment policies applicable to the respective Member category. Integration assessments will be levied on affiliated Investment Dealer Members and Mutual Fund Dealer Members, and Dual Registered Investment Dealer Members, over a five year period commencing in Q1 2024, in order to recover the integration costs incurred.

Integration costs incurred, which will be recovered from affiliated and Dual Registered Investment Dealer Members, were $2.2 million for the Investment Dealer Fund and $1.7 million for the Mutual Fund Dealer Fund.

OUTLOOK FOR 2024

CIPF commences fiscal 2024 with total net assets of $597.0 million. The Investment Dealer Fund had 91% of the total net assets, or $543.3 million and the Mutual Fund Dealer Fund had total net assets of $53.3 million at the beginning of fiscal 2024.

The CIPF Board approved regular assessments of $15.4 million to be made in 2024, comprising $13.5 million to be assessed to Investment Dealer Members and $1.9 million to be assessed to Mutual Fund Dealer Members. In addition, ⅕th of the integration costs incurred relating to the amalgamation and integration of CIPF and MFDA IPC, will be recovered from the affiliated mutual fund dealers and affiliated and Dual Registered Investment Dealer Members through the commencement of the special integration assessments. Total integration assessments are expected to be $0.78 million, comprising $0.43 million to be recovered to the Investment Dealer Fund and $0.35 million to be recovered to the Mutual Fund Dealer Fund.

Investment income at amortized cost is forecast to be $13.63 million in 2024, comprising $12.4 million in the Investment Dealer Fund and $1.23 million in the Mutual Fund 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 2024 forecast for operating expenses is $14.84 million, of which $13.0 million is forecast for the Investment Dealer Fund and $1.84 million is forecast for the Mutual Fund Dealer Fund.

Operating expenses for 2024 are budgeted to be 12.5% higher than actual costs incurred in 2023 in order to continue with the strategic initiatives that commenced in 2023. Increased salaries and benefit costs are expected in 2024 in support of the new organization structure. In addition, consulting and other professional fees relating to the integration of Former CIPF and MFDA IPC continue into 2024, but will now be incurred as operating expenses to CIPF rather than recovered separately as integration costs from certain Members.

One key objective for CIPF in the coming year is the finalization of the COA with CIRO which will replace the transitional agreement and other agreements with the legacy organizations. In fiscal 2024, CIPF will also be focusing on: developing a new three-year strategic plan; a review of the potential merger of funds, including developing the credit-risk based model to be suitable for Mutual Fund Dealer Members; a review of coverage policies with respect to new products (for example, crypto assets) and arrangements (for example, introducing/carrying brokers); information technology with a focus on cyber security, business continuity and disaster recovery plans and a data governance framework; and a continued review of its processes and policies relating to the respective funds, with a view to enhancing overall efficiencies and effectiveness by aligning them where appropriate. CIPF will also be entering into a new lease commitment in fiscal 2024 for office space that will be suitable for its operational requirements post-pandemic and post-merger.

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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, 2023, 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, 2023, 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 1 to the financial statements, which explains that the Organization was formed on January 1, 2023, through a statutory amalgamation of the former Canadian Investor Protection Fund and the MFDA Investor Protection Fund and that the comparative figures presented for December 31, 2022 are unaudited. Our opinion is not modified in respect of this matter.

As part of our audit of the financial statements for the year ended December 31, 2023, we were not engaged to audit, review, or apply any procedures to the financial statements for the year ended December 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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 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 based on 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 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 27, 2024

Canadian Investor Protection Fund

Balance Sheet

as at December 31, 2023

(In thousands of dollars)

	2023	2022 (Unaudited)
	$	**$**
Assets		
Current assets		
Cash	**3,572**	2,851
Prepaid insurance and recoverables	**812**	836
Investments, at fair value (Note 5)	**597,478**	568,802
Member assessments receivable	**3,759**	3,267
	605,621	575,756
Tangible capital assets (Note 6)	**119**	213
Software development (Note 6)	**217**	171
	605,957	576,140
Liabilities		
Current liabilities		
Payables and accruals	**918**	980
Deferred lease inducements	**27**	29
	945	1,009
Long-term deferred lease inducements	**-**	27
Employee future benefits (Note 8)	**8,027**	8,008
	8,972	9,044
Fund balances		
Investment Dealer Fund	**543,309**	516,480
Mutual Fund Dealer Fund	**53,340**	50,232
Investment in Capital Assets Fund	**336**	384
	596,985	567,096
	605,957	576,140

Approved by the Board

A. Ferrari

_______________________________ 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, 2023

(In thousands of dollars)

	Investment Dealer Fund	Mutual Fund Dealer Fund	Investment in Capital Assets Fund	**2023 Total**	2022 Total (unaudited)
	$	$	$	**$**	$
Revenues					
Regular assessments	13,347	1,702	-	**15,049**	14,201
Assessments for capital deficiencies	61	-	-	**61**	20
Assessments for asset location	412	-	-	**412**	260
Investment and other income (Note 9)	11,906	1,691	-	**13,597**	11,457
	25,726	3,393	-	**29,119**	25,938
Expenses					
Salaries and employee benefits (Note 8)	5,817	576	-	**6,393**	5,710
Bank lines of credit fees and insurance premium	2,457	530	-	**2,987**	3,091
Other operating costs	460	43	-	**503**	624
Directors' fees, travel and education	514	51	-	**565**	544
Professional fees	592	121	-	**713**	568
Occupancy	379	37	-	**416**	368
Communications	315	26	-	**341**	347
Computer server hosting and maintenance	351	24	-	**375**	334
Pension and other employment benefits (Note 8)	378	-	-	**378**	283
Amortization of tangible capital assets				**-**	
and software development	-	-	271	**271**	178
Custodial and investment management fees	124	124	-	**248**	249
Total expenses before the undernoted item	11,387	1,532	271	**13,190**	12,296
Integration costs (Note 11)	759	89	-	**848**	2,905
	12,146	1,621	271	**14,038**	15,201
Excess (deficiency) of revenues over expenses before the undernoted item	13,580	1,772	(271)	**15,081**	10,737
Unrealized gains (losses) on investments	13,720	1,336	-	**15,056**	(40,093)
Excess (deficiency) of revenues over expenses	27,300	3,108	(271)	**30,137**	(29,356)

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, 2023

(In thousands of dollars)

	2023	2022 (unaudited)
	$	$
Operating activities		
Excess (deficiency) of revenues over expenses	**30,137**	(29,356)
Items not affecting cash		
Amortization of tangible capital assets and software development	**271**	178
Amortization of deferred lease inducements	**(29)**	(29)
Interest accrued	**283**	324
Bond premium amortization	**3,549**	4,744
Unrealized (gains) losses on investments	**(15,056)**	40,093
Unrealized (gains) losses on mutual funds	**(68)**	490
Realized loss on investments	**5**	4
Employee future benefits remeasurements	**(248)**	1,605
Changes in non-cash working capital		
Prepaid insurance and recoverables	**24**	(1)
Member assessments receivable	**(492)**	(95)
Provisions for claims and related expenses	**-**	(24)
Payables and accruals	**(62)**	188
Employee future benefits	**19**	(1,633)
	18,333	16,488
Investing activities		
Purchases of capital assets	**(223)**	(222)
Purchases of investments	**(108,271)**	(104,097)
Proceeds from maturities and sales of investments	**90,882**	88,523
	(17,612)	(15,796)
Increase in cash during the year	**721**	692
Cash, beginning of year	**2,851**	2,159
Cash, end of year	**3,572**	2,851

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

1. Organization, amalgamation and impact of accounting policy alignment

The Canadian Investor Protection Fund ("CIPF") was formed on January 1, 2023, through a statutory amalgamation of the Canadian Investor Protection Fund ("Former CIPF") and the MFDA Investor Protection Corporation ("MFDA IPC"). The amalgamated entity retained the CIPF name in English and the French name was changed to Fonds canadien de protection des investisseurs ("FCPI"). The first fiscal year end of CIPF is December 31, 2023.

On August 3, 2021, the Canadian Securities Administrators ("CSA") published its position paper proposing to establish a new self-regulatory organization ("SRO"), that will provide enhanced regulation of the investment industry, by integrating the two existing SROs, the Investment Industry Regulatory Organization of Canada ("IIROC") and the Mutual Fund Dealers Association of Canada ("MFDA"). The CSA position paper included combining the two investor protection funds, Former CIPF and the MFDA IPC, into an integrated fund independent of the new SRO. On January 1, 2023, the operations of IIROC and the MFDA were combined through a statutory amalgamation to form New Self-Regulatory Organization ("New SRO"), which changed its name to Canadian Investment Regulatory Organization ("CIRO") on June 1, 2023.

The purpose of CIPF is to protect customers who have suffered financial loss due to the insolvency of a dealer Member of CIRO, the national SRO that oversees all Investment Dealers, Mutual Fund Dealers and trading activity on Canada's debt and equity marketplaces. CIPF maintains two segregated funds; the Investment Dealer Fund and the Mutual Fund Dealer Fund, designed to provide coverage to eligible customers of CIRO Investment Dealer Members and Mutual Fund Dealer Members, respectively. Coverage is provided to customers of Dealer Members in accordance with CIPF's Coverage Policy. Throughout these financial statements, the reference to Member means a Dealer Member of CIRO.

Former CIPF and the MFDA IPC were incorporated as corporations without share capital under provisions of Part II under the *Canada Corporations Act*. These corporations transitioned to the new *Canada Not-for profit Corporations Act* in 2014. 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.

Former CIPF and IIROC executed an industry agreement (the "Industry Agreement") effective September 29, 2008 to address information-sharing and collaborative practices between the two organizations. Similarly, MFDA IPC and MFDA entered into two agreements (i) on July 1, 2005, to define the areas of assistance provided by the MFDA to MFDA IPC, which included administrative, corporate secretarial and other support services (the "Services Agreement"); and (ii) on October 1, 2009, an information sharing agreement (the "Information Sharing Agreement"), collectively the ("MFDA IPC Agreements"). Effective January 1, 2023, an agreement (the "Transitional Agreement") was entered into between CIRO and CIPF that provided for the continued force and effect of the Industry Agreement and MFDA IPC Agreements, in accordance with their respective terms as amended or supplemented by the Transitional Agreement. The Transitional Agreement continues to be in effect as the parties are in the process of negotiating an agreement that will replace these agreements going forward (the "Cooperative Operating Agreement").

The combination of Former CIPF and MFDA IPC is accounted for as a merger in accordance with Section 4449, Combinations by Not-for-profit Organizations in Part III of the Chartered Professional Accountant Canada Handbook – Accounting. The prior year comparative figures are unaudited and disclose the aggregated results for Former CIPF and MFDA IPC when they were operating independently. MFDA IPC had a prior year-end of June 30, and therefore, the stub period financial statements were prepared to obtain financial activity for the period from January 1, 2022 to December 31, 2022. The aggregated results included the following adjustments to align prior accounting policies with those of the combined organization.

(In thousands of dollars, unless otherwise noted)

1. Organization, amalgamation and impact of accounting policy alignment (continued)

At the combination date of January 1, 2023, the principal components of the balance sheet are as follows:

	Former CIPF	MFDA IPC	Adjustments	Total
	$	$	$	$
Assets				
Cash	2,156	514	181	2,851
Investments	519,229	52,512	(2,939)	568,802
Other assets	3,897	356	(150)	4,103
	525,282	53,382	(2,908)	575,756
Capital assets	384	-	-	384
	525,666	53,382	(2,908)	576,140
Liabilities				
Current liabilities				
Payables and accruals	738	242		980
Deferred lease inducements	29			29
	767	242	-	1,009
Long-term deferred lease inducements	27			27
Employee future benefits	8,008	-	-	8,008
	8,802	242	-	9,044
Fund balances				
Investment Dealer Fund	516,480	-	-	516,480
Mutual Fund Dealer Fund	-	53,140	(2,908)	50,232
Investment in Capital Assets Fund	384		-	384
	516,864	53,140	(2,908)	567,096
	525,666	53,382	(2,908)	576,140

(In thousands of dollars, unless otherwise noted)

1. Organization, amalgamation and impact of accounting policy alignment (continued)

For the year ended December 31, 2022, the principal components of the statement of revenues and expenses and changes in fund balances are as follows:

	Former CIPF - General Fund	Former CIPF - Investment in Capital Assets Fund	Former CIPF - Total	MFDA IPC (unaudited)	Adjustments	Total (unaudited)
	$	$	$	$	$	$
Total revenues	23,539	-	23,539	2,399	-	25,938
Total expenses before the undernoted items	10,712	178	10,890	1,406	-	12,296
Integration costs	1,406	-	1,406	1,499	-	2,905
Total expenses before the undernoted items	12,118	178	12,296	2,905	-	15,201
Excess (deficiency) of revenues over expenses before the undernoted item	11,421	(178)	11,243	(506)	-	10,737
Unrealized lossess on investments	(36,184)	-	(36,184)	-	(3,909)	(40,093)
Deficiency of revenues over expenses	(24,763)	(178)	(24,941)	(506)	(3,909)	(29,356)
Fund balances, beginning of year	539,860	340	540,200	53,646	1,001	594,847
Deficiency of revenues over expenses	(24,763)	(178)	(24,941)	(506)	(3,909)	(29,356)
Transfer to the Investment in Capital Assets Fund for addtions	(222)	222	-	-	-	-
Employee future benefits remeasurements	1,605	-	1,605	-	-	1,605
Fund balances, end of year	516,480	384	516,864	53,140	(2,908)	567,096

The adjustments included above for aligning the MFDA IPC's accounting policies and financial statement presentation are as follows:

- The fixed income securities, that were previously measured at amortized cost by MFDA IPC, are measured at fair value. The differences between fair value and amortized cost as at December 31, 2022 are $2,908. The resulting differences between fair value and amortized cost during the 2022 year of $3,909 are recorded as unrealized gains and losses on investments in the Statement of Revenues and Expenses and Changes in Fund Balances. Cumulative resulting differences between fair value and amortized cost from prior years of $1,001 was recorded in the Mutual Fund Dealer Fund, beginning of year balance in that Statement of Revenues and Expenses and Changes in Fund Balance.

- Cash balances in investment accounts of $181, that were previously presented as investments by MFDA IPC, are presented as cash;

- Accrued interest amounts on the fixed income securities of $150, that were previously presented as interest receivable by MFDA IPC, are presented as investments.

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:

Funds

CIPF maintains two segregated funds, the Investment Dealer Fund and the Mutual Fund Dealer Fund, and a third fund, Investment in Capital Assets Fund.

3. Summary of significant accounting policies (continued)

Investment Dealer Fund and Mutual Fund Dealer Fund

CIPF is funded by assessments levied on Members of CIRO. The purpose of the Investment Dealer Fund and Mutual Fund Dealer 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. The Investment Dealer Fund and Mutual Fund Dealer Fund are also used to finance CIPF's operating activities.

In the event of a Member insolvency, 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. For each of the Investment Dealer Fund and Mutual Fund Dealer Fund, CIPF maintains a general fund, lines of credit and insurance to pay customer claims of insolvent Members. In the event that CIPF would be unable to satisfy claims on a fund in their entirety, the CIPF Board of Directors ("Board") would determine the period over which to assess Members of the respective fund to make up the shortfall.

The Investment Dealer Fund is available to satisfy potential claims for coverage under the CIPF Coverage Policy by customers of Members duly registered under Canadian securities legislation in the category of "investment dealer" or in the categories of both "investment dealer" and "mutual fund dealer" ("Dually Registered Investment Dealer"). The Mutual Fund Dealer Fund is available to satisfy potential claims for coverage under the CIPF Coverage Policy by customers of Members duly registered under Canadian securities legislation in the category of "mutual fund dealer" ("Mutual Fund Dealer").

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, 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 that are Canadian and provincial government bonds and a small percentage of mutual funds, that invest primarily in fixed income corporate debt instruments, and are carried at fair value. Unrealized gains and losses on mutual funds are recorded in investment income. Gains and losses on fixed income securities 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 Investments.

3. Summary of significant accounting policies (continued)

Assessments

The assessment structure and models of the predecessor organizations continue to apply, with necessary modifications.

Regular assessment amounts are set by the Board annually based on target assessments for the funds and are payable by Members each quarter. Regular assessments to Investment Dealer Members and Mutual Fund Dealer Members are paid into the Investment Dealer Fund and Mutual Fund Dealer Fund, respectively.

Investment Dealer Fund

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

The Industry Agreement and CIPF Investment Dealer Assessment Policy provide for a limit on assessments in any quarter such that no Investment Dealer 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 maintained for the Investment Dealer Fund. This limit does not apply to the minimum, new Investment Dealer Member and capital deficiency assessments.

Investment Dealer 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 CIRO on behalf of CIPF. CIRO is required, under the terms of the Industry Agreement, to pay to CIPF the amount of the assessments (whether or not collected from Members).

Mutual Fund Dealer Fund

Mutual Fund Dealer Fund assessments are calculated as a percentage of the two-year average Assets Under Administration (AUA) based on AUA data reported by Mutual Fund Dealer Members. Regular assessments are subject to minimum amounts depending upon type of dealer level.

All Mutual Fund Dealer Members are required to pay an assessment to the Mutual Fund Dealer Fund. The assessment is collected by CIRO and remitted to CIPF under the terms of the Services Agreement.

While CIRO is recognized as a self-regulatory organization of which Mutual Fund Dealers operating in the Province of Québec are required to be Members, those Mutual Fund Dealers are not required to contribute to the Mutual Fund Dealer Fund in respect of customer accounts located in Québec for the purposes of CIPF's Coverage Policy. Accordingly, these Customer Accounts will not be eligible for coverage by CIPF.

Investment income

Investment income includes interest earned, net of any amortization of bond premiums or discounts using the effective interest rate method, dividends and income distributions from mutual funds, and realized and unrealized gains and losses from mutual funds. Unrealized gains and losses on fixed income securities are recorded on the Statement of Revenues and Expenses and Changes in Fund Balances.

Allocation of Expenses

CIPF maintains two segregated funds designed to provide coverage to eligible customers of Investment Dealer Members and Mutual Fund Dealer Members.

3. Summary of significant accounting policies (continued)

To facilitate proper assessment allocations, direct costs are separately captured for the Investment Dealer Fund and Mutual Fund Dealer Fund with indirect costs being allocated to each fund using a cost allocation model approved by the Board. This allocation method is used for both operating and integration costs.

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 Investment Dealer Fund balance in the Balance Sheet and reported as employee future benefits 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 employee future benefits remeasurements in the Statement of Revenues and Expenses and Changes in Investment Dealer Fund Balance.

(In thousands of dollars, unless otherwise noted)

4. Fund information

Balance Sheet

	Investment Dealer Fund	Mutual Fund Dealer Fund	Investment in Capital Assets Fund	2023
	$	$	$	$
Assets				
Current assets				
Cash	2,430	1,142	-	3,572
Prepaid insurance and recoverables	649	163	-	812
Investments, at fair value (Note 5)	545,749	51,729	-	597,478
Member assessments receivable	3,448	311	-	3,759
	552,276	53,345	-	605,621
Tangible capital assets (Note 6)	-	-	119	119
Software development (Note 6)	-	-	217	217
	552,276	53,345	336	605,957
Liabilities				
Current liabilities				
Payables and accruals	913	5	-	918
Deferred lease inducements	27	-	-	27
	940	5	-	945
Employee future benefits (Note 8)	8,027	-	-	8,027
	8,967	5	-	8,972
Fund balances				
Investment Dealer Fund	543,309	-	-	543,309
Mutual Fund Dealer Fund	-	53,340	-	53,340
Investment in Capital Assets Fund	-	-	336	336
	543,309	53,340	336	596,985
	552,276	53,345	336	605,957

(In thousands of dollars, unless otherwise noted)

4. Fund information (continued)

	Former CIPF - General Fund	MFDA IPC (unaudited)	Former CIPF - Investment in Capital Assets Fund	2022 (unaudited)
	$	$	$	$
Assets				
Current assets				
Cash	2,156	695	-	2,851
Prepaid insurance and recoverables	669	167	-	836
Investments, at fair value (Note 5)	519,229	49,573	-	568,802
Member assessments receivable	3,228	39	-	3,267
	525,282	50,474	-	575,756
Tangible capital assets (Note 6)	-	-	213	213
Software development (Note 6)	-	-	171	171
	525,282	50,474	384	576,140
Liabilities				
Current liabilities				
Payables and accruals	738	242	-	980
Deferred lease inducements	29	-	-	29
	767	242	-	1,009
Long-term deferred lease inducements	27	-	-	27
Employee future benefits (Note 8)	8,008	-	-	8,008
	8,802	242	-	9,044
Fund balances				
Investment Dealer Fund	516,480	-	-	516,480
Mutual Fund Dealer Fund	-	50,232	-	50,232
Investment in Capital Assets Fund	-	-	384	384
	516,480	50,232	384	567,096
	525,282	50,474	384	576,140

5. Investments

The Board approves investment policies for each of the Investment Dealer Fund and Mutual Fund Dealer Fund. In accordance with the Board-approved investment policies, investments are held until maturity, unless directed by the Board or to make a payment in accordance with the mandate of CIPF.

Investment Dealer Fund

The Investment Dealer Fund investments are held by CIBC Mellon Global Securities Services Company as custodian. All investments must be in highly liquid Canadian or provincial government guaranteed debt obligations that mature over a 7-year period

The following table discloses the fair value, maturity and average yields to maturity of CIPF's Investment Dealer Fund investments at December 31, 2023. The weighted average yield to maturity of the portfolio at December 31, 2023 is 3.80% (2022 – 3.94%).

(In thousands of dollars, unless otherwise noted)

5. Investments (continued)

	Less than 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	2023 Total fair value	2022 Total fair value
	$	$	$	$	$	$
Canada bonds	12,926	28,720	69,303	35,135	146,084	153,315
Yield	4.90%	3.67%	3.17%	3.06%	3.40%	3.50%
Canada Housing Trust bonds	40,685	36,909	4,408	48,581	130,583	110,010
Yield	5.02%	4.34%	3.45%	3.40%	4.17%	4.25%
Provincial bonds	21,739	85,165	71,703	90,475	269,082	255,904
Yield	5.13%	4.02%	3.56%	3.58%	3.84%	4.07%
	75,350	150,794	145,414	174,191	545,749	519,229

Mutual Fund Dealer Fund

The Mutual Fund Dealer Fund fixed income securities are held by CIBC Trust Corporation as custodian. The mutual funds are primarily invested in fixed income corporate debt instruments. Investments must be in highly liquid Canadian or provincial government guaranteed debt obligations that mature over a 10-year period except for up to 10% of the portfolio which may be invested in certain corporate fixed income instruments.

The following table discloses the fair value, maturity and average yields to maturity of CIPF's Mutual Fund Dealer Fund treasury bills and bonds as at December 31, 2023. The weighted average yield to maturity of the portfolio at December 31, 2023, is 3.95 % (2022 – 4.06%).

	Less than 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	2023 Total fair value	2022 (unaudited) Total fair value
	$	$	$	$	$	$
Canada bonds	2,718	-	-	-	2,718	2,598
Yield	5.10%				5.10%	4.30%
Canada Housing Trust bonds	4,845	4,822	4,384	-	14,051	18,362
Yield	5.02%	3.96%	3.44%		4.16%	4.13%
Provincial bonds	-	4,348	3,934	22,200	30,482	24,565
Yield		3.85%	3.64%	3.75%	3.75%	3.99%
	7,563	9,170	8,318	22,200	47,251	45,525
Mutual funds					4,478	4,048
Total investments					51,729	49,573

(In thousands of dollars, unless otherwise noted)

6. Tangible capital assets and software development

			2023
	Cost	Accumulated amortization	Net book value
	$	$	$
Office furniture and equipment	332	327	5
Leasehold improvements	591	521	70
Computers	219	175	44
Tangible capital assets	1,142	1,023	119
Software development	1,860	1,643	217

			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

7. Committed bank lines of credit and insurance

CIPF has committed lines of credit and insurance for each of the Investment Dealer Fund and Mutual Fund Dealer Fund. The lines of credit are guaranteed by CIRO.

Investment Dealer Fund

CIPF has committed lines of credit provided by two Canadian chartered banks totalling $125 million (2022 – $125 million) to be used in the event of a claim against the Investment Dealer Fund. CIPF has also arranged insurance in the amount of $160 million (2022 – $160 million) in the annual aggregate, in respect of losses to be paid from the Investment Dealer Fund in excess of $200 million (2022 – $200 million), and a second layer of insurance in the amount of $280 million (2022 – $280 million) in respect of losses to be paid in excess of $360 million (2022 – $360 million) in the event of an Investment Dealer Member insolvency.

Mutual Fund Dealer Fund

CIPF has a $30 million (2022 - $30 million) committed line of credit provided by a Canadian chartered bank which may be used in the event of a claim against the Mutual Fund Dealer Fund.

CIPF has also arranged insurance in the amount of $20 million (2022 - $20 million) in the annual aggregate, in respect of losses to be paid from the Mutual Fund Dealer Fund in excess of $30 million, and a second layer of insurance in the amount of $20 million (2022 - $20 million), in respect of losses to be paid in excess of $50 million in the event of a Mutual Fund Dealer Member insolvency.

(In thousands of dollars, unless otherwise noted)

8. 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 retired 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 and who qualified for the benefits prior to December 31, 2024. 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.

Actuarial valuations of the pension plans are completed annually, and the most recent actuarial valuation of the pension plans for accounting purposes was made on December 31, 2023. Actuarial valuations of the health benefit plan are completed every three years, and the most recent actuarial valuation of the health benefit plan for accounting purposes was 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	
	2023	2022
	%	%
Discount rate	**4.6**	4.9

For measurement purposes, medical and drug claims assumed to increase by 10% in 2024, grading down to 5.0% over five years and dental claims assumed to increase by 8% in 2024, grading down to 5% per year over three 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 $0.29 million (2022 – $0.25 million) related to CIPF's contribution to the Group RSP plan.

(In thousands of dollars, unless otherwise noted)

9. Investment and other income

Investment and other income comprise the following:

			2023
	Investment Dealer Fund	Mutual Fund Dealer Fund	Total
	$	$	$
Interest income	15,429	1,254	16,683
Amortization of bond premiums and discounts	(3,526)	(20)	(3,546)
Distributions from mutual funds	-	394	394
Realized gains (loss) on investments	-	(5)	(5)
Unrealized gain (loss) on mutual funds	-	68	68
Other	3		3
Total	11,906	1,691	13,597

			2022 (unaudited)
	Former CIPF - General Fund	MFDA IPC	Total
	$	$	$
Interest income	15,290	1,127	16,417
Amortization of bond premiums and discounts	(4,659)	(85)	(4,744)
Distributions from mutual funds	-	248	248
Realized gain (loss) on investments	-	(4)	(4)
Unrealized gain (loss) on mutual funds	-	(490)	(490)
Recovery of provision (Note 12)	-	24	24
Other	6	-	6
Total	10,637	820	11,457

10. Expense allocation

The Board approved an allocation method for both operating and integration costs to facilitate proper assessment allocations between the Investment Dealer Fund and Mutual Fund Dealer Fund. Direct costs are separately captured for the Investment Dealer Fund and Mutual Fund Dealer Fund with indirect costs being allocated to each fund using a cost allocation model based on the respective costs of the predecessor organizations. In 2023, indirect costs were allocated 91% and 9% to the Investment Dealer Fund and Mutual Fund Dealer Fund, respectively.

11. Integration costs

The costs related to the amalgamation and integration of Former CIPF and MFDA IPC include: costs for contract and additional staffing resources to focus on the amalgamation; a portion of legal and other professional fees for corporate matters and to negotiate the new Cooperative Operating Agreement; additional time commitments by Board members; run-off insurance for the Directors; and costs associated with broader communication and executive search.

(In thousands of dollars, unless otherwise noted)

11. Integration costs (continued)

Integration costs in 2023 and the prior year were as follows:

	Investment Dealer Fund	Mutual Fund Dealer Fund	2023 Total
	$	$	$
Legal and other professional fees	238	37	275
Insurance	-	-	-
Directors' fees and expenses	15	2	17
Personnel/Consulting	449	44	493
Branding and CEO search	57	6	63
Total	759	89	848

	Former CIPF	MFDA IPC	2022 (unaudited) Total
	$	$	$
Legal and other professional fees	882	694	1,576
Insurance	160	148	308
Directors' fees and expenses	156	86	242
Personnel/Consulting	113	471	584
Branding and CEO search	95	100	195
Total	1,406	1,499	2,905

The integration costs will be recovered by CIPF from Members in accordance with CIPF Investment Dealer Assessment Policy and CIPF Mutual Fund Dealer Assessment Policy, both as of January 1, 2023 and amended August 25, 2023.

In addition to the above, $148 of integration costs were incurred by MFDA IPC in calendar year 2021. The total integration costs that were incurred and will be recovered by the Investment Dealer Fund and Mutual Fund Dealer Fund are $2,165 and $1,736, respectively.

12. Provision for claims and related expenses

As at December 31, 2023, there were no Member insolvencies. A Court Order was issued on August 3, 2023, discharging the bankruptcy of the Mutual Fund Dealer Member insolvency, W.H. Stuart Mutuals Ltd.

The provision for claims and related expenses and the change in provision during the year and payments made for this insolvency are as follows:

	2023	2022 (unaudited)
	CIPF	MFDA IPC
	$	$
Provision balance, beginning of the year	-	24
Recovery of provision during the year (Note 9)	-	(24)
Provision balance, end of year	-	-

(In thousands of dollars, unless otherwise noted)

13. Lease commitments

At December 31, 2023, CIPF has future minimum annual lease commitments of $319 (2022 – $471) for office space and information technology services as follows:

	$
2024	**255**
2025	**34**
2026	**24**
2027	**6**
	319

CIPF is also committed to operating costs and taxes with respect to the office lease, which approximates $220 until the expiry of the office lease on November 30, 2024.

14. 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 5.

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 portfolios by following the Board-approved investment policies (one for the Investment Dealer Fund and a policy for the Mutual Fund Dealer Fund).

The Investment Dealer Fund investment policy restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. The Investment Dealer Fund investment 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 Dealer Fund 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.

The Mutual Fund Dealer Fund investment policy provides that investments must be in highly liquid Canadian or provincial government guaranteed debt obligations that mature over a 10-year period except for up to 10% of the portfolio which may be invested in certain corporate fixed income instruments (or pooled funds or similar investment vehicles comprised primarily of such instruments) measured on the basis of market value, denominated and payable in Canadian dollars.

14. Financial instruments (continued)

The Mutual Fund Dealer Fund investment policy limits the exposure to individual investments, such as limiting the maximum portfolio exposure to a single province to 20%.

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 portfolios by following the investment policies described above and by holding all fixed income investments until maturity and mutual funds for the long term, unless required to make a payment in accordance with the mandate of CIPF or as directed by the Board.

An immediate hypothetical 100 basis point increase/decrease in interest rates would decrease/increase the fair value of the investments by $18.2 million for the Investment Dealer Fund (2022 – $16.8 million) and $1.9 million for the Mutual Fund Dealer Fund (2022 - $1.7 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 policies described above and by maintaining lines of credit of $125 million (2022 – $125 million) for its Investment Dealer Fund and $30 million (2022 - $30 million) for its Mutual Fund Dealer Fund.

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 policies described above. At December 31, 2023 and 2022, all fixed income 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 portfolios by following the investment policies 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.

15. Comparative figures

The comparative figures are unaudited and certain figures have been reclassified to conform to the presentation adopted for the current year.

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