

International Association of Deposit Insurers (IADI): 7th Americas Deposit Insurance Forum

President's Remarks on Strengthening Public Confidence and Building Resilience

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Speaking Notes by Leah Anderson, CDIC President and CEO

CHECK AGAINST DELIVERY

Introduction

Good morning.

I want to thank the Autorité des marchés financiers (AMF) for hosting the 7th Americas Forum in Montreal. This is the first-ever Americas Forum in Canada. Congratulations to the AMF and the IADI team for bringing us all together.

I also want to extend a warm Canadian welcome to all of the participants in this forum. The last in-person Americas Forum was in Colombia in 2019. I think we can all agree the world has changed significantly since then.

Many of you have traveled great distances to be here—thank you for that. I know your presence and participation will greatly enrich our discussions. Canada values its long-standing friendship and deep historical connection with Latin American and Caribbean countries. We share:

- strong people-to-people ties through travel and immigration;
- important and longstanding trade and commercial relationships; and
- the important contributions of financial cooperatives and credit unions to our financial systems.

It is also a pleasure to welcome our colleagues from so many other countries globally.

On May 6th—about a week from now—IADI will mark its 21st anniversary. As IADI co-founder, CDIC is very proud of the international community we have built together. We are all stronger and more resilient for it.

As the previous speakers mentioned, the two main themes of this forum—strengthening public confidence and building resilience—are extremely timely. Given recent events in the financial system, it’s an opportune time for us to take stock of both domestic and international progress in these areas, and to share our goals and best practices. The exchange of information, insights and lessons over the next two days will be instrumental in shaping the direction of IADI’s review of Core Principles 10 on public awareness and 14 on resolution preparedness.

We know that public awareness supports public confidence and financial stability, as underlined by last year’s winners of the Nobel Prize in economics. We also know that financial system resilience is reinforced by the strength of resolution plans and tools.

CDIC will share its experience and goals in these areas in upcoming sessions over the next two days. In the meantime, I would like to give you an overview of some of the important issues, lessons and questions that we at CDIC are reflecting on in these two areas, particularly in light of recent events.

I’ll start with public awareness.

CP 10 – Public awareness

As CP 10 states, “it is essential that the public be informed on an ongoing basis about the benefits and limitations of the deposit insurance system.”

Why? Because research shows that in order to effectively bolster public confidence and trust, and minimize the risk of bank runs, depositors need to be aware of deposit insurance and how it works.

In Canada, we have had a public awareness program on deposit insurance since the 1980s. But starting around the time of the global financial crisis in 2008, we shifted to year-round campaigns. This means that we have a constant advertising presence in the market.

We do this in a number of ways. We leverage traditional, digital and social media. We regularly renew and fine-tune our public awareness strategy to make sure it’s targeted and effective. We also explore partnerships and opportunities for collaboration to maximize our impact. A great example is the successful joint campaign the AMF and CDIC launched last year to close the awareness gap among women in Canada.

As a result of CDIC’s public awareness work, two-thirds of Canadians were aware of deposit protection when news broke in March of bank failures abroad. Even though Canada’s banking system is sound and resilient, these events resonated strongly with Canadians. CDIC was able to

respond quickly to Canadians' desire to know more about the protection of their deposits by simply increasing our already existing advertising presence.

The takeaway? You can't wait until there is a crisis to launch a public awareness campaign. By then, it's too late. However, crisis also creates opportunity. When the public is concerned about financial instability, they are more likely to listen, learn and take action to protect their savings. Even if you have a constant presence in the market, it's essential to have an effective crisis communications strategy to reinforce public confidence in the moment.

We have an opportunity here and through our work with IADI to inform the future of each of our public awareness strategies—whether you're launching one for the first time or looking to refine your approach.

I want to pose two questions for reflection as today's speakers delve further into CP 10. The first one is about content. What are the key pieces of information the public wants to know when there is financial system instability?

Based on CDIC's research, people's first thought is: is my money protected by a system I can trust? Our awareness results show that public confidence in Canada is high. People's next question is: What is covered? That is why, in Canada, we are shifting our focus to deepening people's awareness of coverage. My CDIC colleagues will provide more details on that later, so stay tuned.

The second question I encourage you to reflect on is: in the age of digitization, how do we get information to a broad range of depositors with maximum impact?

The answer involves deepening our understanding of—and proficiency with—various information channels. The media landscape has evolved dramatically since the 2008 global financial crisis. It is very fragmented, with different demographics consuming different media in different ways. At the same time, this presents an opportunity to custom-tailor messages to specific demographic groups in a way that is most relevant to them.

CP 14 – Failure resolution

The second focus of this forum is failure resolution. As CP 14 states, failure resolution is about “[providing] protection of depositors and [contributing] to financial stability.”

In other words, it is important to design an effective and flexible resolution regime, and be prepared to implement it for financial institutions to uphold financial stability whenever needed.

At CDIC, we dedicate a lot of time and resources to resolution planning, and to testing and simulation through CDIC's Centre of Excellence. Resolution plans in Canada have reached a high level of maturity.

I would like to share with you some observations and lessons from recent events:

- First, the assumption that medium-sized banks are not systemically important financial institutions has been challenged. So have our traditional assumptions about the drivers and mitigants to moral hazard in the banking system.
- Second, depositor protection-and public awareness of such protection-plays a critical role in promoting public confidence and financial stability in an age where deposits can be moved from one financial institution to another with a simple "click."
- Third, robust resolution planning and testing is essential for preparedness. This allows us as deposit insurers and resolution authorities to act early and quickly to protect depositors and preserve financial and economic stability whenever needed.

As we collectively and individually chart our future courses on resolution plans and tools, I encourage us to ask the following:

- Are we doing enough to ensure that resolution plans are operational so we have confidence to implement them in a crisis?
- Are the resolution tools that are available adequate and fit for purpose?
- Are there opportunities to deploy resolution tools in innovative ways to respond—flexibly and quickly—to a range of risk scenarios?
- Does the current scope and coverage of deposit insurance protection promote public confidence in the protection of savings in each of our jurisdictions?

Conclusion

In conclusion, I hope that recent events will inspire us to reflect on IADI's Core Principles on public awareness and resolution and drive us to continue evolving and adapting our frameworks and plans to effectively respond to future crises.

CDIC is committed to our work together at IADI to ensure we are holding ourselves to the highest standard for deposit insurance and resolution—today and in the future.



I look forward to hearing from our provincial and regional counterparts on these issues. I encourage you to use the next two days to connect, to ask tough questions, to challenge each other, and to share best practices.

Thank you again for being here. Enjoy the conference!