

Message from the President and CEO



Since my appointment in 2021, it has been an honour to lead CDIC and deliver on its mandate to protect Canadians' hard-earned savings, and uphold financial stability. On April 24, 2023, the Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, announced my appointment as CDIC's President and CEO for a five-year term. I am grateful for the opportunity to continue serving Canadians in this role in a rapidly evolving, dynamic financial system environment.

As I reflect on the past year, I am struck by the acceleration, amplification, and convergence of a range of risk factors in the global environment and their implications for Canada's financial system, CDIC and its member institutions. These risk factors include geopolitical tensions, climate risk, cyber risk, inflation rates, higher borrowing costs, and high household indebtedness.

The good news is that, even in the face of these risks, Canada's banking system is sound, resilient, and well-positioned to weather the challenges ahead. However, we cannot be complacent. As recent events have shown, there continue to be novel and unprecedented risks on the horizon.

While the U.S. has a different regulatory and supervisory context than Canada, the recent banking failures in the U.S. highlight several important lessons: how quickly a bank can deteriorate once faced with financial difficulty; how social media and fast payment transaction systems can speed up bank runs; and how a bank's distress may have systemic consequences, even if it's not considered systemically important.

The environment requires CDIC's continued vigilance in risk assessment, as well as in resolution planning and testing of plans and capabilities to maintain crisis management preparedness. It also underscores the critical role of deposit protection in supporting public confidence in the banking system and, in turn, financial stability.

Despite these challenges and uncertainties during CDIC's 2022/23 planning period, the Corporation delivered on its mandate to Canadians and achieved its three corporate objectives: to be resolution ready, to reinforce trust in depositor protection, and to strengthen organizational resilience. This Report provides an overview of those significant achievements.

Being resolution ready

One of the cornerstones of our preparedness is robust resolution planning and testing of plans through CDIC's Simulation Centre of Excellence. We conduct simulations on a regular basis to test our resolution tools, response speed, and overall coordination in the rare event of a bank failure or financial crisis.

This year's simulations included financial institutions and external experts in banking, law, and mergers and acquisitions to pressure-test a wide range of scenarios. One involved a bail-in resolution with external stakeholders to test CDIC's capacity to temporarily take over and recapitalize a systemically important bank by converting its debt instruments into common shares.

Another simulation focused on a cyber threat, which is not traditionally financial in nature, but can affect a member institution's continuity of service.

Being resolution ready also means having the necessary funding in place. In 2022, we established a near-term target level for our deposit protection fund (i.e., *ex ante* fund) to exceed 85 basis points of insured deposits by 2026/27. This target will guide CDIC's annual premium rate setting for member institutions and will be reviewed every five years, at a minimum.

We also wrapped up a consultation last fall with our members to modernize and improve the effectiveness of our Differential Premium System (DPS). I would like to thank the respondents for their constructive input. The goal of the DPS is to ensure a strong risk-based funding framework that supports the sufficiency of the *ex ante* fund. We will share a summary of feedback, along with a timeline for implementing changes, in the year ahead.

Reinforcing trust in depositor protection

Public confidence and financial stability go hand in hand, especially in an age when deposits can be moved from one financial institution to another with a simple tap or click. Research shows that one of the best ways to reinforce trust in deposit protection is to ensure depositors are aware of it and how it works.

Thanks to CDIC's long-standing and comprehensive public awareness strategy, public awareness of deposit insurance among Canadians reached record levels this year. This proved to be critical when news broke of banks failing in other jurisdictions in March 2023. Although public confidence was high, these events naturally heightened Canadians' interest in deposit insurance in Canada, including how and where to find information about whether their deposits are protected.

CDIC was able to respond quickly by increasing its existing advertising presence in the market, answering inquiries from Canadians and the media, and promoting our website and information from member institutions. CDIC will launch a new three-year public awareness strategy in the coming year that will build on this strong foundation of awareness to deepen people's understanding of deposit insurance coverage.

CDIC also made good progress on its Payout Modernization project, which aims to build a new state-of-the-art system that will reimburse depositors quickly and more conveniently in the rare event of a member failure. The system will also allow depositors, member institutions, and nominee brokers to communicate with CDIC and share/receive data more quickly, easily, and securely.

Strengthening organizational resilience

CDIC's most critical resource is its people. We cannot deliver on any of our objectives without a skilled and engaged work force that reflects the population we serve.

This year, CDIC continued to attract top talent in a tight labour market, while investing in the skills of existing staff. We made progress on our Diversity, Equity, and Inclusion Strategy in partnership with CDIC's Inclusion Advisory Panel, comprised of employees at all levels. We also scaled up our wellness programs and improved our workplace policies, including against harassment and violence. The results are clear: when our employees feel safe and supported, they thrive and do their best work.

I am proud to report that CDIC was certified as a “Great Place to Work” by the Great Place to Work® Institute Canada this year. This certification is based on direct feedback from employees. It benchmarks CDIC with best-in-class employers. It also reflects our vibrant and thriving workplace, inclusive culture, and the passion and pride employees have for their work.

Conclusion

In closing, I would like to thank our dedicated and talented staff for helping to advance CDIC’s priorities during another challenging, but very rewarding and productive, year. I also want to thank the Board of Directors for its fearless leadership, support, and guidance.

Looking forward to the year ahead, it is clear we can expect further challenges and uncertainty. When that happens, I am confident CDIC is prepared to protect Canadians’ hard-earned savings and uphold financial system stability.



Leah Anderson