

***Cross-border resolution and bridge banking
First annual conference
of the IADI Regional Committee of North America
(International Association of Deposit Insurers)***

***Opening speech by Michèle Bourque
President and CEO
Canada Deposit Insurance Corporation
Ottawa – Wednesday, 6 February 2013***

INTRODUCTION

On behalf of the Canada Deposit Insurance Corporation, I would like to welcome you to the first conference of IADI's Regional Committee for North America.

Our RCNA partners are the FDIC, L'Autorité des marchés financiers du Québec, and IPAB México.

The celebration of winter you see outside today is called Winterlude. I hope you had or will find time to visit the Rideau Canal, the world's largest skating rink, see the ice sculptures, and enjoy the many attractions here.

This conference will be a wonderful occasion for us to share experiences and discuss common challenges with colleagues from around the world.

As I look around the room today, I think back to 1999, before IADI was formed, when the Financial Stability Forum Study Group first met, here in Ottawa, to talk about guidance on deposit insurance.

The issues we discussed back then will sound familiar.

We looked for lessons from previous financial crises. We studied the implications of changing from blanket guarantees to limited coverage.

We asked ourselves whether international guidance was desirable, whether it was feasible, and if so, what form it would take.

In the following years, the work began and then was formalized with the founding of IADI.

I had the pleasure of being with CDIC in those formative years, when IADI's work evolved into the core principles, released in 2009.

Today, they are the foundation of many deposit insurance regimes around the world.

IADI has opened a world of opportunity to learn about the many unique approaches underway to address issues we all face as deposit insurers.

We've watched as the original group of 20 determined participants has grown in influence, size and impact to an extent I don't think any of us could have foreseen.

IADI – and in fact deposit insurance worldwide – is part of the transformation taking place in the financial system.

For years, many deposit insurance schemes operated in the background.

But the global financial crisis highlighted the need for strong and visible deposit insurers.

Now, increasingly, we're in the spotlight. Demands on all of us have grown sharply.

More and more, and especially since the crisis, we look to each other for best practices. And that's why IADI is so important to each of us.

THE CANADIAN MODEL

The devastating impact of the crisis and the failure of large, complex financial institutions have demonstrated the need for new resolution tools.

Many deposit insurers are taking on new roles in regulatory frameworks, as all jurisdictions consider the monumental task of resolving these international banks.

CDIC, Canada's bank resolution authority, illustrates this transformation.

For a long time, CDIC was entrusted with very effective resolution tools, ranging from liquidation to going-concern solutions. We have been fortunate to have had these powers for the past 20 years, with some dating back to our founding in 1967.

The crisis demonstrated, however, that we needed tools that could preserve the vital economic functions of a failed bank and protect depositors, while ensuring of course, that taxpayers would not bear the losses.

Beginning in 2009, CDIC was granted new powers to complement its toolkit. The most important of these new powers are:

- the authority to establish a bridge bank, a model we will be discussing at this conference
- and the power, in law, to share confidential information with other regulatory bodies in order to facilitate the orderly resolution of a bank. As we all know, information sharing is a fundamental component of an effective deposit insurer and resolution regime, as is reflected in the FSB Key Attributes.

Last year, we established a new division, charged with building CDIC's capability to resolve our largest, most complex banks - although none are G-SIFIs.

Since that time, we have been working with these banks on individual resolution plans, each one tailored to the bank's unique circumstances.

One year into this process, we're proud to say we've completed the first generation of these resolution plans.

While it has been an interesting challenge for us at CDIC, there are several factors contributing to our achievements so far.

First, the strong support and engagement of our Board of Directors.

Let me say a few words about our Board.

It comprises the heads of our financial safety net organizations and members from the private sector. This structure has always added richness to our decision-making process.

All members of CDIC's Board have been unwavering in their support across a spectrum of activities, such as our increased needs for personnel and other resources.

Notably, their devotion of time to the breadth of our issues has been remarkable and has provided us with an invaluable perspective.

In particular, our relationship with the supervisor of our member banks -- the Office of the Superintendent of Financial Institutions -- has been critical in advancing this initiative.

We have long enjoyed a special and productive working relationship with the supervisor. In fact, it is the cornerstone of CDIC's important monitoring and risk assessment functions.

CDIC and the supervisor worked collaboratively on the preparation of Recovery Resolution Plans -- OSFI, our supervisor, leading the recovery work, and CDIC charged with the preparation of resolution plans.

Another key contributor, of course, has been the cooperation of our member banks.

Our relationship with them is evolving. This new resolution planning process requires us to look at their operations through a different lens. This is true for us as resolution authority, but also for our banks, which have not viewed themselves from this perspective.

Their collaboration has been and remains essential. We need to enhance our understanding of the banks' business, their structure and critical functions. We must also be able to assess the impact of changes within the banks, which inevitably occur over time. We do recognize, though, that in planning, we are not necessarily articulating the precise path a resolution would take. Rather, we are identifying the critical issues that will provide a more reasonable framework for making effective decisions in a future crisis.

One aspect of our transformation to a large bank resolution authority is the impact on our own operations. Skills sets within our staff complement must now reflect specialized large bank expertise. We have also created an Advisory Panel that brings together former bankers and other experts in the field.

All this work is new for CDIC as it is for all of us charged with preparing resolution plans.

For that reason, access to our international counterparts is vital.

CROSS-BORDER RESOLUTION

In resolution planning it is well recognized - and we have realized it as well - that one of the most significant challenges we face is ensuring cross-border cooperation.

While Canada does not have any G-SIFIs, our large banks operate on a global scale. We have to deal with key issues such as national legislative frameworks and financial market infrastructures across a broad spectrum.

So we must try our utmost to achieve cooperative solutions with foreign resolution authorities.

The RCNA appreciates the importance of cross-border resolution. That's why we are devoting such a significant amount of time to this topic at this conference.

CONCLUSION

I would like to conclude by reiterating CDIC's commitment to implementing the FSB Key Attributes for effective resolution regimes. We have made good progress to date but there is still a great deal of work to be done.

I look forward to our discussions today on how we can best move forward.

Finally, on a personal note, I am very honoured to host this conference. I have had the pleasure of attending many IADI meetings over the years, and I always come back to CDIC brimming with energy and new ideas.

All of you make us better at what we do.

Now I'd like to introduce our next speaker, Jerzy Pruski, who is IADI president and chair of the executive council. Jerzy brings to this IADI role a wealth of knowledge and experience regarding deposit insurance, bank resolution, monetary policy and financial supervision.

Since 2009, he's been the president of the management board at Poland's Bank Guarantee Fund – its deposit insurance agency. Jerzy is economic advisor to Poland's President. He plays a senior role with the country's financial supervision authority, as he has with the central bank.

On the international front, Jerzy has been on IADI's executive council since October 2010. He also co-authored a report on developing EU financial stability, which was adopted by the council of EU finance and economic ministers.

Please extend a warm welcome to IADI's new chair, Jerzy Pruski.