

CDIC's 2020 Annual Public Meeting

Improving deposit insurance to better protect Canadians' savings

CHECK AGAINST DELIVERY

Speakers:
Peter Routledge, CEO
Chantal Richer, COO
Bob Sanderson, Chair of the Board of Directors
Brad Evenson, Director of Communications and Public Affairs

Brad Evenson:

Good afternoon. My name is Brad Evenson, I'm the Director of Communications and Public Affairs at CDIC. Thank you for joining us today for CDIC's 2020 Annual Public Meeting.

This year, despite hopes that we would be able to gather in person for this meeting, we have chosen to broadcast the event via live webcast in order to maintain the safest physical distancing protocols and to ensure the health and safety of our colleagues and all participants.

Before we get started, I would like to acknowledge the traditional unceded territory on the land where we live, gather and work. While today we are gathering virtually from territories across the land, I acknowledge that my colleagues Peter Routledge, Chantal Richer and I are standing on unceded Algonquin, Anishinabek territory.

Over the past few months, many of us have been introduced to a multitude of video conferencing tools, so if you are unfamiliar with GoToWebinar, here is a brief overview. For the purposes of this session, all participants have been placed in listen only mode. So, don't worry, we can't hear you. Your microphones have been muted.

If you have questions during the webinar, feel free to submit them by clicking on the chat or conversation bubble icon, which you'll find on the left side of your screen or by emailing us at smenquiries@cdic.ca. We will try to get to all

questions today, however, if we don't get the chance to answer your question during the meeting, we will post all questions and answers on our website in both official languages in the days following this event.

Over the next 45 minutes, we will hear from Bob Sanderson, Chair of the CDIC Board of the Directors, Peter Routledge, our President and CEO, and Chantal Richer, our Chief Operating Officer.

We will be reviewing CDIC coverage and how the recent improvements to deposit insurance allow for more of Canadians' hard-earned money to be protected, and we will discuss CDIC's public awareness program, including what CDIC has been doing to reassure Canadians about the safety of their savings.

Following the remarks, we will answer questions you've sent us over the past few weeks. The answers, along with a recording of this event, will be available on our website in the coming days. You can also access the event speaking notes on our website.

To begin the meeting, it is my pleasure to introduce Bob Sanderson, Chair of the Board of Directors of CDIC for the past four years.

Mr. Sanderson has served as the Chair of the Canadian Association of Insolvency and Restructuring Professionals. He has also served as President of the Insolvency Institute of Canada and the International Association of Restructuring, Insolvency & Bankruptcy Professionals and is a fellow Chartered Professional Accountant of Ontario and British Columbia. Mr. Sanderson has also served as a member of the CDIC Advisory Panel on Resolution.

Joining us today from Vancouver, BC, welcome Mr. Sanderson.

Bob Sanderson:

Thank you Brad. I would like to begin by acknowledging that the land on which I live, and work, is the unceded territory of the Coast Salish peoples, including the territories of the Musqueam, Squamish, and Tsleil-Waututh Nations.

On behalf of the Board, I welcome you to CDIC's Annual Public Meeting and thank you for joining us today.

As you may know, CDIC is a federal Crown corporation that was created over 50 years ago to contribute to financial stability in Canada by protecting Canadians' savings, in the event of a failure, against the loss of eligible deposits at its member institutions.

CDIC does this by protecting eligible deposits up to \$100,000 per insured category at each of our member institutions. Our members include banks, federally regulated credit unions, as well as loan and trust companies.

During my term as chair, I have seen CDIC evolve and adapt to ever-changing circumstances.

This past year alone, we enhanced our preparedness to handle the failure of a member institution regardless of its size or complexity, updated our internal systems to enable us to reimburse depositors faster than ever before and ushered in the first of two legislative amendments to strengthen deposit insurance to protect more of Canadians' deposits.

This year, our Board has taken steps to place a focus on risk, including approving CDIC's first risk-appetite statement, which acknowledges that CDIC operates in an environment where there are risks that could impact its ability to meet its mandate and vision. This statement provides a lens through which the Board can take a more holistic governance perspective in its stewardship of CDIC.

The Board has also encouraged and endorsed work that was undertaken on workplace culture and the redefinition of CDIC's promises and commitments to Canadians, which Peter will elaborate on in his remarks.

I'd like to take this opportunity to thank all Board members for their valuable contributions and to welcome two new Board members, who have joined us since last year's Annual Public Meeting.

Judith Robertson became Commissioner of the Financial Consumer Agency of Canada in August of 2019. And on June 3rd, Tiff Macklem stepped into the role of Governor of the Bank of Canada. With these appointments, they both join CDIC's Board as ex officio Directors. We are grateful for their experience and expert counsel.

I'd also like to recognize the exemplary leadership of our President and CEO, Peter Routledge and the contribution and dedication of CDIC's management team and staff. I'll now hand over the floor... or screen, I should say, to Peter.

Thank you.

Peter Routledge:

Thank you, Bob, for the introduction, and for all the work you and the Board do for CDIC. CDIC is fortunate to be supported by a strong and dedicated group of talented Directors.

Welcome to CDIC's 2020 Annual Public Meeting.

The global financial landscape has changed substantially since CDIC was established.

In 1967, we had three employees, our coverage limit was \$20,000, and we protected \$17 billion in deposits. Today, we have over 150 employees, the coverage limit is \$100,000 across seven deposit categories, and the amount of eligible deposits CDIC protects is almost a trillion dollars, \$968 billion to be exact.

Over the last half-century, CDIC has handled 43 member-institution failures directly affecting more than two million depositors. CDIC was always there to protect them. Not one of them lost a single dollar that was insured by CDIC.

We protect virtually all personal deposits held in our member institutions. Canadians can rest assured that their hard-earned money is safe.

[Resolution]

As Canada's resolution authority, CDIC is responsible for handling the failure of any of our members, from the smallest to the largest.

We have a broad suite of tools that can be used to support our member institutions and therefore protect depositors.

And while reimbursing depositors is often the first resolution tool that comes to mind when people think about the failure of their bank, reimbursement of deposits is just one of the tools in our resolution toolkit.

For example, we can assist with the sale of a troubled member to another institution, something we have done many times in the past.

In certain circumstances, CDIC can provide loans to a member experiencing temporary liquidity stress to allow it to meet its obligations as they come due.

This is not an exhaustive list. My point here is that CDIC's powers can be deployed in different ways to protect depositors and to promote financial stability, depending on the circumstances. We protect depositors and promote financial stability in a manner that limits CDIC's exposure to loss.

When CDIC resolves a member institution, that implies the member has become non-viable, a thought which can be unsettling since CDIC has not had a member failure since 1996. But we at CDIC remind Canadians that resilience to failure, not its absence, marks a sound financial system.

Therefore, we know that Canadians count on us to be ready to face a failure whether that's tomorrow. Or next week. Or next decade. And, rest assured, we are always ready, and continuously looking for ways to strengthen the protection we provide to Canadians.

That is why on an operational level, we are constantly working to ensure we have plans and resources in place to address all possible failure scenarios.

In every case, our goal is to ensure the least amount of disruption to depositors' regular banking activities and continued access to their insured deposits.

[Deposit Protection]

So, let me say a few words about what's protected. Your eligible deposits at all CDIC member institutions are protected up to \$100,000 per coverage category, per institution. Our seven coverage categories are:

- Deposits held in one name, a chequing and savings account for example
- Deposits held in more than one name, so a joint account with a spouse or child
- Deposits held in an RRSP
- Deposits held in an RRIF

- Deposits held in a TFSA
- Deposits held in trust, including brokered deposits in trust. Coverage applies to each beneficiary named in a trust, provided certain disclosure rules are met
- Deposits held for paying taxes on mortgaged properties

Recent amendments to the *CDIC Act* have expanded the protection for Canadians. This modernization was the first major update to the overall framework since 1995.

The updated coverage was announced in the 2019 budget following an extensive consultation and policy review process. The expanded coverage provides Canadians with more flexibility in how they save their money.

To that end, the following two key changes to deposit protection came into force on April 30th, 2020:

The first is that foreign currencies are now protected across our seven coverage categories at all member institutions. We estimate that over \$150 billion is held in foreign currency at our member institutions and, in the event of a failure where a payout solution was deemed most appropriate, foreign currency would be converted into, and payable in, Canadian dollars. The conversion rate, in most cases would reflect the Bank of Canada rate on the date of failure.

The second change is that eligible term deposits of more than five years are now automatically protected by CDIC. This means that if you currently hold a deposit product, like a GIC, with a term greater than five years, this investment is now protected. We estimate deposits with terms greater than 5 years at CDIC member institutions total about \$30 billion.

As Bob referenced earlier, great organizations sustain themselves by defining their cultural values bottom-up and living them top-down.

During the year, our employees collaborated to redefine our cultural promises and commitments to Canadians and each other, and our leadership is

embedding them in CDIC's culture by living and modelling them top-down. Our four key promises are:

- We serve Canadians
- We are accountable
- We work as one
- We anticipate and respond

These are the promises that we make to Canadians that define how we carry out our mandate and how we approach our work at CDIC.

[Global Environment]

When I started at CDIC in 2018, I don't think anyone could have predicted the global events that would unfold, events that will undoubtedly shape the Canadian economic landscape for the foreseeable future.

Considering the scale of the global pandemic and the economic impact left in its wake, I would be remiss if I didn't touch on how Covid-19 has changed the way we work, plan and prepare.

At CDIC, we have made the health and safety of our fellow Canadians, colleagues, and friends a priority. Working from home has been the norm in order to respect physical distancing guidelines, and while working remotely we have maintained our preparedness with vigilance, as we continue to work closely to ensure the security of Canadians' hard-earned deposits during these unsettling times.

We have also shifted our corporate priorities in order to adapt to the changing landscape, placing focus on initiatives that will strengthen CDIC's preparedness.

I would like to take a moment here to extend my wholehearted gratitude to the all the frontline workers who have dutifully and courageously been working to ensure our safety and wellbeing.

And now, I would like to hand over the mic, so to speak, to my esteemed colleague, Chantal Richer, Chief Operating Officer, who will discuss CDIC's public awareness program and what we are doing to ensure Canadians are aware of how we protect your money.

Chantal Richer:

Thank you, Peter. And thank you to the audience for joining us today.

Today I'd like to talk about one of our key priorities - building public awareness of CDIC deposit insurance.

Canadians can't fully benefit from a deposit insurance program if they don't know about it.

Our research has shown that informing Canadians about CDIC deposit protection helps keep the financial system safe and stable. In fact, it has determined that the probability that individuals will run a bank or other financial institution increases by over 40 percentage points if they are not aware that there is deposit protection, that is why we work so hard to promote confidence in the financial system.

CDIC therefore has a public awareness program designed to promote confidence in the Canadian financial system by ensuring that depositors are aware of CDIC deposit protection so they can make informed decisions about the safety of their savings. The program also aims to reduce the risk of bank runs by assuring Canadians that CDIC protects their hard-earned money.

Every year, our public awareness efforts focus on different ways to inform Canadians about deposit insurance.

You may have seen our TV ads while watching the morning news or spotted our logo on the field during a CFL game last season, when we still had live games.

We reach out daily through our social media channels, and work with bloggers and finance influencers on a regular basis, to ensure that our message is heard.

Not only does public awareness provide Canadians with vital information about protecting their money but it also helps build trust in their financial institutions.

If you bank with one of our members, you'll have seen our purple lock on your financial institution website, mobile banking app, or branch door.

And while we know that being aware of CDIC protection is important, we also know that awareness of deposit protection is integral to financial literacy as a whole, which is why last year we embarked on a pilot project with a number of our member institutions to promote financial literacy through financial literacy game contests.

Some of you may have participated in this game and, some of you may have even won prizes in the process of learning more about how your money is protected and what that means within a larger financial context. We partnered with the Financial Consumer Agency of Canada, one of our financial safety net partners, as well as fellow Crown corporation, the Canada Housing and Mortgage Corporation to include questions of interest and relevance to your daily lives.

“Together apart” is a saying that’s been heard over the past few months and while this slogan couldn’t more accurately reflect the events of the pandemic, it also captures how we, at CDIC, have been working, not only with our colleagues within CDIC, but with our fellow financial safety net partners and our member institutions to ensure that Canadians across the nation are aware that their hard-earned savings and the deposits in that emergency fund are protected.

While public awareness of CDIC has always been one of our corporate priorities, this year we have seen first-hand the impact that awareness has on Canadians’ confidence and we have stepped up to ensure that our voices are heard, and depositors are reassured.

The health and safety of your loved ones should be your number one priority. We want to make sure that worrying about whether your money is safe is not a concern, so you can focus on the people and things that matter most to you.

We have worked tirelessly to ensure that Canadians are equipped with the information they need to make informed financial decisions and are pleased to see that our efforts are contributing to a general increase in overall awareness of deposit protection. In particular, we’ve seen a significant increase in awareness among women and young Canadians. We’re more motivated than ever to make sure Canadians know how their money is protected.

That's why financial institutions place our purple lock stickers on their ATMs, branch doors, websites and banking apps.

It's why we have contact centre agents ready to answer your questions every day and why we have introduced a live chat function on our website.

And it's also why we reach out to Canadians through our advertising campaign, promotional partnerships, social media, and financial literacy games - all so you can rest assured your insured deposits are protected.

On behalf of CDIC, I'd like to thank you for joining us, and I'll pass the "mic" back over to Brad, who will open the floor up to questions.

Thank you.

Brad Evenson:

Thank you, Bob, Peter and Chantal. It's now time for us to answer some of the questions you've sent us over the past few weeks. We received questions via email and through our social media channels as well as throughout the meeting today and we would like to thank you for taking the time to reach out.

Q&A

Brad Evenson:

This concludes our 2020 Annual public meeting. Thank you to all those of you who joined us this afternoon and to everyone who submitted questions. As a quick reminder, we will be posting the answers to your questions, along with a recording of the annual public meeting to our website in the days following the event, so if you'd like to share this information with your friends or colleagues, or if you're interested in watching it all again, you'll be able to find it - along with a suite of useful tools and videos on our website - at cdic.ca. For regular updates and information, you can also follow us on Facebook, LinkedIn, YouTube and Twitter.

Thanks everyone. Stay safe and stay well.