

CDIC's 2023 Annual Public Meeting - Moderated Question & Answer* Session

Protecting the Financial Future of Depositors

October 12, 2023

**Answers have been edited for length and clarity*

Speakers:

Angela Roberge, Moderator
Bob Sanderson, Chair of the CDIC Board of Directors
Leah Anderson, CDIC President and CEO

Leah Anderson

Has there been any consideration on raising the deposit insurance limit?

CDIC launched a deposit insurance study earlier this year. An important consideration in that study is around the adequacy of the deposit insurance limit. The study is looking at two main themes. First, depositor trends over the last several years. We're looking at who is saving, as well as where, what and how they're saving. This work will inform our analysis of the second study theme - the scope and coverage of deposit insurance. This theme will explore whether the limit we currently have is appropriate for the savings needs of depositors today.

The findings of CDIC's study will be presented to the Minister of Finance later this year and she'll make an assessment on the determination of the limit within the context of the broader financial sector policy framework.

Do you see a role for deposit insurance in financial product innovations like crypto-currencies?

The role of CDIC is to protect eligible deposits at our member institutions. We have 87 member institutions. The categories of deposits that are covered include individual deposits, joint deposits, RRSPs, TFSA's, and the new first-time home buyer account.

Crypto is not a deposit. It is not one of the eligible categories. It is an investment that carries with it investment risks.

CDIC is very focused on protecting depositors through public awareness and knowledge of what is protected and what is not. We are also very focused on consumer disclosures at the point of sale, and in advertising with respect to what deposits are covered and what are not.

Bob Sanderson

In your experience over the last four decades in the financial services industry, what has changed? What are the biggest changes you've seen and how do you see the future unfolding?

Complexity and speed are the biggest changes. First, the financial institutions themselves are becoming more complex. The products they offer are more complex and a greater variety.

Second, communications and technology continue to evolve at light speed. That brings new vulnerabilities like cyber-attacks which didn't exist when I first started out.

But also, the whole idea of open banking, Fintech platforms where you can move money around using your cell phone are all new. Let's not lose sight of the fact that the Apple iPhone only arrived in 2008.

So, one of the things that is important for CDIC, is that we've got to stay on top of what's happening because events will unfold quickly, probably more quickly than we anticipate and also there will always be the opportunity for new challenges.

Leah Anderson

Looking at recent failures in the United States and Switzerland, would there be any particular lessons learned for CDIC?

There are definitely lessons learned from these events. But before answering this question, I want to be clear that the supervisory and regulatory context in both United States and Switzerland are quite different than in Canada. That being said, there are a number of lessons.

The first is that, with the prevalence of social media and speed of technology, failures can occur quickly.

The second point is around the contagion effect of potential failures. Since the global financial crisis, it has been commonly thought that only systemically important financial institutions --

the biggest financial institutions in the country -- could create systemic impact on the financial system. But we saw that, in the case of Silicon Valley Bank and some of the other banks in US that failed, that they did have contagion effects on one another even though they weren't designated as systemically important. So when institutions share similar vulnerabilities, there can be contagion impacts among them.

The third point I would raise is that deposit insurance matters. It provides confidence to depositors that their money is safe and provides a stabilizing impact to the financial system. Lastly, however, safe and sound regulatory and supervisory frameworks are foundational to financial stability. We're very fortunate in Canada that we have a very strong such frameworks which I referenced in my earlier remarks.

Bob Sanderson

Why is it important for the Board to be involved in simulations?

It's important for the Board to be involved for a couple of reasons. First, it's the Board that will authorize the actions that CDIC will undertake in the resolution of any failing member. Therefore, we need to have absolutely seamless coordination between the Board and management, clearly define the roles that each of us has to play and know exactly what we have to do and when. It's important also to test each other's limits, to try out new ideas in a safe environment and be able to respond quickly, efficiently and effectively, so that depositors know that when a situation arises, that requires us to intervene, we are ready and able to act quickly, seamlessly and without disruption.

Leah Anderson

I am a business owner. According to your annual report, 75% of deposits representing \$3 trillion are uninsured. What is the percentage of commercial deposits insured? What is the total amount in dollars of commercial deposits insured? Can you confirm if my understanding is correct: deposits in the largest Canadian banks have unlimited protection as a result of bail-in. **

CDIC collects data and reports on insured deposits by insurable category, of which there are nine including funds held in one name, jointly or in trust as well as various registered categories (e.g. RRSP and TFSA). Each category is insured up to a limit of \$100,000 per member institution. Commercial deposits would fall into one of these categories and would be insured by CDIC up to the deposit insurance limit if they are placed with a CDIC member institution. The largest portion of the "uninsured" amount referenced in the question comprises ineligible

deposits, in addition to deposits above the deposit insurance limit. Ineligible deposits include a deposits held by foreign branches and subsidiaries of Canadian banks which, while not covered under deposit insurance in Canada, may be eligible for insurance under those jurisdictions' deposit insurance regimes (e.g. FDIC in the USA).

Regarding your 'bail-in' question, it is important to note that this tool is distinct from CDIC's deposit insurance protection. In addition to CDIC's role in providing deposit protection for eligible deposits, CDIC is the resolution authority for its member institutions, including Canada's largest banks, designated as domestic systemically important banks or DSIBs by the Superintendent of Financial Institutions. CDIC's resolution toolkit for DSIBs includes bail-in power, which allows CDIC to take temporary control of a failing bank and convert all or a portion of eligible debt into common shares to recapitalize the bank. Bail-in would allow a D-SIB to remain open and continue to provide regular banking services for its customers while it is being resolved. Financial products such as loans, mortgages and lines of credit would remain unchanged and chequing and savings accounts would be accessible and continue to receive CDIC's protection. Customers would be able to access online and phone services and ATMs with no interruption. In Canada, the bail-in power only applies to [eligible debt instruments](#). Deposits are not eligible to be bailed in.

*** Question not addressed during the live event.*