

DSRB Compliance Assessment Framework

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1. Introduction

This document outlines the Canada Deposit Insurance Corporation's (CDIC or the Corporation) overall approach to assessing compliance with sections 2-4 of [the Canada Deposit Insurance Corporation Data and System Requirements By-law](#) (the DSRB), including some of the key factors and information it considers when assessing compliance with the DSRB for the purposes of qualitative scoring under section 9 of the *Canada Deposit Insurance Corporation Differential Premiums By-law (DPB)*.

2. Overview of the assessment process

CDIC takes a risk-based approach to assessing compliance with sections 2-4 of the DSRB. This approach is guided by the risk category assigned to each Member Institution (MI), as well as certain factors that may affect the Member Institution's ability to meet the data and systems requirements, such as the member's historical record of compliance with sections 2-4 of the DSRB and the degree of outstanding remediation activities, and any large-scale system or process changes that the member institution has implemented.

As such, the information that CDIC receives and reviews to determine an MI's compliance with the DSRB may vary depending on an MI's risk. A compliance assessment in respect of sections 2-4 of the DSRB, may include any or a combination of the following methods:

- **Certification:** CDIC may request that the MI certify it is compliant, in all material respects, with sections 2-4 of the DSRB.
- **Deposit Data Extract Testing:** Through testing, CDIC can assess the nature and severity of any deficiencies the MI may have in meeting the data capabilities referred to in subsections 2(1) and (2) and in implementing policies and procedures referred to in subsection 2(3) of the DSRB.
- **Information Requests:** CDIC may request deposit data extracts, policies and procedures, internal audit reports and other information that helps demonstrate the MI has the capabilities referred to in subsections 2(1) and (2) and policies and procedures referred to in subsection 2(3).

Step 1 Information request

- CDIC will send an information request detailing the types of information and when the information must be provided by. Typically, member institutions are given 2 weeks to provide CDIC with the information.
- The information that will be requested is determined by an assessment of certain factors detailed in Section 2 of this document.
- **Timing:** CDIC may request information at any time. Customarily, information requests for compliance testing are sent out late summer/ early fall.

Step 2 Compliance assessment

- If information is not provided, OR is not provided in time for CDIC to make its assessment, the MI will be determined to be non-compliant.
- If information is provided, an assessment, as per Section 3 of this document, will take place to determine "interim" compliance (i.e. whether an action plan will be requested).

Step 3A Results communication if assessed as "Compliant"

- CDIC will communicate the results of the assessment within 15 business days of completing the assessment.

Step 3B Results communication if assessed as "Non-Compliant"

- CDIC will communicate the results of the assessment and may request an action plan that sets out the remediation activities and corresponding timelines.
- **Timing:** Typically CDIC will communicate its findings within 15 business days of completing the assessment. An action plan must typically be provided to CDIC within 30 days.

Step 4 Review of Action Plan

- Upon receipt of the action plan, CDIC will determine whether noted actions are likely to remediate the non-compliance, and whether timelines are reasonable and would not pose undue risk to CDIC.

Step 5 Determination of Final Compliance

- Communication of non-compliance determination is subsequent to the assessment and prior to the Corporation's formal notice of the MI's classification in a premium category.

A deficiency is likely to be identified by CDIC when the MI is unable to certify and/or demonstrate, upon request by CDIC, that it possesses the capabilities necessary to support CDIC's resolution functions in the event of an MI's failure.

If CDIC identifies deficiencies in an MI's data capabilities and/or its development and implementation of policies and procedures as required under the DSRB (through testing or other methods), CDIC may request that the MI provide evidence of an acceptable action plan to address such deficiencies. CDIC would consider the extent to which any such action plan is being implemented in making its compliance determination. Depending on the nature or severity of the deficiencies, CDIC may not, in every case, request an action plan before making a compliance determination.

An MI will generally be found to be **compliant** for the purposes of Section 9 of the DPB if:

- The MI, upon request by CDIC and within the timelines specified in the DSRB, provides a certification that it has, in all material respects, the capabilities referred to in subsections 2(1) and (2) and that it adheres to the policies and procedures referred to in subsection 2(3); **AND/OR**
- There are no observed deficiencies or, the nature and severity of deficiencies do not, in CDIC's opinion, prevent the MI from providing the data referred to in the DSRB or making it available to CDIC in a usable format no later than the times referred to in the DSRB. The MI sufficiently demonstrates that it possesses the capabilities necessary to support CDIC's resolution functions in the event of an MI's failure; **OR**
- There are observed deficiencies in the data provided or made available by the MI, or CDIC observes that the MI insufficiently demonstrates that it possesses the capabilities necessary to support CDIC's resolution functions in the event of an MI's failure BUT where an action plan requested and accepted by CDIC for remediation of deficiencies is being adhered to.

An MI will generally be found to be **non-compliant** for the purposes of Section 9 of the DPB if:

- The MI does not provide a certification that it has, in all material respects, the capabilities referred to in subsections 2(1) and (2) and that it adheres to the policies and procedures referred to in subsection 2(3), upon request by CDIC, and within the timelines specified in the DSRB; **OR**
- The MI does not provide or make available any data referred to in the DSRB; **OR**
- CDIC is unable to use the data provided or made available by the MI to support CDIC's resolution functions in the event of an MI's failure; **OR**
- There are observed deficiencies that could prevent the MI from providing the data referred to in the DSRB, or CDIC observes that the MI insufficiently demonstrates that it possesses the capabilities necessary to support CDIC's resolution functions in the event of an MI's failure **AND** the MI does not provide an acceptable action plan, where requested by CDIC; **OR**
- The action plan provided to CDIC upon request, in respect of observed deficiencies is not adhered to; **OR**

- There are observed deficiencies in the development or implementation of policies and procedures to ensure that the MI has the capabilities referred to in the DSRB; OR
- The MI is unable to provide, upon request by CDIC, and within the timelines set out in the request, information or evidence referred to in Section 3 of the DSRB.

3. Factors that determine requisite capabilities are in place

CDIC will consider the non-exhaustive list of factors below to guide its assessment of whether the MI has the capabilities¹ to produce the requisite data within prescribed time limits, and whether the MI has developed and implemented policies and procedures in support of its capabilities.

3.1 Capabilities

By-Law/Assessment criteria	Factors that will inform CDIC's assessment
<i>2(1) For the purpose of facilitating the Corporation's exercise of its functions under section 14 of the Act or in the event that an order is made under any of paragraphs 39.13(1)(a) to (c) of the Act, every member institution must be capable of:</i>	
<i>(a) producing the following data, as of the determination time, in relation to its deposit liabilities — other than those posted in the records of a foreign branch of the member institution — and providing that data or making it available to the Corporation in a usable format no later than the time referred to in subsection (2):</i>	
2(1)(a)(i) data that enables the Corporation to identify and contact each depositor and ascertain their preferred official language and their province of residence,	<ul style="list-style-type: none">• The MI has certified that it has the capabilities to provide deposit data to CDIC to enable CDIC to identify and contact each depositor and ascertain their preferred official language and province of residence.• The MI's policies and procedures document in sufficient detail how the data is produced so that it enables the Corporation to identify and contact each depositor and ascertain their preferred official language and province of residence.• Deposit Data Extract Testing confirms that the MI has produced a data set with the required tables, the quality and completeness of which demonstrate compliance with this requirement.

¹ CDIC Data and System Requirements By-law, s. 2 to 4

By-Law/Assessment criteria	Factors that will inform CDIC's assessment
2(1)(a)(ii) data that enables the Corporation to identify and group those deposit liabilities by (A) unique depositor, (B) eligibility to be insured by the Corporation, (C) insurance category, and (D) account type	<ul style="list-style-type: none"> • The MI has certified that it has the capabilities to provide deposit data to CDIC to enable CDIC to identify and group deposit liabilities by unique depositor, eligibility, insurance category and account type. • The MI's procedures document sufficiently details how the data is produced so that to CDIC can identify and group deposit liabilities by: unique depositor, eligibility, insurance category and account type deposit liabilities. • Deposit Data Extract Testing confirms the MI has produced a data set with the required tables, the quality and completeness of which demonstrate compliance with this requirement.
2(1)(a)(iii) the interest accrued and payable in relation to each deposit liability as of the determination date; and	<ul style="list-style-type: none"> • The MI has certified that it has the capabilities to produce the data (i.e., the interest accrued and payable in relation to each deposit liability as of the determination date). • The MI's procedures document sufficiently details how the data is produced. • Deposit Data Extract Testing confirms that the MI has produced a data set with the required tables, the quality and completeness of which demonstrate compliance with this requirement.

By-Law/Assessment criteria

Factors that will inform CDIC's assessment

2(1) For the purpose of facilitating the Corporation's exercise of its functions under section 14 of the Act or in the event that an order is made under any of paragraphs 39.13(1)(a) to (c) of the Act, every member institution must be capable of:

2(1)(b) The MI is capable of temporarily preventing withdrawals of deposit liabilities or any portion of them according to account type within six hours after receiving instructions from the Corporation.

- The MI has certified that it has the capabilities to temporarily prevent withdrawals of deposit liabilities or any portion of them according to account type within six hours after receiving instructions from the Corporation.
- The MI's procedures document sufficiently details the steps to preventing withdrawals of deposit liabilities or any portion of them according to account type upon receipt of instructions from the Corporation.
- The MI's procedures document sufficiently details the steps, and / or other information (such as information generated pursuant to a testing exercise) confirms that the MI has the capability to return the required tables to CDIC within expected timeframes subsequent to processing hold instructions.

3.2 Time limits on the provision of data

By-Law/Assessment criteria	Factors that will inform CDIC's assessment
<i>2(2) The member institution must be capable of providing or making available to the Corporation the data referred to in paragraph (1)(a) no later than</i>	
<p>2(2)(a) in the case of the data referred to in subparagraphs (1)(a)(i) and (ii),</p> <p>(i) if the determination time occurs on or after the determination date, the earlier of</p> <p>(A) six hours after the determination time, and</p> <p>(B) 4:00 p.m. on the day after the determination date, and</p> <p>(ii) if the determination time occurs before the determination date, 4:00 p.m. on the day after the determination date; and</p>	<ul style="list-style-type: none"> • The MI has certified that it has the capability to produce and provide the deposit data to CDIC within the specified timeframe. • The MI's procedures document in sufficient detail the processes maintained and followed by the MI to produce the data and provide the data to CDIC within the specified timeframe. • Deposit Data Extract Testing confirms that the MI can produce a full production data set with the required tables, of required quality and completeness, to enable it to meet the specified timeframes.

By-Law/Assessment criteria	Factors that will inform CDIC's assessment
<p>2(2)(b) in the case of the data referred to in subparagraph (1)(a)(iii),</p> <p>(i) if the determination time occurs on or after the determination date, the earlier of</p> <p>(A) 30 hours after the determination time, and</p> <p>(B) 4:00 p.m. on the second day after the determination date, and</p> <p>(ii) if the determination time occurs before the determination date, 4:00 p.m. on the second day after the determination date.</p>	<ul style="list-style-type: none"> • The MI has certified that it has the capability to produce and provide the deposit data to CDIC within the specified timeframe. • The MI's procedures document in sufficient detail the processes maintained and followed by the MI to produce the data and provide the data to CDIC within the specified timeframe. • Deposit Data Extract Testing confirms that the MI can produce a full production data set with the required tables, of required quality and completeness, to enable it to meet the specified timeframes.

3.3 Policies and procedures

By-Law/Assessment criteria	Factors that will inform CDIC's assessment
<i>2(3) The member institution must develop and implement policies and procedures to ensure that it has the capabilities referred to in subsections (1) and (2).</i>	
2(3) The member institution must develop and implement policies and procedures to ensure that it has the capabilities referred to in subsections (1) and (2).	<ul style="list-style-type: none">• The MI has certified that it has developed and implemented policies and procedures to ensure that it has the capabilities referred to in subsections 2(1) and (2) of the DSRB.• The conclusion of an audit (conducted by Internal Audit or another independent party) respecting the adequacy of the MI's Policies and Procedures and the MI's capabilities.• The policies and procedures sufficiently document the processes surrounding all required capabilities.

3.4 Provision of information and evidence

By-law / Assessment criteria	Factors that will inform CDIC's assessment
<i>3 The MI has, at the request of the Corporation and within the period set out in the request:</i>	
3(a) provided to the Corporation a copy of the policies and procedures referred to in subsection 2(3);	<ul style="list-style-type: none"> At the request of CDIC, the MI has provided a copy of its policies and procedures that document its capabilities referred to in subsections 2(1) and (2) of the DSRB.
3(b) informed the Corporation of the time by which all of the transactions made on a given day are processed and posted to the deposit records of the depositors of the member institution;	<ul style="list-style-type: none"> At the request of CDIC, the MI has provided the time by which all of the transactions made on a given day are processed and posted to the deposit records of the depositors.
3(c) provided or made available to the Corporation the data referred to in paragraph 2(1)(a), including as of a time or date specified by the Corporation if there is no determination time or determination date;	<ul style="list-style-type: none"> Within the time requested, the MI is able to submit a full production data extract to CDIC, the quality and completeness of which demonstrates compliance with this requirement, as of the as at date requested by CDIC. If requested, the data the MI has provided includes the as of date and time the data extract pertains to.
3(d) demonstrated that any data provided or made available to the Corporation is consistent with the records of the member institution and explain any variances; and	<ul style="list-style-type: none"> Within the time requested, the MI has provided a balance and reconciliation that demonstrates that provided data is consistent with the records of the MI. Within the time requested, the MI has provided clear explanations of any variances.

By-law / Assessment criteria	Factors that will inform CDIC's assessment
3(e) provided or made available to the Corporation any other evidence that the member institution has the capabilities referred to in subsections 2(1) and (2).	<ul style="list-style-type: none">• If additional evidence has been requested for this MI, the MI has provided the requested data within timelines set out in CDIC's request.• If additional evidence has been requested for this MI, the submitted evidence demonstrates that the MI has the requisite capabilities to allow CDIC to undertake a resolution.

3.5 Certification

By-law / Assessment criteria	Factors that will inform CDIC's assessment
4 Every member institution must, within 30 days after the day on which a request to that effect is sent by the Corporation, certify whether it has, in all material respects, the capabilities referred to in subsections 2(1) and (2) and whether it adheres to the policies and procedures referred to in subsection 2(3).	<ul style="list-style-type: none">The MI has provided the certification within 30 days after the day on which CDIC has made the request.

4. Action planning

Based on the results of the assessment, CDIC may request the MI to provide an action plan. Where CDIC makes such request, the action plan should respond to noted deficiencies and contain:

- (i) Proposed remedial actions and how these will address noted deficiencies,
- (ii) Detailed timelines in respect of the noted remedial actions under (i),
- (iii) A plan to keep CDIC informed of progress, and
- (iv) A process to inform CDIC in a timely manner of delays, the reason for any delays, or any other developments that would impact remediation.

CDIC may take action plans into consideration in making its final compliance determination for purposes of scoring under section 9 of the DPB.

Depending on the nature or severity of the deficiencies, CDIC may not, in every case, request an action plan before making a compliance determination.

5. Notification of DSRB compliance

After completion of a DSRB compliance assessment through one or more of the assessment methods mentioned in this document, if an MI is assessed as “**non-compliant**”, CDIC’s Operations and Data Compliance team will communicate the results of the assessment to the MI in a timely manner subsequent to such assessment and prior to the Corporation’s formal notice of the MI’s classification in a premium category.

Under subsection 10.1(1) of the Schedule to the *Canada Deposit Insurance Corporation Deposit Insurance Policy By-law*, a member institution must not, directly or indirectly, disclose information that is given to the member institution with respect to qualitative factors or criteria that would, by itself or pieced together with other information, enable the determination of the score assigned to the member institution in respect of any of those qualitative factors or criteria. As such, any and all disclosure of the DSRB compliance determination by CDIC is prohibited.

Questions relating to this document or the DSR By-law may be directed to:

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