



CDIC
Canada Deposit
Insurance Corporation

SADC
Société d'assurance-dépôts
du Canada

Canada Deposit Insurance Corporation

2010 Annual Public Meeting

Remarks from

Michèle Bourque

President and CEO

Canada Deposit Insurance Corporation

and

Bryan P. Davies

Chair, Board of Directors

Canada Deposit Insurance Corporation

- CHECK AGAINST DELIVERY -

Toronto, Ontario

October 30, 2010

Société d'assurance-dépôts du Canada

Assemblée publique annuelle 2010

Allocutions de

Michèle Bourque

Présidente et première dirigeante

Société d'assurance-dépôts du Canada

et

Bryan P. Davies

Président du conseil d'administration

Société d'assurance-dépôts du Canada

- LE TEXTE PRONONCÉ FAIT FOI -

Toronto (Ontario)

Le 30 octobre 2010

<p>CDIC Annual Public Meeting</p> <p>Saturday, October 30, 2010</p> <p>Direct Energy Centre – Toronto, Ontario</p> <p>10:30 AM to 11:30 AM</p>	<p>Assemblée publique annuelle de la SADC</p> <p>Samedi le 30 octobre 2010</p> <p>Direct Energy Centre – Toronto (Ontario)</p> <p>10 h 30 à 11 h 30</p>
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BRYAN P. DAVIES: Good morning and welcome to the fifth Annual Public Meeting of the Canada Deposit Insurance Corporation or “CDIC” as we are often called. It is my pleasure to talk to you today on behalf of CDIC’s Board of Directors.

It is also a real honour to be here, in Toronto, today. Even though CDIC is based in Ottawa, we work to protect the savings of all Canadians across the country. Each year, we hold our Annual Public Meeting in a different part of the country. Toronto is where we held our very first annual public meeting in 2006 and we’re very happy to be back in partnership with CARP - Canada’s Association of Retired Persons AND with the ZoomerShow to give you the opportunity to hear about what we do. As important, we appreciate the chance to hear from you, and to be open and accountable to you, the Canadians we work for.

So, what is CDIC's business? In a nutshell, CDIC insures Canadians' deposits in case their bank or other CDIC member institution fails. For most of you, this means that your deposits are probably insured by CDIC in the event of your bank failing. Today, we want to provide you with a brief overview of what deposit products are covered and to what levels. And, obviously, we want to try to answer questions and hear your thoughts on how we should pursue the mandate given to us by Parliament.

CDIC conducts regular public awareness surveys. The results have told us that while some Canadians may know about CDIC, there are also many who don't. We want more Canadians to be aware of CDIC deposit insurance. We have tackled the challenge head-on by holding public meetings such as today's meeting and by running television ads. As a matter of fact, we just launched a brand new TV advertising campaign a few days ago. The objective of the campaign which will run this fall and next winter -is to make Canadians aware of CDIC's deposit insurance. And that's also what we want to do today: we want to give you the basics about CDIC's deposit insurance and to make sure that if you need more information, you know where to find us.

Before our CEO get into the specifics of deposit insurance, I'd like to tell you about some of our partners.

CDIC does not work alone. We are one of 5 federal agencies that make up Canada's financial safety net—the organizations that work to protect Canada's strong financial system.

The others are:

- the Bank of Canada;
- the Office of the Superintendent of Financial Institutions, or OSFI;
- the Department of Finance; and
- the Financial Consumer Agency of Canada, or FCAC.

Each one of these organizations is represented on CDIC's Board of Directors. We are also very fortunate to have 5 other Directors drawn from the private sector from across Canada. Our Directors are the people responsible for overseeing CDIC and directing its activities.

A couple of our Directors are here today. I'll ask each one to stand as I mention their names.

Ursula Menke, who is the Commissioner of the Financial Consumer Agency of Canada; the agency that I just mentioned as one of our key partners, AND

Éric Pronovost, from Trois-Rivières, Québec. Eric is a chartered accountant and a licenced trustee.

Thank you both for being here today. And I also want to take this opportunity to thank all our Board members for their hard work and commitment to CDIC and to Canadians. We are privileged to have such a strong and dedicated group of talented people on our Board.

I'm going to leave you with a bit of information about CDIC. CDIC was created as a Crown corporation by Parliament in 1967. So we're now over 40 years old.

As you may be aware, in Canada we are fortunate to have strong financial institutions—failures do not happen very often. The last failure of a member institution in Canada was 14 years ago, in 1996. Nevertheless, since 1967, CDIC has protected more than **\$25 billion** dollars in deposits at **43** different failed member institutions. Some of you may remember such an unfortunate event. Some **2 million** depositors directly experienced a failure of an insured deposit institution and were glad that CDIC was there to protect them. CDIC exists to give you the peace of mind that if a bank were to fail your insured deposits will be protected.

All of us at CDIC have one key objective—to protect your savings and those of all Canadians. As with any insurance, all of us hope we will never need it, but it's good to know it's there.

I'm now going to turn the podium over to Michèle Bourque. Michèle was recently appointed as CDIC's President and Chief Executive Officer – on May 9th to be precise. But she's not a stranger to CDIC. She has been with the Corporation for over 18 years. Prior to joining CDIC, Michele worked in the financial sector as a senior economist. Her solid understanding of the financial and banking sectors and her wealth of knowledge about deposit insurance and risk assessment form the cornerstone of her leadership. Michele took on her new role with energy and enthusiasm and I know that CDIC is in very good hands under her direction ... Michèle?

Michèle Bourque: Thank you, Bryan. I am very happy to be here with all of you today. Toronto feels a bit like a second home to me. I worked here in CDIC's Toronto Office for a couple of years and I still travel quite often to this vibrant city! But not often enough do I have the opportunity to meet face to face with you – the public- and to engage into a dialogue about deposit insurance.

I'd like to share with you some important information about deposit insurance. Because as we say in our TV ad: *Be informed, Protect your savings.*

Right off the top, it's important for you to know that you automatically have CDIC deposit insurance *if* your deposits are eligible and *if* you bank with one of our member institutions. You do not need to apply for CDIC deposit insurance, or fill in any forms for coverage. You do not have to pay for CDIC deposit insurance—you don't pay any premiums and you don't pay any fees. Banks and other financial institutions that are members of CDIC pay insurance premiums to us every year. Last April, for example, we

collected \$250 million in premiums from our member institutions. And currently CDIC insures over \$600 billion of deposits in its members.

CDIC is the **federal** deposit insurer in Canada. There are various provincial credit unions and caisses populaires that are regulated by the provinces and are not members of CDIC. Generally, they have their own provincial deposit insurance programs. For example, in Ontario, the Deposit Insurance Corporation of Ontario (DICO) provides deposit insurance for credit unions and caisses populaires in the province.

Now let's take a closer look at CDIC deposit insurance. Knowing what is covered and what is not covered is key to making informed decisions about your investments and savings—because not ALL savings are covered by CDIC.

As I mentioned, it is important to know that our coverage is only available at financial institutions that are members of CDIC. These include Canadian chartered banks, federally incorporated loan and trust companies that take deposits, as well as federal associations of credit unions. We currently have 84 financial institutions that are members of CDIC. You can tell if your financial institution is a CDIC member by the red and white CDIC decal on its door, just like the one displayed on screen now. If you do Internet banking you can find CDIC's decal on your institution's website. Also you can verify whether your financial institution is a member institution of CDIC by visiting CDIC's website which includes an up-to-date list of our member institutions.

Another important piece of information you need to know is the maximum amount that CDIC covers. CDIC insures up to \$100,000 of deposits. Amounts over \$100,000 dollars are **not** covered by CDIC.

CDIC insures amounts **per** depositor, **per** member institution. Therefore, you could have more than \$100,000 in coverage *if you bank at more than one CDIC member institution*. Just remember that deposit insurance limits apply to **all** savings accounts, chequing accounts and GICs of 5 years or less that you have with the **same** member institution. CDIC's \$100,000 limit covers all the savings, chequing, GICs of 5 years or less accounts bundled together at the same bank, so it makes no difference if you have an account at two different branches of the **same** bank. An example helps to illustrate my point:

Your money must be deposited at one of our member institution to be **eligible** for CDIC deposit insurance and in the following products:

- Savings accounts and chequing accounts;
- Guaranteed Investment Certificates (GICs) and other term deposits, provided they have an original term of 5 years or less; and
- A number of other products, such as money orders or certified cheques issued by a CDIC member institution.

All of these must be in Canadian dollars.

Therefore, CDIC insures many, but not all financial products and accounts. **CDIC does NOT insure** mutual funds. CDIC does not insure stocks. Nor does CDIC insure GICs and other term deposits with an original term of **more than 5 years**.

Let's say you have a savings account and a chequing account in the same bank. In a 5-year GIC you have \$100,000; in the chequing account you have \$5,000 all in Canadian dollars. If your bank fails, CDIC will add all your savings, chequing accounts and GICs of 5 years or less together, and send you a cheque, in this example for \$100,000. Why? Because we will add up both accounts within the same bank, for a total of \$105,000, and pay you up to the coverage limit, which is \$100,000.

CDIC does not insure foreign currency accounts such as US dollars accounts, even if the money is deposited here in Canada.

To complicate somewhat the matter but foremost to ensure your savings deposit protection is sufficient, CDIC does provide separate coverage for joint accounts. It's possible to have up to \$100,000 of your personal deposits protected, as well as up to \$100,000 of the joint deposits that you hold with your spouse or someone else.

The same is true if you have savings held in trust for someone or savings held to pay realty taxes. All these benefit up to \$100,000 of separate coverage.

Savings held in a Registered Retirement Savings Plan – an RRSP as well as in a Registered Retirement Income Fund – a RRIF are also covered separately. It is important to know that CDIC coverage depends on the type of financial products that you put in your RRSP or RRIF. Only eligible deposits, those I've mentioned earlier, held in RRSP and RRIF are covered by CDIC. For example, if you put a \$10,000 3-year GIC in your RRSP it is covered by CDIC. If however you put \$10,000 of mutual funds in your RRSP, this is not covered by CDIC. Why? Because mutual funds are not covered by CDIC, no matter where they are invested.

The very same is true for savings held in a TFSA. Many of you will have heard of the recently introduced Tax-Free Savings Account, or TFSA. Eligible deposits held in TFSAs are also protected separately by CDIC—up to \$100,000 per depositor, per member institution. As with RRSPs and RRIFs, only the eligible deposits you hold in a TFSA are covered. So a three year GIC of \$5,000 would be covered. A seven-year GIC of \$5,000 would not be covered.

En résumé vos dépôts éligibles sont automatiquement protégés par la SADC à la condition qu'ils ne dépassent pas 100 000 \$. De plus vos dépôts doivent être :

- dans des comptes assurables, comme des comptes d'épargne, des comptes de chèques et des certificats de placement garanti de 5 ans ou moins;
- ils doivent être détenus par des banques et autres institutions financières qui sont membres de la SADC;

- Enfin vos dépôts doivent être en dollars canadiens : les comptes en dollars américains et autres monnaies étrangères ne sont pas assurables.

Vous jouissez également de couverture séparée pour certaines catégories de produits financiers.

If a financial institution were to fail—one that is a member of CDIC, you can rest assured that you would receive every dollar of your CDIC-protected deposits back; and quickly. We are committed to reimbursing depositors as fast as possible- in a matter of days—so you will have access to your money to meet your day-to-day financial obligations.

How do we make sure that we can meet this commitment on any given day?

Well...First we make sure our staff is trained like firefighters. Each year, we simulate a bank failure and test our extended team – external partners and suppliers that are on stand-by to help us get our work done.

Second, we make sure our fire truck is well oiled and continuously humming – we test our systems and processes to make sure they are ready to be activated in almost real-time.

And thirdly, we make sure we have the money to reimburse depositors. We have our members' premiums that we accumulate in a reserve fund, year over year, which we call our ex ante fund. We have close to \$2.0 billion in our fund. Also:

- We can borrow up to \$17 billion from the federal government, and,
- We can receive further funds from the federal government if we need to.

All money borrowed from the federal government is reimbursed with interest using our members' premiums. We do not rely on taxpayers – banks and other member institutions' premiums are used to fund all CDIC's operations.

So...you can really rest and sleep tight ...because we have all we need to fulfill our mandate.

CDIC's work is achieved by the efforts and dedication of our employees and management team. In fact, I'd like to introduce you to the senior members of our management team and would ask them to please stand as their names are announced:

- **Claudia Morrow**, Vice-President, Corporate Affairs, General Counsel and Corporate Secretary
- **Tom Vice**, Vice-President, Finance and Administration and Chief Financial Officer, and Treasury,

and finally,

- **Jeffrey Johnson**, Senior Vice-President, Insurance and Risk Assessment who unfortunately could not join us today.

There's more to know about CDIC deposit insurance, but what I've told you today and the short summary I just gave you covers the highlights. To find out more, first, I encourage you to ask where you bank or invest. You can also call our toll-free phone number, consult our website or email us. If you want to know more about CDIC operations, our financial position and challenges, you can read our Annual Report that was just recently published. It is available on our website but we also can give you a copy today. See our staff they will be happy to give you one! On your way out pick up your free ticket for the ZoomerShow as well as your ZoomerShow bag which contains a copy of our information brochure. It has all our contact information.

Please visit our information booth at the ZoomerShow. Our staff Michel, Claire and Genevieve will be happy to respond to any question you may have.

Thank you all very much. Merci beaucoup et bonne journée.

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