Unified Enterprise Survey - Annual
2001 Survey of Deposit Accepting Intermediaries:
Chartered Banks, Trust Companies, Caisses Populaires and Credit Unions

Reporting Guide

Si vous préférez recevoir ce document en français, veuillez appeler au ***1 888 881-3666.***

NEED HELP?

Please call Statistics Canada at:

1 888 881-3666

PLEASE TAKE A FEW MINUTES
TO READ THIS GUIDE
TO FAMILIARIZE YOURSELF
WITH THE SURVEY.

5-6100-131.3: 2002-01-09 STC-UES-307-75135

Statistics Canada Statistique Canada

Canada

Table of contents

I. Structure of the questionnaire

This survey will collect annual information covering the business segments of chartered banks, trust companies, caisses populaires and credit unions (local and central).

There is one exhibit to this return. This exhibit collects data on different elements of the income statement and balance sheet. The data is required at the national level and relates to the production of particular business segments pertinent to the Canadian operations of financial institutions. These business segments are:

A. Retail Banking (personal and commercial)

B. Corporate and Institutional Finance

C. Electronic Financial Services

D. Treasury and Investment Banking

E. Fiduciary Services

F. Other Services

II. General instructions

Institutions may be organized in a different manner from that outlined by this survey. If your institution has different business segments from those described here, then please outline them in the "Respondent Notes" section of the questionnaire and provide a description of each business segment.

Please report for your operations located in Canada on a consolidated basis in thousands of Canadian dollars. **This includes the activities of your brokerage subsidiaries.**

III. Definitions of variables

This section provides definitions of the variables used in the annual return, with each variable given a unique reference number.

1. Net interest income

Net interest income is the difference between interest plus dividend income and interest expenses on interest bearing liabilities. Interest income covers all interest from loans, titles and deposits of deposit accepting intermediaries. Interest expenses cover interest paid on deposits, subordinated debentures and other interest costs.

Interest and dividend income inclusions:

- interest income from loans
- dividend and interest income from securities
- interest income from deposits with banks

Interest expenses inclusions:

- Deposits
- Subordinated notes
- Other liabilities

2. Non-interest income

Non-interest income covers all sources of revenue other than interest charges. Examples include revenue from brokerage and other securities services, credit services, net investment securities gains and losses, trading income, deposit and payment service charges, mutual fund management, card services, foreign exchange non-trading, insurance, securitization revenues, trans-sectoral income other than interest and earnings or loss from the sale of assets.

Inclusions:

- service charges on deposit accounts
  - service charges
  - account activity charges
  - per item levies on cheques
  - charges under special arrangements regarding operation of accounts
  - revenue regarding dormant account notices and dormant accounts closed
  - stop payment and returned cheque charges with respect to personal accounts
  - fees from retail service plans where customers are charged for a package of services
  - service charges on all current accounts and all non-personal accounts including fees from commercial service plans

- other payment services
  - automated teller service charges for cash withdrawals including Interac, Plus and Cirrus fees on a net basis
  - commissions and fees for networking arrangements
  - commissions on payment of household bills
  - commissions on the sale of drafts, money orders and travelers cheques
  - commissions regarding transfer of funds by mail, telephone or telegraph
  - commissions for certification of cheques
  - any income for computer services provided to customers
  - commissions on the collection of drafts, cheques and other bills of exchange received on a collection basis cashed or taken on deposit
  - commissions on the collection of accounts or monies receivable under assignment of accounts or customers
  - commissions for lock box services
  - income from depository services
  - other income from payment services not previously identified

- standby commitment and other loan fees
  - fees and costs associated with credit facilities, including fees charged to customers for unused portions of authorized credits, fees on unconditional loan commitments and charges in lieu of compensating balances (in accordance with the accounting guidelines of the CICA Handbook)
  - daylight overdraft charges
  - commissions charged to customers on loans, on which to the extent they are offset by deposits, no interest is paid

- fees for evaluating customer credit applications including verification of security
- fees for investigating and recommending the most appropriate credit arrangements (setup fees, structuring fees)
- fees for evaluating the security for loans on an ongoing basis, processing notes and payments and other administrative activities (e.g., maintaining records of pledged securities, aging lists of accounts receivable)
- other loan fees not previously identified

• mortgage fees

- fees associated with all types of mortgage lending activities (in accordance with the accounting guidelines set out in the CICA Handbook)
- management fees on mortgages administered but not owned by the bank
- appraisal fees

• acceptance fees

• guarantees and letters of credit fees

• other income from payment services not previously identified

• inter-segment non interest revenues

• trading income

- trading income is derived from trading instruments. Trading income excludes the portion of income earned on foreign exchange transactions which is not considered part of trading activities.

• gains (losses) on the sale of assets

- realized gains or losses on the sale of assets that are not considered extraordinary items. The items in this category are not considered part of stock in trade purchased or produced for sale from the normal operations of the business. They are considered to be of a capital nature such as fixed assets, investments, loans and securities.

3. Provision for credit losses

Deductions from income equal the amount added to the allowance for credit losses to ensure that the allowance is sufficient to absorb all expected credit-related losses after taking into account any write-offs or recoveries of specific loans.

4. Salaries and wages of regular employees

Please report wages and salaries of your regular employees before deductions.

Employees are defined as any workers for whom you completed a Canada Customs and Revenue Agency T-4 Statement of Remuneration Paid form.

Inclusions:

• regular employee salaries and wages and overtime payments including directors' remuneration, commissions and bonuses paid to employees;

- vacation pay
- bonuses (including profit sharing)
- commissions (other than commissions paid to sales staff)
- taxable allowances
- aggregate fees and expenses paid to directors for attending institution meetings
- aggregate fees and expenses paid to directors for attending subsidiary companies' meetings
- retroactive wage payments

Exclusions:

- all payments to and costs associated with outside contract workers
- payments to employment agency or personnel supplier
- payments to casual labour without a T-4 Statement of Remuneration Paid form

5. Salaries and wages of contract employees

Please report wages and salaries of contract employees before deductions.

Contract employees are defined as any worker who are:

1. Seasonal employees: employment is intermittent according to the season of the year, or
2. Contract employees: terms of employment end at specified dates, or
3. Casual or on-call employees: employees who may have hours of work that vary substantially from one week to the next or who are called to work as the need arises not on a pre-arranged schedule.

Inclusions:

- all payments to and costs associated with outside contract workers
- payments to employment agency or personnel supplier
- payments to casual labour without a T-4 Statement of Remuneration Paid

Exclusion:

- Regular employees salaries and wages

6. Pension contributions and other employee benefits

Inclusions:

- pension contributions to private, federal and provincial pension funds
- special contributions should be amortized over a period of years that is reasonable in relation to the nature of the contributions so that comparison of one year's figure with another will not be unduly affected
- retirement allowances to retired employees other than from the pension fund
- contributions to premiums for group sickness, dental and accident and life insurance for employees

- contributions to Employment Insurance and Worker's Compensation
- contributions to national pension plans and employee benefit plans in foreign countries
- contributions to employees savings plans and profit-sharing plans
- cost of employee recreation plans and death benefits

Exclusion:

- contributions of provincial health and education payroll taxes

7. Other non-interest expenses

Inclusions:

- depreciation
- amortization of assets, deferred charges
- amount provided during the current quarter for future losses
- expenses and outflows of cash, payables or other considerations
- advertising, marketing, insurance, other administrative expenses not elsewhere classified
- debt issue expenses
- compensation for settlement of termination of employee's contract
- rental of land, buildings, office space, other leased real estate, equipment, vehicles, office machines, computer hardware
- materials and parts
- repairs to machinery, equipment, building structures and vehicles
- cleaning, caretaking, maintenance expenses
- charitable donations
- indirect taxes such as property taxes, insurance premium taxes, land transfer tax, motor vehicle and beverage licenses, business taxes and capital taxes
- all expenses excluding salaries, pensions and other employee benefits

8. Profit (loss) of segment

If the questionnaire has been appropriately completed, then the Profit (loss) for a particular business segment should be correctly calculated by using the following equation:

Profit (Loss) of segment =

1. Net interest income + 2. Non-interest income – 3. Provision for credit losses – 4. Salaries and wages of <u>regular</u> employees – 5. Salaries and wages of <u>contract</u> employees – 6. Pension contributions and other employee benefits – 7. Other non-interest expenses

9. Average loans

Average loans refer to the average amount of loans outstanding throughout the year. In most cases, this can be calculated by summing up the quarterly loan balances and then dividing the total by four.

Inclusions:

- non-mortgage loans, less allowance for impairment
- mortgages, less allowance for impairment

10. Other assets

Inclusions:

- gold coins and gold and silver bullion
- bank notes and other coins
- deposits with Bank of Canada
- deposits with regulated financial institutions, less allowance for impairment
- cheques and other items in transit (net)
- securities issued or guaranteed by Canada
  - securities issued or guaranteed by a Canadian province
  - securities issued or guaranteed by a Canadian municipal or school corporation
- other securities, less allowance for impairment
- land buildings and equipment, less accumulated depreciation
- insurance related assets
- customers liabilities under acceptances, less allowance for impairment
- other assets

11. Average deposits

Average deposits refer to the average amount of deposits held by your financial institution throughout the year. This variable can be calculated by summing up the quarterly deposit balances and dividing the total by four.

Inclusions:

- demand deposits
- notice deposits
- fixed-term deposits

12. Number of regular employees (full-time equivalent)

This variable is reported in actual values, not in thousands, and is the number of employees at the end of the fiscal year. This item requires the conversion of all labour into full-time equivalents (e.g., if an employee works 75% of the time, then this employee is considered to be equal to .75 a full-time employee).

Inclusions:

- any person receiving pay for services rendered in Canada or for paid absence and for whom the employer is required to complete a T4 - Statement of Remuneration Paid form
- employees that work on a full-time or part-time basis

13. Number of contract employees (full-time equivalent)

This variable is reported in actual values, not in thousands, and is the number of contract employees at the end of the fiscal year. This item requires the conversion of all contract labour into full-time equivalents (e.g., if an employee works 75% of the time, then this employee is considered to be equal to .75 a full-time employee.

Inclusions:

- employees classified as outside contract workers
- employees supplied by an employment agency or personnel supplier
- employees for whom you do not issue a T-4 Statement of Remuneration Paid form

Exclusion:

- Employees defined as regular employees above

14. Total

The total is the sum of the business segments for each variable.

IV. Terminology

Definitions of business segments

A. Retail Banking (personal and commercial)

Retail Banking provides financial services to individuals and small to medium sized commercial businesses in Canada through a branch network. Included in this group are private client services, branch banking and banking for small to medium sized businesses.

Inclusions:

- personal and commercial deposits
- personal loans
- commercial loans
- residential and non-residential mortgages

Exclusion:

- income from Electronic Financial Services, including those provided by automated teller machines, telephone and Internet banking services, and debit cards are excluded from retail branch banking. Please report this income in Electronic Financial Services.

B. Corporate and Institutional Finance

This segment refers to financing and operating services provided to institutional and large corporate customers. Examples of items to include are trade and export financing, project financing and syndicated lending.

Inclusions:

- corporate, government and institutional loans (domestic)
- corporate, government and institutional loans (international)
- corporate, government and institutional deposits
- other corporate and institutional finance

C. Electronic Financial Services

Income from automatic teller machines, telephone and internet banking services should be included in this business segment rather than with Retail Banking. This segment also includes income from credit and debit card services.

Inclusions:

- retail and corporate electronic banking services
- trade finance (if this activity can be separated from Corporate and Institutional Finance)
- banking machine transaction revenue
- telephone banking transactions
- Internet banking

Credit and debit card services

Inclusions:

- service fees on credit card transactions
- monthly or annual credit card account fees
- credit card merchant discount revenue
- all debit card related fees
- credit card merchant membership fees, imprinter rentals, etc.

D. Treasury and Investment Banking

Treasury manages the funds of the consolidated operations of the firm, ensures that regulatory requirements are followed, establishes the spread thresholds applicable to particular operating units based on performance indicators, manages the cash flow for consolidated banking operations, and performs risk management services. Interest incomes earned from funds held on deposits are the product of treasury activities.

Investment banking covers only the operations of securities brokerage, mutual fund management, investment management, discount securities brokerage, financial planning and financial advisory services to corporate, government, institutional and private clients. The private client activity excludes that portion which is included in retail banking.

Brokerage

Inclusion:

- commissions from trading securities by acting as the agent for clients

Securities dealing

Inclusion:

- proceeds from acting as the principal in securities transactions

Mergers and acquisitions

Inclusion:

- transaction fees from assisting corporate clients in mergers and acquisitions

Corporate Finance and Venture Capital

Inclusions:

- services of dealing with the promotion, organization, capitalization, financing, reorganization and financial conduct of business corporations
- services of providing capital funds for start up businesses

Investment management and custodial services

Inclusion:

- fees for portfolio management and custodial services of banks and trust companies

Mutual (investment) funds

Inclusions:

- fees generated from acting as a selling agent of units, shares or other interest in a mutual (investment) fund
- fees for acting as a collecting agent in the collection of payments for a mutual (investment) fund

E. Fiduciary Services

Services of acting as a trustee or agent in providing record keeping, custodial and performance evaluation services for personal trusts pension funds, corporate and institutional investments and group Retirement Savings Plans.

Inclusions:

- personal trust and investment management services
- pension and institutional trust services

- fees generated from estate and trust management, trust administration and from acting as agents for customers

Exclusion:

- mutual fees included with mutual fund fees under non-interest income

F. Other Services

This business segment includes all domestic operations that are not included in the above segments.

Inclusions:

- advisory fees, where the institution receives a periodic contractual fee for management or other services (unrelated to the bank's general banking operations) performed on behalf of third parties
- income from audit confirmations with respect to customers' accounts, securities held for safekeeping and loan positions
- all profits and losses on the disposal of premises with the exception of all lease-back situations
- any write-down on the value of land
- rental income net of related expense or real estate investment properties
- profit or loss realized by leasing subsidiaries from the sale of equipment previously leased
- any other income not elsewhere itemized

Operations in Canada

Deposit accepting intermediaries' activities are considered to be produced in Canada if the companies' labour and equipment services (e.g., wages, salaries and depreciation) required for their activities are paid in Canada. If most of the wages, salaries and depreciation required by the different activities are expensed at the head office located in Canada then they should be treated as produced in Canada.

Conversely, if a foreign branch in Canada is represented by a chief agent or representative who acts as an intermediary while the decisions and undertaking of the activities take place at the head office of the company located abroad, the activities are not considered to be produced in Canada. Rather, they are treated as imports of services from outside Canada.