

Standing Senate Committee on Banking, Commerce and the Economy

Deposit Insurance Amendments in Bill C-47

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Speaking Notes by Leah Anderson, CDIC President and CEO

CHECK AGAINST DELIVERY

Good afternoon, Chair and members of the committee.

Thank you for the opportunity to speak to you about the proposed amendments in Bill C-47 pertaining to deposit insurance.

Canada's financial system is sound and resilient. We have a world-class regulatory and supervisory framework for federally regulated financial institutions. As a result, our banks are well-capitalized and have adequate liquidity and strong risk management practices.

Canada's deposit protection framework, which is implemented by CDIC, reinforces the stability of our financial system. CDIC has two roles. Our first role is to protect Canadians' savings and provide peace of mind that their deposits are safe if a bank faces financial difficulty.

CDIC's second role is to be the resolution authority for our member institutions, which means we are responsible for handling their failure in the rare event this should occur. CDIC has a range of tools and powers to draw on under the *CDIC Act*, depending on the scenario. For example, we can sell, merge or restructure a failing institution, while ensuring the continuity of banking operations and minimizing disruption to the wider system.

The Department of Finance has a range of other contingency powers and tools to support financial stability. Notably, section 60.2 of the *Financial Administration Act* or the FAA provides the Minister of Finance with authorities to take extraordinary measures when circumstances warrant.

While the U.S. has a different regulatory and supervisory context than in Canada, the recent banking failures in the U.S. demonstrate how quickly a bank can deteriorate in today's environment once faced with financial difficulty. They also highlight that a bank's distress may have systemic consequences even if it is not considered systemically important.

The proposed amendments related to deposit insurance in Bill C-47 would help mitigate these risks. They expand the Minister's toolkit to promote or maintain the stability and efficiency of Canada's financial system by giving the Minister temporary authority to increase the deposit insurance limit. They also allow CDIC to administer the Minister's crisis management powers under the FAA.

I want to close by reiterating that Canada's financial institutions are well-regulated, well-capitalized, and backed by a robust regulatory framework. However, in the event that unexpected risks arise and negatively impact the financial system, Bill C-47 bolsters our toolkit to protect depositors and promote financial stability.

Thank you. I welcome your questions.