

## Financial Protection Forum December 1<sup>st</sup>, 2020

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### Remarks by Peter Routledge, President and CEO

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CHECK AGAINST DELIVERY

Thank you, Chantal.

Bonjour à tous et à toutes,

*C'est un plaisir de vous retrouver aujourd'hui, même virtuellement. J'aurais préféré vous rencontrer en personne et discuter de nos expériences respectives en ces temps hors de l'ordinaire. Mais je ne doute pas un instant que nous aurons des échanges fructueux.*

Good morning everyone, it is a pleasure to join you today on screen. I would have preferred to greet you in person and compare notes on these extraordinary times, but I am confident this virtual format will provide plenty of opportunity for a meaningful exchange of ideas.

I would like to begin by acknowledging the traditional unceded territory of the Algonquin Anishnaabe people from which I present to all of you today. CDIC commits to making the promise of Truth and Reconciliation real in this community. I am grateful for the opportunity to speak to all of you from here and I thank all the generations of people who have taken care of this land.

Over the past few months, our economic and financial systems have gone through an extraordinary stress test. And we face the prospect of a volatile recovery period.

So far, the Canadian economy and our financial system remain resilient, but we know this could change quickly. We must remain vigilant in our respective preparedness efforts to ensure we have a cohesive and coordinated approach in the event of a downturn.

Our organizations play an important role in protecting Canadian consumers, especially so in these uncertain times. We all protect the same people, so it's important for us to keep our lines of communication open.

I'd like to cover three topics today:

- How CDIC is transforming its corporate culture to better discharge our mandate.
- How we are anticipating and responding to the risks we face.

- I will also introduce several of our key corporate objectives, which my colleagues will address at greater length later in the program.

## INTRODUCTION TO CDIC V2.0

Over the past year, we have been transforming our services to even better serve Canadians with ambitious plans to address our corporate culture and our strategic objectives to become the next version of ourselves. We call this CDIC v2.0.

Our call to action? To radically transform our organization so that we discharge our mandate in a world that is moving faster than ever, becoming more digital and more complex.

Many of you are familiar with the saying that “culture eats strategy for breakfast”. That is, a strong culture with the right infrastructure is the surest path to organizational success.

We could not agree more. That’s why CDIC has adopted a new culture framework as the backbone of our transformation.

Working with our employees, we redefined our corporate values and leadership competencies, now called our promises and commitments.

- We promise to work as one to foster collaboration and better decision making;
- We are accountable to our stakeholders and each other;
- We anticipate and respond by taking smart risks and making informed choices;
- And we serve Canadians to the best of our abilities because they are at the centre of everything we do.

Our team has circulated a graphic illustration that summarizes these promises.

In order to transform, we have lifted the hood on all our human resources programs and practices – from recruitment and onboarding to compensation and performance management.

We have raised the expectations of what it means to be a leader at CDIC and we have further invested in our diversity and inclusion efforts – not because we had to, but because when employees bring their whole selves to work, we are all better for it. With these right foundations, we will flourish with organizational alignment, an engaged workforce and a strong leadership bench.

And particularly in these unusual times, as a result of the work undertaken in our transformation journey to date, we have been able to quickly pivot to the work-from-home

environment and ensure that our people are socially connected and provided with critical information and resources to support their mental and physical well-being.

At the same time, we've advanced our work, as planned, across all our business lines. I cannot tell you how proud I am of our teams' resiliency and willingness to adapt.

COVID-19 has in fact cemented that our transformation journey is appropriate - with our employees able to work anytime, anywhere and our flexible approach to employment policies and supports.

We believe that the pandemic will serve to further accelerate changes in the working world, and because of this we are actively exploring the Future of Work and defining our next generation people strategy and plan - CDIC 3.0. It will be bold, but will need to strike the right balance between achieving organizational priorities, putting our people's mental and physical health first and protecting the depositors we serve.

## COVID-19 RESPONSE

As I shared with some of you at the Annual General Meeting of the Credit Union Prudential Supervisory Authority earlier this year, we have also made many unexpected changes necessitated by the COVID-19 pandemic.

First, this spring we provided regulatory relief to our member institutions so they could allocate more of their resources towards directly supporting the needs of depositors. This included:

- Forgiving interest on deferred premiums.
- Granting delays on the submission of the stratification section of the Return of Insured Deposits, and for compliance with the Deposit Insurance Information By-Law.
- Postponing testing for data and system requirements compliance; and
- Waiving the annual notification requirement for multi-beneficiary trust deposits.

As an aside, the temporary measure giving the Minister of Finance the power to increase the CDIC coverage limit has expired. However, this is something within the government's power to revisit should the need arise in the future.

We also increased our public awareness activities so that more Canadians know their deposits are safe. This has had its intended effect. More Canadians today than ever before are aware of CDIC and what it does.

- We ramped up our advertising activities during the early days of the pandemic this past spring.
- We have essentially realized our 60% awareness target – meaning 60% of Canadians know their deposits are protected when asked about deposit insurance. Awareness is a critical part of our product’s quality. Deposit insurance only works if people know it exists.

The other thing we’ve done is build up our resolution planning, capacity and capability. While much of this work pre-dates the pandemic, there’s no question that COVID-19 has spurred us to broaden our efforts in this area.

For example, we have taken the role as crisis simulation lead, and so, for our federal financial safety net partners, we take part in war games. We play out financial crises in a safe, simulated environment so that we can test our decision-making capability and coordination.

The nice thing about those environments is, if you make a mistake, it’s inexpensive because it’s all in a pretend world. By going through trial and error in a hypothetical world, you start to learn things that will be quite useful to you in the real world.

Another priority for us is keeping in touch with all of you here today. CDIC is working to strengthen relationships with key stakeholders through an integrated engagement process, which is particularly timely in this period of uncertainty.

Over the coming months, we need to be proactive about flagging problems that may arise, and communicate, communicate, communicate as we seek out solutions. I am looking forward to hearing the responses you have taken so far and are planning to take in the coming months.

## **KEY CORPORATE INITIATIVES**

A few weeks ago, CDIC’s corporate plan was tabled in Parliament. I’d like to touch on three of the key initiatives that are keeping us busy.

First, our transformation to CDIC 2.0 puts a strong risk culture at the centre of all our strategic and operational decision making. Our renewed Enterprise Risk Management framework sets out our approach and provides employees with a common understanding of how CDIC manages risk, in order to have the information they need to manage risk effectively and consistently.

CDIC is fundamentally focused on anticipating and being prepared to act against risks that threaten the protection of Canadian insured deposits and the stability of the financial system.

Our Chief Risk Officer, Tara Newman, will provide more information on our ERM framework and our crisis simulation testing activities this afternoon.

Second, is payout modernization. Depositor expectations in today's digitized financial services industry are very different from when we last had to pay out a failed member in 1996. Our objective is to provide depositors with access to their funds as close to the day of failure as possible.

We need to upscale our payout platforms to meet those expectations. We started about a year ago on the largest technology investment initiative in our history. We will spend anywhere from \$30 to \$50 million to upgrade our ability to fulfill our promises in the event we choose to payout insured depositors if their bank fails. This payout modernization project will be a three- to four-year engagement.

Mike Mercer, our Chief Data and Insurance Officer, will walk you through the details after the noon break.

Third, is resolution planning. As Canada's resolution authority for federal deposit taking institutions, we have detailed, extensive plans to resolve a troubled bank, if one of them happens to run into problems. Our mandate is to ensure Canadians maintain access to their insured deposits, regardless of how we resolve the situation.

Over the last year and a half, we've spent more time outside the systemically important bank field and we've developed resolution plans for smaller institutions of, say, less than \$60 billion in assets.

But planning is only part of the picture. We also need to be prepared to act, including having the capacity to manage the failure of any of our members should the need arise.

We will also enhance our readiness by undertaking intensive preparatory activities for our members with higher risk profiles, supported by efficient and targeted risk assessment. We aim to maintain resolution plans for members that are right-sized for their risk and resolvability profile. And we will mature our work with systemic banks into a credible and sustainable model for crisis readiness.

Gina Byrne, our Chief of Member Risk and Resolution, will provide more detail on our resolution planning work in this afternoon's session.

And now, I would be pleased to answer your questions.