

2010
ANNUAL REPORT

EMBRACING NEW CHALLENGES

Building on our strengths and expanding our reach

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This Annual Report covers activities and provides financial information for the fiscal year ending December 31, 2010 and has been expanded to report on activities completed as of June 30, 2011, the publication date. Also included is a discussion of activities planned for 2011 and beyond.



Toronto Centre at a Glance



Toronto Centre at a Glance

- ■ ■ The Toronto Leadership Centre (referred to more commonly as the Toronto Centre), a non-profit organization with charitable status, was established in the aftermath of the 1997 Asian financial crisis by the Canadian government, World Bank, and Schulich School of Business to develop and enhance the capacity of financial sector regulators and supervisors, helping them promote sound, competitive and inclusive financial systems.
- ■ ■ To date, we have trained over 3,000 supervisors from more than 170 countries in banking, insurance and securities.
- ■ ■ We are known for our case-based programs, delivered in a highly interactive environment, where mid-to-senior level supervisors learn how to build strong and effective supervisory and regulatory agencies, and how to prepare for and deal with financial crises. We deliver programs in banking, securities and insurance, and also cross-sectoral programs addressing the challenges of financial sector consolidation and integrated supervisory agencies. Soon we will be expanding our programs to cover pensions, microfinance and microinsurance.
- ■ ■ We receive comprehensive financial support from the Canadian International Development Agency (CIDA), International Monetary Fund (IMF), Swedish International Development Agency (Sida), and World Bank. In addition, the FIRST Initiative, South East Asian Central Banks (SEACEN Centre), Association of Banking Supervisors of the Americas (ASBA), Monetary Authority of Singapore (MAS) and other valued international partners provide support for specific projects.
- ■ ■ Our work is aligned with the policy objectives of the Financial Stability Board and G-20, and the global initiatives of multilateral agencies such as the World Bank and IMF.
- ■ ■ Our activities place strong emphasis on emerging markets and low-income countries. Our belief is that by empowering a country's financial sector supervisory capacity, the result will be a more robust and inclusive financial sector, stronger economic growth and a higher standard of living for all.
- ■ ■ In 2010, in partnership with CIDA, we assumed responsibility for financial supervision advisory services previously offered by the International Advisory Group (IAG) in the Office of the Superintendent of Financial Institutions, Canada. The Toronto Centre is now able to better help countries wishing to adopt risk-based supervision and develop other practical supervisory tools.
- ■ ■ Programs, offered to a broad international audience, are held in Toronto and in various regions around the world. We offer joint programs with other institutions, leveraging on our expertise in leadership in supervisory agencies and practical supervisory matters. We are able to tailor the length and content of our programs to clients' needs.
- ■ ■ Programs are managed by the Toronto Centre's highly qualified program directors who also deliver training, together with our program leaders - a cadre of approximately 50 seasoned former and serving regulators and supervisors based in different continents. Most of these professionals lived through the cases they present, including financial crises in Europe, Asia, Latin America and more.

Message from the Chair - Empowering Supervisors to Meet Challenging Times

With the global economy recovering from the financial crisis that devastated markets in 2008, world leaders are determined to find ways to prevent a similar occurrence in the future. They, along with international financial authorities including the IMF and World Bank, agree on the need to implement changes improving financial sector regulation and systemic risk management. Most importantly, all concur that this will not happen unless coupled with stronger and more effective supervisory systems and a cadre of capable supervisors. This is where the Toronto Centre plays a key role.

The Toronto Centre has been providing training and development opportunities for supervisors since 1998. Our belief then, as it is now, is that a strong economy – one that will grow, improve the living conditions in a country and provide its citizens with jobs – must be underpinned by a stable, competitive and inclusive financial sector. In order for depositors, policyholders, investors and other counterparties to have confidence in the financial sector, however, it must be supervised in a manner that engenders trust and fosters growth and business opportunities.

In 2010, the Toronto Centre continued to offer its programs in leadership, crisis preparedness and risk management to supervisors around the globe. Our goal is to empower leaders who have the resolve to take timely, effective and, at times, unpopular actions. Such leaders need to know what questions to ask and not be inhibited in asking them. They cannot be afraid to take steps during good times that will buffer the financial sector when bad times inevitably occur.

The Toronto Centre has risen to the challenge of finding new ways to bolster international supervisory capacity. In this report you will read about international, regional and country program offerings, along with our new web-based initiatives designed to reach out to more people and keep our alumni connected. As well, we will tell you

about our decision to take over an important program formerly hosted by Canada's Office of the Superintendent of Financial Institutions, allowing us to expand our scope beyond the mid-to-senior level supervisors that have been targeted in our leadership programs and address a broader range of topics.

The Toronto Centre continues to look at new ideas for strengthening the supervisory sector. In partnership with the Schulich School of Business at York University, we are exploring options beyond our traditional programming. We are also looking into conducting research in areas related to financial stability, with a focus on applied and practical research of use to financial sector regulators and supervisors, and others involved in macro-prudential surveillance.

To lead this work, in June 2010, the Toronto Centre's Board of Directors appointed Babak Abbaszadeh as the Chief Executive Officer. Babak has more than 20 years of experience in public policy and stakeholder relations in the private sector, government agencies and non-governmental organizations. Already he has brought a steady hand to the Toronto Centre, helping us implement our ongoing initiatives and, importantly, leading us forward. The Toronto Centre is well positioned to embrace new challenges and play its role by strengthening financial sector supervisory skills and capacity.

*John R.V. Palmer,
Chairman of the Board*



Message from the Chief Executive Officer - Turning Challenges Into Opportunities

With experience in the regulated sectors of natural resources, energy and financial services, I understand the importance of sound regulation and effective supervision. In the financial sector, in particular, it results in stability and inclusiveness. In turn, a robust and inclusive financial sector supports economic growth, creates jobs and improves living standards, thus reducing the incidence of poverty. Conversely, when supervision and enforcement are weak, there is a greater risk of a poorly performing and unstable economy, unemployment, inflation and more frequent and deeper financial crises.

Weak supervision has many causes, including flawed mandates, inadequate legal powers, substandard supervisory methodologies and lack of regulatory and supervisory expertise. The Toronto Centre's challenge is to help financial sector regulators and supervisors find solutions to the problems they face. Building on the Toronto Centre's reputation for delivering practical, relevant and interactive programs to financial sector supervisors and with the heightened need for capacity in this area, we aim at offering more and better programs and services. We also want to find new delivery mechanisms that will allow us to reach a larger audience.

During 2010 funders, partners and client countries approached the Toronto Centre with ideas for programs and requests for help. There has been an increasing demand for a broader range of offerings, including in-depth country programs and expansion into new areas such as pensions, deposit insurance and microfinance. In developing a new vision and strategy for the Toronto Centre, we are seeking to determine how we can position ourselves to have the greatest impact and reach a wide range of supervisors, while always maintaining our focus on helping those most in need – i.e., those in emerging markets and low-income countries.

The Toronto Centre is ready and able to expand beyond its traditional leadership and crisis programs. We assumed responsibility for the supervision advisory services previously offered by Canada's Office of the Superintendent of Financial Institutions. Taking over this role has allowed us to address more issues of concern

to supervisors and regulators, and offer programs to supervisors and regulators at all levels.

The Toronto Centre is continuing to leverage social media tools to maintain contact with associates around the globe. We have built on the TC Community, a web-based platform launched in 2009, which links program alumni with program leaders, board members and one another. We used this platform in late 2010 to pilot eight distance learning modules and are now evaluating the feedback to see where we can make improvements.

Most significantly, from our existing base, we have laid a foundation for offering new programs and conducting practical research. This report contains more information about our future plans, which we strongly believe will allow us to better serve financial sector regulators and supervisors worldwide.

To accomplish our goals, we have forged strong relationships with a wide range of stakeholders and value the partnerships we have been able to establish over the years. The Toronto Centre's reputation and the broad support it receives from international agencies and organizations are testaments to our success in adapting our programs to the needs of our clients while being responsive to the objectives of our sponsors. We know we can still do better and will strive to do so.

As the Toronto Centre starts its 13th year of operations, it is poised to leap to a new level in its development path. We have embarked on a strategic journey to enhance our role in capacity building. By providing countries with the tools with which to build and strengthen their regulatory systems, the Toronto Centre is fostering stable and dynamic financial sectors that can serve as springboards for economic development and job creation.

*Babak Abbaszadeh,
Chief Executive Officer*





Board of Directors





John Palmer

Chair of the Toronto Centre; former Superintendent, Office of the Superintendent of Financial Institutions (OSFI), Canada; former Deputy Managing Director, Singapore Monetary Authority; former Deputy Chairman and Managing Partner, KPMG



Ruth de Krivoy

Vice Chair of the Toronto Centre; President of Sintesis Financiera CA; former President of the Central Bank of Venezuela



Dina Palozzi

Chair, Audit Committee of Toronto Centre; former CEO and Superintendent, Financial Services Commission of Ontario (FSCO), Canada; former EVP and Chief Privacy Officer BMO Financial Group; former Deputy Minister, Governor of Ontario; President of Paladina Management Consulting Services Inc.



Julie Dickson

Superintendent, Office of the Superintendent of Financial Institutions (OSFI), Canada; former Deputy Superintendent of OSFI; serves on the Council of Governors of the Canadian Public Accountability Board



Dezsö J. Horváth

Dean, Schulich School of Business, York University, Toronto, Ontario, Canada; Council Member, The Premier's Council for Economic Renewal of Ontario



Stefan Ingves

Governor, Central Bank of Sweden; former Director of the Monetary and Financial Systems Department at the International Monetary Fund (IMF); former Deputy Governor of the Riksbank



Jonathan L. Fiechter

Deputy Director, Monetary and Capital Markets Department, International Monetary Fund, Washington, DC; former senior Deputy Comptroller at the Office of the Comptroller of the Currency (OCC); former Director of Financial Sector Development Department at the World Bank; former Chairman of the Financial Sector Board



David Scott

Program Manager, Prudential Oversight and Systemic Stability Unit, Financial Systems Department, World Bank; former Senior Supervisor, U.S. Office of the Comptroller of the Currency in the Treasury Department



William Ryback

Chair of the Toronto Centre Banking Advisory Board; former Special Advisor Financial Services Authority, Seoul Korea; Deputy Chief Executive Hong Kong Monetary Authority; Former Senior Associate Director on the U.S. Federal Reserve Board



Andrea M. Corcoran

Chair of the Toronto Centre Securities Advisory Board, Toronto Centre; former Director, U.S. Commodity Futures Trading Commission; heads Align International, LLC



Michael Hafeman

Chair of the Toronto Centre Insurance Advisory Board; former Assistant Superintendent, Office of the Superintendent of Financial Institutions (OSFI), Canada



Babak Abbaszadeh

President & CEO, Toronto Centre

Banking Advisory Board – A Message from the Chair

William Ryback

The global market turmoil and resulting financial crisis have caused world leaders to rethink how to supervise and regulate banks, particularly those operating cross-border. Banking supervisors need to:

- ◇ Adopt stronger global standards for capital, liquidity, and risk management for domestic and foreign banks
- ◇ Address other important lessons learned during this latest crisis relating to corporate governance, crisis management, bank restructuring, contingency planning, and the concept of “too big to fail”
- ◇ Work towards a uniform platform of supervisory best practices that will allow cooperation among supervisors and facilitate cross-border expansion
- ◇ Develop contingency plans to address market weaknesses in specific countries or regions, or more broadly, a universal threat like the one we have all just lived through.

Right now every jurisdiction must take an inventory of the weaknesses in its supervisory framework, tailor emerging standards to its circumstances and develop remedial plans to address shortcomings.

Securities Advisory Board – A Message from the Chair

Andrea Corcoran

While the recovery of the capital markets from the depths of the financial crisis has been dramatic during the last year, there is a widespread sense that the overall environment remains fragile and that there may be residual toxic assets within the system. Key concerns of securities regulators are:

- ◇ A developing sovereign debt crisis in Europe
- ◇ Unprecedented volatility in commodity prices potentially leading to political intervention to prevent financial speculation
- ◇ Integrity of IT systems, including capacity, security, and the propriety of the matching algorithms
- ◇ Proper frameworks for direct market access
- ◇ Risks introduced by moving over-the-counter trading onto clearing and trading systems
- ◇ Currency stability
- ◇ Increasing interconnectedness - geographic, among firms, among products – and resulting risks.

In addition to addressing these concerns, regulators in almost every jurisdiction are coping with a plethora of new requirements, structural changes, and the need to meet the expectations of the G-20 and the Financial Stability Board, as well as IOSCO, with respect to compliance with international standards.

Insurance Advisory Board – A Message from the Chair

Michael Hafeman

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The insurance and pensions sectors have not escaped the effects of the global financial crisis. Asset values declined, while lower interest rates made it difficult to meet obligations and increased the present value of liabilities. Supervisors have been coping with the resulting effects on solvency, as well as continuing changes in the insurance markets and the trend toward defined contribution pensions. The need to strengthen the regulatory framework and supervisory practices is driving change both internationally and locally. Many supervisors have adopted risk-based approaches or are in the process of doing so.

The IAIS Insurance Core Principles are undergoing a major update and strengthening and increased emphasis is being placed on macro-prudential and group-wide supervision. Insurance supervisors will soon be expected to perform self-assessments under the new ICPs. Solvency II is moving toward finalization in the European Union and is influencing supervisory practices elsewhere. The financial reporting framework is evolving, with many jurisdictions transitioning to IFRS, within which details of the draft insurance contracts standard continue to be hotly debated.





Programs Delivered in 2010



Programs Delivered in 2010

In 2010 the Toronto Centre delivered 22 programs with a total of 561 participants. Programs were offered in English and Spanish.

International Programs

Our international programs are delivered in Toronto for participants from all over the world.

The Toronto Centre held international programs for securities and insurance supervisors that focused on leadership skills. The July 2010 insurance program also included a full day table-top crisis simulation.

Supervision Advisory Services (SAS)

SAS programs are aimed at helping emerging markets and low-income countries enhance their supervisory skills and risk-based supervisory strategies in banking and insurance. The Toronto Centre assumed operational responsibility for this service (formerly referred to as the International Advisory Group) in September 2010 from the Office of the Superintendent of Financial Institutions (this is discussed below).

Programs for insurance supervisors were delivered in Ecuador and Ghana during the fourth quarter of 2010. The first introduced supervisors to risk-based supervision and the second focused on insurance fundamentals.

Country Programs

Country programs are designed to suit a client country's specific request for training. Topics include supervisory challenges and organizational changes. Attendance is limited to the client country's agencies.

In March, we launched a country program in the Bahamas with a three-year timeframe. And at the request of the Turks and Caicos Islands we carried out a diagnostic review of the banking sector. We also held two short-term country programs: a one week banking leadership workshop for Bangladesh and a four day workshop on preparing a crisis binder for the Seychelles.

Regional Programs

Regional programs are delivered in overseas host countries for participants from Asia, Africa, Latin America, the Middle East and Eastern Europe.

The Toronto Centre held 15 regional programs, focusing primarily on leadership and crisis preparedness, and covering issues for banking, insurance and securities supervisors.

In the first quarter, leadership programs included a banking program for World Bank staff, an integrated program held in Qatar for banking and securities regulators from the MENA region, and a banking leadership program focusing on how to resolve problems in banks held in Malaysia for the SEACEN countries. The program hosted by Malaysia and organized jointly with the World Bank also dealt with anti-money laundering. In addition, a regional crisis preparedness workshop was held in Armenia.

In the second quarter, two crisis preparedness programs were held in Rwanda (for banking supervisors from Sub-Saharan Africa) and South Africa (for insurance supervisors from Africa). A regional banking leadership program, focusing on crisis management, was held jointly with the FSI in Basel.

In the third quarter, two regional crisis preparedness programs for banking supervisors were held in Moscow (for the Russian Federation and countries in the Balkan region) and Malaysia (largely for the SEACEN countries). A leadership program was hosted and funded by the Monetary Authority of Singapore for securities regulators largely from Asia.

In the fourth quarter, a crisis preparedness program was held in Brazil for banking supervisors in Latin America; it was conducted in Spanish. A banking leadership program for the SEACEN countries was held in Singapore and focused on dealing with problem banks with cross border implications, and a securities leadership program for the MENA region, funded and hosted by the SCA in Abu Dhabi, focused on crisis management, fraud, insider trading and enforcement issues. The one day slot provided at the WB/IMF/Fed seminar for senior banking supervisors from emerging countries focused on stakeholder communication and crisis management using the Bear Stearns and Lehman case studies.



Above: Toronto Centre Program Directors

Also in 2010, we assisted several jurisdictions in prioritizing and developing strategies to make changes in their supervisory practices. Often the need for change was identified by country authorities in preparation for financial sector assessment programs relating to international standards for banking, insurance, securities, and anti-money laundering, amongst other matters.

Program offerings by mid-2011 - at the time of writing this report – included:

Six SAS Programs

- ◇ Two banking programs focused on helping Barbados and Mexico introduce risk-based supervision.
- ◇ Four insurance programs in Peru, Ghana, South Africa and Brunei addressed topics ranging from insurance fundamentals to monitoring and examination techniques.

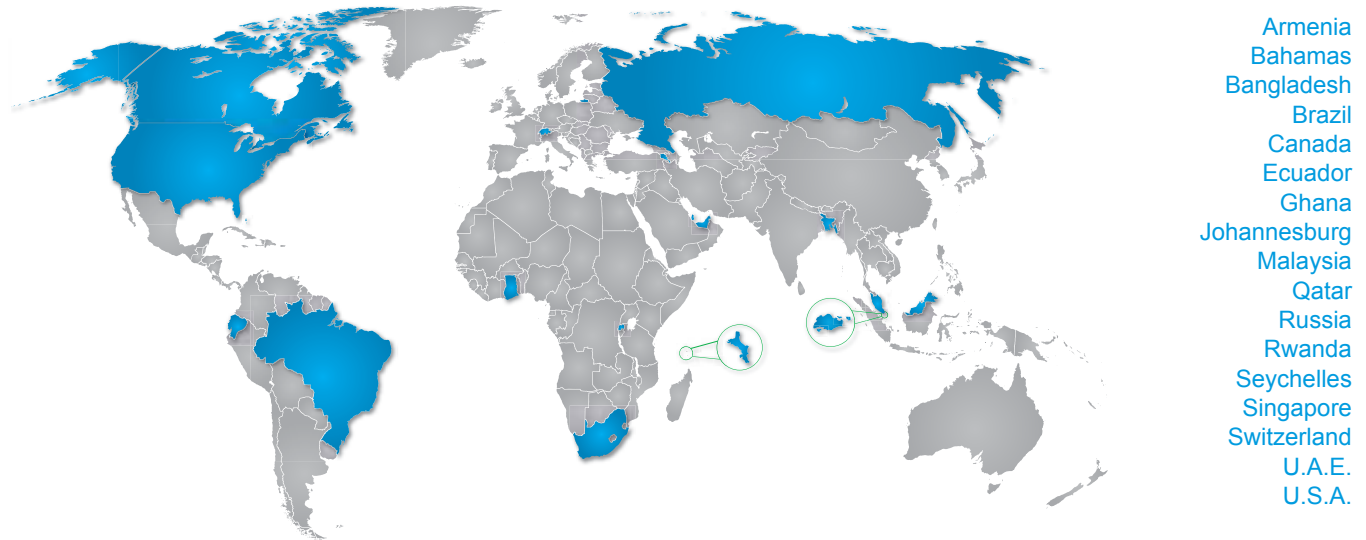
Two International Programs

- ◇ The securities program focused on investor protection funds, corporate governance and issues relating to the IOSCO core enforcement principles on information sharing and compliance.
- ◇ The banking program focused on regulatory challenges following the financial crisis, Basel 3 changes, and deposit insurance. Cross border issues were also addressed using a desktop crisis simulation.

Five Regional Leadership Programs

- ◇ The integrated program for banking and securities regulators, funded and hosted by the Qatar Financial Centre Regulatory Authority, focused on issues of governance, fraud, insider trading and enforcement.
- ◇ The Armenia program included issues on home-host supervision, capital and liquidity as well as macro-prudential surveillance.
- ◇ The AITRI program hosted by Malaysia was a crisis preparedness program for insurance supervisors.
- ◇ The three-day program held jointly with the FSI in Basel focused on crisis management.
- ◇ The banking leadership program for participants from 11 countries in the East Africa region, delivered at the request of the Kenya Deposit Protection Fund Board, dealt with problem banks. A desktop crisis simulation exercise gave participants an appreciation of complications arising from cross border issues and helped them assess information needs and understand the importance of interagency cooperation, and identify the instruments and resolution techniques that could be used.

2010 Program Locations



Keeping Our Case Studies Current

Toronto Centre programs blend theory and practice. We encourage interaction amongst participants and program leaders by using a case-based approach. Cases are discussed by program leaders and participants in a confidential and nurturing environment. We are constantly looking for new material and updating existing cases to keep our programs current. In 2010, a number of new case studies were written and delivered at the banking, insurance and securities programs. We introduced a case study on Equitable Life into our insurance programs and developed a case study on the Madoff Ponzi scheme for our securities programs. Case studies on two major bank failures, Bear Stearns and Lehman Brothers, were developed and used in our securities and banking programs, while Rwanda's experience in dealing with problem banks and case studies on Fortis Bank and Icelandic banks were used for our banking programs.

Two hypothetical case studies – Bank of Oceania and Bank of Montana – were prepared to help participants understand why certain interventions can turn out to be successful (or unsuccessful) in the resolution of problem financial institutions while a third case study discusses the setting up of a macro-prudential surveillance function in a supervisory department of a central bank and the use of macro-prudential indicators in a supervisory surveillance toolkit. For discussions on the cross-border resolution of problem institutions, we developed a hypothetical case study, Cross-border Resolution Challenges and Issues in the Asia Pacific Region, to complement cases drawn from experiences with BCCI, Barings, Fortis and Icelandic banks.

<p>Case studies used in 2010 programs addressed broad topics such as fraud, insider trading, macro-prudential and systemic crises, cross border issues and banks that were considered “too big to fail”. Specific cases used were:</p>	<p>The Fortis Bank Hunt Silver Bear Stearns</p>	<p>Volume Investors Refco Case on Macro-Prudential Surveillance</p>	
	<p>Lehman Brothers Amcol Holdings Madoff</p>	<p>Catalfo-Zimmermann China Aviation Oil Equitable Life</p>	
	<p>Maple Tree Insurance Confederation Life Icelandic banks</p>	<p>PHC Insurance HIH Insurance</p>	<p>Cross Border Resolution Challenges Issues in the Asia Pacific Region Citigroup Global Markets Insider Trading</p>

Maintaining a Focus On Leadership

In our leadership programs, participants develop individual action plans designed to address a specific challenge currently faced in their work. The action plan draws on lessons learned during the program, as well as on the rich and relevant experience of international peers and program leaders. The programs also address other change management tools, including stakeholder analysis, decision making, effective communication for stakeholder management through negotiation and persuasion, media management and performance management in supervisory agencies. In 2010, nineteen leadership programs were held, of which eight focused on crisis preparedness.

Preparing for Crisis Situations

In 2010, we found that because of the impact of the global financial crisis, even more countries were keen to attend our crisis preparedness programs, originally launched in 2008. These programs include a unique hands-on simulation exercise, designed to let participants practice how they – in a supervisory authority or central bank – would manage a potentially systemic crisis in one or more financial institutions. The crisis preparedness programs are primarily delivered as regional programs, where participants come from countries in a given geographic area. These programs, when focused on a particular country’s needs, are also extremely valuable for individual client countries. Participants learn how to do contingency planning, deal with systemic consequences of failures of financial institutions, and understand the importance of inter-agency coordination.

In total, eight crisis preparedness/management courses were held in 2010. One of them was a country program in the Seychelles. Distilling principles from the Toronto Centre’s crisis preparedness sessions, this program was designed to help the local officials from the Central Bank, Ministry of Finance and other relevant agencies prepare a “crisis binder” to guide them on what needs to be done in the event of a financial crisis. We used case studies to highlight issues relevant to the Seychelles. These, along with a desktop crisis simulation exercise, helped participants identify gaps in their regulatory structures and required actions to build the country’s crisis binder.

Exploring New Regional Partnerships

Building on our expertise, and because of our desire to work with regional partners, in 2010 the Toronto Centre began holding discussions with the Andean Development Corporation (CAF) to develop joint programs for Latin America focused on microfinance and cross-border regulatory and supervisory issues in banking and securities. The latter is becoming increasingly important against the backdrop of stock exchange consolidations in the Andean region.

TC Community

The TC Community is a web-based platform linking Toronto Centre program alumni (known as TC Associates), program leaders and board members using social media technology. With help from the Swedish International Development Agency this social networking initiative, which was originally launched in 2009 and enhanced in 2010, also serves as a platform for our developing new Internet-based distance learning modules.

Distance Learning Pilot – Learning Anywhere, Anytime

In late 2010 the Toronto Centre launched a web-based distance learning pilot for all TC Community members with eight modules:

- ◇ Decision making
- ◇ Action planning
- ◇ Plan implementation
- ◇ Performance management for regulators
- ◇ Enterprise risk management for insurance operations
- ◇ Policyholder protection plans
- ◇ Regulation in emerging markets: developing legislation to meet international standards
- ◇ Corporate governance: Why is it important for supervisors?

We are currently evaluating the results of the pilot to determine how to develop the Centre's distance learning programs.

Introducing Supervision Advisory Services

For some time the Toronto Centre had considered expanding its scope beyond the mid-to-senior level supervisors targeted in our leadership programs and addressing a broader range of topics. The opportunity to act arose in 2010 when the Office of the Superintendent of Financial Institutions (OSFI), Canada – which had been involved since 2001 in designing and delivering technical assistance programs – announced its decision to withdraw from the international development field. By September the Toronto Centre had stepped in to take on this important work, with support from CIDA and tapping in on OSFI's expertise. We are calling this aspect of our work "Supervision Advisory Services" (SAS).

These new programs aim at helping emerging markets and low-income countries enhance their supervisory skills and risk-based supervisory strategies in banking and insurance. In 2010, we scaled back the number of programs offered by OSFI to ensure sufficient time for integration and program development. To build Toronto Centre's capacity in this area and to oversee the delivery and re-design of the programs, we have engaged two experienced supervisors from OSFI. We have also established a Curriculum Design Committee to re-evaluate all program offerings and add a more interactive case-based approach to the syllabus. We believe that our long-term country programs will benefit from the synergies derived from the integration of the SAS programs with the leadership training provided by the Toronto Centre.





What's Ahead in 2011 and Beyond



New Challenges and Opportunities

2011 is shaping up to be an exciting year for the Toronto Centre as we continue to broaden our base of programs and look for new ways of serving the regulatory/supervisory community. The work ahead includes:

- ◇ Offering a full slate of programs – please consult our website (www.torontocentre.org) for the list of our 2011 programs
- ◇ Preparing new cases, along with updating of existing material
- ◇ Continuing development of the Supervision Advisory Services, with particular emphasis on including more interactive case-based program material
- ◇ Developing distance learning modules
- ◇ Developing a results-based measurement methodology that will provide additional meaningful performance information to our Board of Directors and funding sponsors
- ◇ Developing pilot programs on microfinance, pension supervision and FSAP implementation.

These undertakings are ambitious, but the Toronto Centre's team of skilled professionals are up for the challenge, and we are fortunate to have supportive sponsors who believe in the importance of our work.

In addition, the Toronto Centre will be undertaking some new initiatives in 2011 that are described below.



Above: Toronto Centre Staff

Helping Countries Better Prioritize FSAP Recommendations

The Financial Sector Assessment Program (FSAP), established in 1999 by the IMF and World Bank, is a comprehensive and in-depth analysis of a country's financial sector. The Toronto Centre is in an excellent position to work with decision makers in countries that have completed an FSAP to help them handle the recommendations, which sometimes may seem long and overwhelming. This in turn will help other organizations such as the World Bank, IMF, and FIRST Initiative to assist country authorities with their long-term implementation needs. Currently a workshop is being planned in Southeast Asia.

Microfinance Supervision Training

The Toronto Centre supports efforts to enhance accessibility to financial services. This has been flagged by multilateral organizations and development agencies as an area of growing importance for low-income countries and emerging markets. Microfinance institutions normally service large numbers of small clients that are the backbone of society. Proper, proportionate regulation and supervision are increasingly perceived as critical to the survival of these institutions. An appropriate microfinance supervisory framework can also help combat abuse of borrowers.

Recognizing the need in this area, the Toronto Centre and the Consultative Group to Assist the Poor (CGAP) formed a partnership earlier this year to develop a multi-phased microfinance supervisory training program. A pilot program is being planned for the last quarter of 2011 to be held in east Africa. The Toronto Centre will take responsibility for the program's implementation, with in-kind and financial assistance from CGAP. CGAP will also guide and support the development of the curriculum. In addition, Swedish International Development Agency and CIDA, have committed financial resources to this pilot. The Toronto Centre plans to add microfinance supervision programs to its offerings on a permanent basis.

Pension Supervision Pilot

Consistent with other Toronto Centre flagship programs, a pilot program for pension supervisors is being developed with financial assistance from the United States Agency for International Development – Partners for Financial Stability. It will cover action planning, stakeholder management, dealing with economic volatility, implementation of risk-based supervision and pension governance. Case studies relevant to pension supervisors are being prepared and Eastern Europe is targeted for the 2011 pilot training program.

An Expanded Academic Program and Practical, Actionable Research

We, at the Toronto Centre, continue to look for more and different ways to help strengthen financial sector supervisory skills and capacity. Currently, in conjunction with the Schulich School of Business at York University, one of the Toronto Centre's founding partners, we are exploring the possibility of expanding our activities to more fully respond to the leadership and training needs of the regulatory/supervisory community, particularly in emerging markets and low-income countries.

The objective is to create a broader platform for financial sector regulatory and supervisory training and guidance. Complementing the programs now offered at the Toronto Centre, it could include unique programs for financial supervisors and regulators, and a practice-based research arm with the aim of providing perspectives and solutions to ongoing regulatory and supervisory challenges.

Specifically, the proposed platform would contribute to stronger financial markets by:

- ◇ Conducting, sponsoring and disseminating practical research into issues affecting financial stability and inclusiveness, with a view to developing useful tools for regulators, supervisors and financial institutions.
- ◇ Providing innovative education to individuals in the financial sector and in the world of regulation and supervision. Courses could build on the Schulich School of Business MBA and other graduate programs, including the already existing financial services specialization within the school, and its strong expertise in finance, financial engineering, governance and risk management.
- ◇ Providing broader practical and leadership training to supervisors from around the world. As part of this initiative, the Toronto Centre would continue to expand its training to supervisors in emerging countries and low-income economies.

Looking forward, we hope to further expand our footprint by building partnerships with interested emerging markets and low-income countries, building on the outreach work of the Toronto Centre and the satellite centres established by Schulich. To support an expanded platform, the Toronto Centre hopes to diversify the cadre of its public and private sector donors. We have set up working groups to look at the feasibility of the concept, with an eye to having a business plan in place by the end of 2011, with implementation in subsequent years.



Corporate Governance and Financial Integrity



Board of Directors

The Toronto Centre is led by the CEO, overseen by a Board of Directors composed of individuals with relevant financial sector backgrounds representing different regions of the world. All board members have experience in large and complex organizations, most at the senior executive level. The board meets twice a year in June and November. It approves the Toronto Centre's budget and overall strategy, monitors performance and looks for ways to increase the organization's impact.

Advisory Boards

The Toronto Centre has three advisory boards – banking, insurance and securities – which report to the Board of Directors through the advisory board chairs. Advisory board members suggest themes and issues to be discussed in programs and case studies. Advisory board members also recommend potential program leaders, provide valuable contacts and promote the Toronto Centre, heightening interest in its programs and identifying potential sponsors.

Program Leaders

Drawing on their knowledge and experience, the Toronto Centre's program leaders develop cases and workshop materials that lead to effective group discussions and analyses. In addition to plenary sessions, program leaders are available for individual and small-group discussions throughout our programs, helping participants develop their leadership skills and find solutions to their particular challenges. The ability to interact with program leaders who have lived through failures and crises, and the opportunity to exchange experiences with peers are frequently praised by the participants in their evaluations of our programs.

Introducing Results Based Management

The Toronto Centre uses program evaluations to measure participant satisfaction and gauge the impact of programs. Evaluations have shown that participants value the way that the Toronto Centre's programs integrate leadership skills, action planning and case studies using real life situations. Group activities are invariably raised as one of the highlights.

In late 2010, we decided to strengthen our monitoring, reporting and evaluation framework using a Results Based Management (RBM) methodology, now considered best practice by the CIDA. To do this we have engaged reputable specialized external consultants, with a commitment to implement RBM in 2012 and 2013. We regard RBM as a valuable management tool and a solid basis to report results achieved. RBM will provide us with more precise feedback to evaluate and enhance our programs, and further strengthen our accountability to our sponsors.

Financial Stewardship

The Board of Directors approves the Toronto Centre's annual budget and follows budget execution closely at board meetings and via informal updates between meetings. A three-year rolling budget is also approved as an additional tool

to guide management. The board holds the CEO accountable for effective record keeping of income and expenses, and compliance with the Centre's commitments to donors.

The Audit Committee is chaired by a member of the Board of Directors. External auditors report to the board and interact with the Audit Committee. The Audit Committee meets annually while the Audit Committee Chair meets more frequently with the auditors and management. The Toronto Centre's external auditors are Ernst & Young. Since inception, the Toronto Centre has received unqualified audit opinions.

The Executive Committee is composed of the Chair and Vice-Chair of the Centre, the Chair of the Audit Committee, and board members representing OSFI, IMF, World Bank and Schulich School of Business. The Executive Committee reviews detailed financial information on sources of income by funder and the associated expenses, quarterly financial statements and updated revenue and expenditure forecasts.

Internal Controls

Internal controls are based on strict procedures, including segregation of duties and requirements for second signatures approving large payments. The Toronto Centre is too small to maintain its own internal audit function. The external auditors are asked, from time to time, to extend their audit procedures to examine compliance issues that would otherwise fall outside normal materiality thresholds. While the CEO is ultimately accountable, the financial management function is conducted separately in accordance with best accounting practices and standards, in compliance with our major funders' requirements.

Administrative Procedures

All administrative practices are in line with a resolution originally adopted by the Board of Directors on May 17, 1999, and reaffirmed on November 24, 2009. For example, program directors (Toronto Centre staff responsible for program development and execution) produce program budgets, issue Letters of Agreement to program leaders and approve supplier invoices. All invoices must be approved by the CEO as a second-level check. Our travel policy and practices require staff and program leaders to travel economy class on domestic flights of up to five hours (North America and the Caribbean). For longer journeys, business class is generally allowed, at the lowest available fares where feasible.

Donor contributions are managed according to donors' requirements. Prudent risk management principles guide the investment of donor funds. The funds are held in cash or short-term low-risk cash equivalent instruments, where the principal is protected.

Regular reports of accounts and investments are provided to the Chair of the Audit Committee. External auditors review the draft financial statements annually in the spring.

The Toronto Centre aims to be a good corporate citizen. We are an equal opportunity employer and an environmentally conscious organization.

Protection Against Corruption and Fraud

A substantial portion of the Toronto Centre's costs are incurred in payment of program leaders, Toronto Centre staff and their travel expenses. Controls over payments have been described above. As also noted above, program leaders are, in most cases, former senior supervisors with excellent reputations, well known to us. Toronto Centre staff members have undergone a rigorous vetting process before being engaged. Limits on travel expenses are described above.

The Toronto Centre partners with various organizations to provide assistance to low-income countries as well as regional supervisory organizations. It does not make payments to such partners but, under agreements covering specific programs, may share expenses and receive payments from the partners in full or partial reimbursement of costs incurred by the Toronto Centre. All monies received are included in program budgets and closely tracked. We are confident that the nature of the Toronto Centre's business model and its governance arrangements and internal controls render the risks of corruption and fraud to be very low.





2010 Summarized Financial Statements



Independent Auditors' Report

To the Members of
Toronto Leadership Centre

The accompanying summarized financial statements, which comprise the summarized statement of financial position as at December 21, 2010, and the summarized statement of operations for the year then ended, are derived from the audited financial statements of Toronto Leadership Centre for the year ended December 31, 2010. We expressed an unqualified audit opinion on those financial statements in our auditors' report dated June 23, 2011 (see below).

The summarized financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles applied in the preparation of the audited financial statements of Toronto Leadership Centre. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Toronto Leadership Centre.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with Canadian generally accepted accounting principles.

Auditors' Responsibility

Our responsibility is to express an opinion on the summarized financial statements based on our procedures, which were conducted in accordance with the applicable Assurance Guidelines of The Canadian Institute of Chartered Accountants.

Opinion

In our opinion, the summarized financial statements derived from the audited financial statements of Toronto Leadership Centre as at and for the year ended December 31, 2010 are consistent, in all material respects, with those financial statements and present fairly, in all material respects, the financial position of Toronto Leadership Centre as at December 31, 2010, and of its financial performance for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
June 23, 2011

Summarized Statement of Financial Position

As at December 31

Assets	\$ 2010	\$ 2009
Current		
Cash and cash equivalents	827,798	193,104
Short-term investments	310,475	608,452
Internally restricted short-term investments	600,565	467,856
Accounts receivable and others	187,528	222,811
Total current assets	1,926,366	1,492,223
Capital assets, net	17,338	341
	1,943,704	1,492,564

Liabilities and Net Assets	\$ 2010	\$ 2009
Current		
Accounts payable and accrued liabilities	467,579	178,625
Deferred contributions and others	627,671	610,562
Total current liabilities	1,095,250	789,187
Net Assets		
Unrestricted	247,889	235,521
Internally restricted	600,565	467,856
	1,943,704	1,492,564

These financial statements are an abridged version of the audited financial statements of the Toronto Leadership Centre.

Summarized Statement of Operations

Year ended December 31

Revenue	\$ 2010	\$ 2009
Contributions	2,563,281	1,620,061
Deferred contributions, beginning of year	582,304	689,169
	3,145,585	2,309,230
Deferred contributions, end of year	(584,306)	(582,304)
	2,561,279	1,726,926
Regionals	379,589	347,480
Participants registration fees and others	55,441	107,644
	2,996,309	2,182,050

Expenses	\$ 2010	\$ 2009
Program development	185,274	248,053
Program delivery	1,452,466	768,006
Program promotion	110,689	107,013
Administrative and general and others	1,102,803	1,140,686
	2,851,232	2,263,758
Excess (deficiency) of revenue over expenses for the year	145,077	(81,708)

These financial statements are an abridged version of the audited financial statements of the Toronto Leadership Centre.



Toronto Centre Staff



Babak Abbaszadeh, Chief Executive Officer



Babak Abbaszadeh joined the Toronto Centre as Chief Executive Officer on June 1, 2010. Accountable to the Board of Directors, Mr. Abbaszadeh is responsible for all aspects of the organization's strategic and operational activities. With more than 20 years of experience in public policy and stakeholder relations in the private sector, government, agencies, and NGOs, Babak has held leadership roles in highly regulated sectors of financial services, energy, and natural

resources. He has worked closely with financial regulators in Canada and led advocacy strategies for major internationally-oriented Canadian financial institutions. From 2006 to 2009, he was the Director of Stakeholder Relations at the Canada Pension Plan Investment Board. He also served as Director of Government and Industry Relations at Sun Life Financial from 1998 to 2003, a period that coincided with a major overhaul of financial services in Canada. From 2004 to 2006, Babak held senior positions in the Ontario government including the Chief of Staff to two Ministers of Energy.

Hooi Eng Phang, Program Director



Hooi Eng Phang joined the Toronto Centre in July 2007 as Program Director to assist the Executive Director in the design and implementation of leadership programs as well as strategy development and project planning. Before joining the Toronto Centre, she was the Executive Director responsible for 12 countries in the South East Asia Voting Group at the International Monetary Fund. Prior to that, she was the Senior Director of the Economics Department of Bank Negara Malaysia, where she worked since 1984. Besides policy-oriented research work at the Economics Department, her

experience included a two year stint at the HR Development Centre where she was responsible for the conduct, design and budgeting of training courses for BNM staff. Hooi Eng is the author of several economic papers and recipient of several economic scholarships and awards. As a Colombo Plan scholar, she studied at Victoria University of Wellington, New Zealand, where she completed her Master of Commerce and Administration while undergoing training at the Christchurch Teachers' Training College where she attained her Diploma in Education. She has a Ph. D. in Economics from the University of the Philippines. Hooi Eng can be contacted at hphang@torontocentre.org.

Bruce Thompson, Program Director



Bruce Thompson joined the Toronto Centre as Program Director in October 2010. At the Toronto Centre he is responsible for the design and implementation of Risk Based Supervision, and related technical programs. Prior to joining the Toronto Centre he had been with the Office of the Superintendent of Financial Institutions (OSFI), Canada for 30 years – originally joining a predecessor organization, the Department of Insurance, in 1978. Bruce can be contacted at bthompson@torontocentre.org.

Chris Cardoza, Program Director



Chris Cardoza joined the Toronto Centre in March 2011 as Program Director to assist in the design and implementation of the former OSFI-IAG technical programs and the Toronto Centre leadership programs, as well as strategy development and project planning. He is on a two year secondment from the Office of the Superintendent of Financial Institutions (OSFI) Canada, where his position was a Senior Director in the Supervision Sector. He has been with OSFI for over 24 years. Chris can be reached at ccardoza@torontocentre.org.

Maureen Corrigan, Manager - Office Operations and Administration



Maureen Corrigan has been involved in office administration and event management for over 25 years. In her current position Ms. Corrigan is responsible for Toronto Centre administration, coordination of the Toronto Centre Board of Directors, Executive Committee and Advisory Boards, management of office operations and accounting. Maureen can be contacted at mcorrigan@torontocentre.org.

Laura Miller, Program Coordinator



Laura Miller joined the Toronto Centre in September 2010 as a Program Coordinator. In her current position she assists program directors to develop and deliver programs offered by the Toronto Centre, conducts research, assists in proposal and report writing to key Partners and provides coordination and technical support to the CEO. She holds her Masters in Economics and Finance with honours from Ryerson University from Toronto, Ontario. Laura can be reached at lmiller@torontocentre.org.

Lesley Myers, Project Manager



Before joining the Toronto Centre, Lesley Myers served as an economic and social policy advisor to elected officials in the governments of Canada and Ontario. Lesley has also served as a case worker with the United Nations High Commission for Refugees in Malawi, and as a business analyst at Argosy Partners, a private equity firm based in Toronto. She holds an honours degree in Economics and Management from the University of Oxford. Lesley contributes to the Toronto Centre's research and program development, and provides support to the program directors and CEO. She can be reached at lmyers@torontocentre.org.

During 2010, the Toronto Centre staff also included Christina Rulfs, Program Director and Lesley Schiff, Program Manager. We appreciate their valuable contribution to the Toronto Centre.

Major Contributors



Canadian International
Development Agency

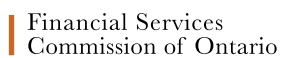


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Toronto Centre

1240-65 Queen Street West
P.O. Box 42
Toronto, ON M5H ZM5
Canada

www.torontocentre.org