

## CDIC's 2022 Annual Public Meeting

# Facing the Future: how preparedness is key to protecting depositors

November 3, 2022

*CHECK AGAINST DELIVERY*

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### Speakers:

Mark Boutet, Moderator  
Bob Sanderson, Chair of the CDIC Board of Directors  
Leah Anderson, CDIC President and CEO

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### Mark Boutet, Moderator

Good afternoon. My name is Mark Boutet, I'm the Head of Stakeholder Relations and Communications at CDIC. Thank you for joining us today for CDIC's 2022 Annual Public Meeting.

Today's theme is "Facing the Future: how preparedness is key to protecting depositors."

### Introduction

At our outset, I would like to acknowledge that CDIC's corporate headquarters rest on unceded Algonquin, Anishinabek territory.

As we are meeting virtually today, I would also like to further acknowledge that the Indigenous peoples are the traditional stewards of the lands and waters where each of us attends our meeting this afternoon.

Before we begin, there are a few housekeeping items starting with the meeting platform. If you encounter any technical issues during the broadcast, click on the Technical Support link at the top right of your screen.

To access floor audio, which is bilingual with no translation or interpretation, click the Floor Audio button on the bottom left, below the video window.

Simultaneous translation and interpretation are offered on both the English and French feeds. To access sign language interpretation, click on the ASL or LSQ button. Please note that sign language will be visible on the English & French feeds only.

You can submit questions for the Q&A portion of the event by typing them in the Ask a Question box on the right side of your screen.

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 questions and answers on our website in both official languages in the days following this event.

## Overview of today's meeting

During our discussion today, Leah Anderson, CDIC's President & CEO, will be joined by CDIC's Chair of the Board, Bob Sanderson, to discuss highlights in preparedness efforts, reinforcing trust in deposit insurance and recent governance enhancements as CDIC navigates a complex and uncertain operating environment. We will also be sharing two short videos that illustrate CDIC's preparedness activities to support as well as demonstrate the importance of working with stakeholders to help achieve CDIC's preparedness objectives.

Following their remarks, Leah and Bob will be available to answer your questions. A recording of this event, and the event speaking notes, will be available on our website in the days following the event.

So, without further delay, it is my pleasure to introduce Bob Sanderson, Chair of the Board of Directors of CDIC for the past six years.

Prior to joining the Board, Bob 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 of the Institute of Chartered Accountants of Ontario and British Columbia. Bob was also an invaluable member of CDIC's Advisory Panel on Resolution.

Welcome, Bob.

## Bob Sanderson

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

CDIC is a federal Crown corporation that provides deposit insurance and is the resolution authority tasked with handling the failure of any of our members. In carrying out this role, we contribute to financial stability in Canada by protecting depositors against loss and ensuring access to their funds.

Our members include banks, federally regulated credit unions, as well as loan and trust companies. Since it was created by Parliament in 1967, CDIC has handled 43 failures, affecting more than 2 million depositors. No one has ever lost a single dollar that is under CDIC protection.

The Board of Directors is tasked with providing both leadership and stewardship. It holds CDIC management accountable for the performance of our Corporate Plan as well as overseeing its effectiveness and performance in fulfilling the corporation's mandate. This oversight role is of fundamental importance, particularly in a rapidly changing world where our Board must also focus on emerging risks and anticipate challenges that CDIC could face.

With this foremost in mind, CDIC is committed to a strong governance framework.

In 2022, the Board renewed its governance model with a new, aspirational charter. This charter is driven by values and is founded on the principle that our job is to protect Canadians' savings in a manner that can bear the closest scrutiny.

Our oversight of and delegations to Management are driven from the charter to help ensure that Canadians' trust in CDIC is well placed.

As our governance model evolves, so too does the composition of the Board.

In 2022, Parliament amended the CDIC Act to strengthen governance by including the CEO as a full Board member. This measure ensures alignment with best practices and with the Boards of other Crown corporations and financial institutions.

The amendment also provides for an additional private sector Director to the Board's composition, to maintain the balance between public and private sector Directors ensuring the Board has a diversity of views and perspectives.

Composition of the Board has also changed over the past year. In addition to the Superintendent of Financial Institutions Peter Routledge joining our ranks, Deputy Superintendent Ben Gully also joins the Board, both as ex officio members. The Board also welcomed three new Alternate Board Members: Carolyn Rogers of the Bank of Canada, Isabelle Jacques of the Department of Finance and Frank Lofranco of the Financial Consumer Agency of Canada. The Board and CDIC management benefit greatly from their expertise and insights.

I would also like to take this opportunity to wish former director Jamey Hubbs best wishes as he embarks on his retirement from OSFI and to congratulate Sharon Kozicki, as she undertakes new responsibilities at the Bank of Canada.

Board composition will change again in the near future with active recruitment underway for Director positions.

CDIC and the Board also continue to benefit from CEO and President Leah Anderson's leadership in these uncertain times. Canadians are well served by Leah and her team of dedicated passionate professionals in delivering on CDIC's mandate.

I would now like to invite Leah to share her perspectives on the past year and what she sees on the horizon.

## Leah Anderson

Thank you to Bob and the Board.

Over the past year, risks in the environment and to CDIC's membership have evolved significantly.

We have had a number of shocks, including the ongoing pandemic, the invasion of Ukraine, and are seeing geopolitical fragmentation.

We now have the highest inflation we have seen in decades and many global commentators believe that the risks of a recession are rising.

In Canada, higher interest rates are pushing borrowing costs up where housing affordability is now at historical lows.

Driven by a range of factors, including the increased use of digital banking channels, volatility on asset markets and an increase in interest rates, the volume of deposits with our members has risen.

CDIC-insured deposits increased by some 5.5% to more than \$1 trillion in 2022, on top of 6% growth in 2021.

This growth highlights the importance to Canadians of their savings, and the value that CDIC brings to Canadians by protecting their savings in these uncertain times. When Canadians know their savings are safe, this also supports the stability of the financial system.

As we have for 55 years, CDIC remains steadfast in its mandate to protect depositors.

That is why in today's risk environment, CDIC is focusing on three key priorities:

These are to be resolution ready, to reinforce trust in depositor protection by evolving to meet changing expectations, and to strengthen CDIC's organizational resilience.

In keeping with today's theme of preparedness, I will focus particularly on our objective of being resolution ready in the unlikely event a member institution should fail.

Our current state of readiness ramped up when the COVID-19 pandemic arrived in early 2020, and we have not let down our guard.

Key to CDIC's preparedness is our early and continuous identification of risks that can materially impact one or more member institutions.

We are closely monitoring current and emerging risks faced by our members through risk assessments and stress testing to detect vulnerabilities at an early stage.

At the same time, we work with our members to develop tailored plans that detail how we would resolve a potential crisis at -- or failure of -- a specific troubled institution. These plans not only consider the impact on individual members, but also the system-wide impacts of a crisis.

We also conduct internal simulations to ensure we are ready to use our own resolution tools in a crisis.

Our testing includes a range of simulated interventions, including reimbursing insured deposits and non-payout scenarios, as well as responses to system-wide stress. And we constantly adjust our testing program to match the evolving risk environment so that we are testing the right things.

These simulations are not isolated to CDIC. They include our partners, like OSFI, the Department of Finance and Bank of Canada, as well as member banks, securities regulators and other stakeholders that would be involved in a potential failure situation.

CDIC's Simulation Centre of Excellence is a cornerstone of our preparedness efforts, created to support CDIC's capability to resolve a troubled institution of any size at any time.

## Video

Being ready also means having the necessary funding in place when needed.

This year we established a near-term target level for our deposit protection fund (ex ante fund) to exceed 85 basis points (bps) of insured deposits by 2026-27.

This target will guide CDIC's annual premium rate setting for member institutions. CDIC will review the fund target level on a regular basis, at a minimum every five years.

Last month [October] we also wrapped up a consultation with our members to modernize and improve the effectiveness of our differential premium system, or DPS.

I would like to thank the respondents for their thoughtful input. The goal of the DPS is to ensure a strong risk-based funding framework to support 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.

Readiness also means working with financial sector participants on data sharing and testing to ensure that depositors would have quick access to their savings in the event of a failure, which also supports depositor trust.

An example of this approach is our work with nominee brokers, who handle much of the nearly \$325 billion in deposits held in trust at CDIC member institutions. Nominee brokers serve as trustees for deposits, and their clients are beneficiaries.

## Video

By being resolution ready CDIC can effectively discharge its role as resolution authority. This builds confidence in the financial system and contributes to stability. To bolster that confidence, CDIC must also keep pace with innovation and consumer expectations.

That's why CDIC is improving the speed and convenience of access to insured funds in the rare event of a failure.

Modernizing CDIC's reimbursement or 'payout' process will rapidly get insured funds into the hands of depositors via digital payments. Our Payout Modernization project is already well-advanced with key project milestones achieved.

Being aware and monitoring the digitalization and transformation of financial services is also critical so that we can also anticipate and respond to new developments in the Canadian financial system.

We work closely with our members and their partners to ensure that Canadians receive complete and accurate information disclosures about what is covered by CDIC deposit protection and what is not, like crypto assets.

One of our partners, the Financial Consumer Agency of Canada, is also the leader of Financial Literacy Month, which runs throughout November. The objective of this year's campaign is to help Canadians find the right balance in managing their money in a changing world to build their financial resilience.

Knowing about deposit insurance and how CDIC protects deposits in the event of a failure helps Canadians find that balance by helping them make informed choices about their savings. That is why raising awareness about deposit insurance is so important.

We therefore continue to conduct year-round public awareness campaigns aimed at ensuring all Canadians know about deposit protection and if their own savings are insured. This supports financial stability.

You may have seen our new ads recently, and we invite you to visit our website to find out more.

Delivering on all of these priorities depends on a top performing organization. That is why organizational resilience is a strategic priority itself.

Enhancing our cybersecurity, adapting our systems, technology, operations and investing in the skills of our people provide solid foundations. But we also want a vibrant, supportive and inclusive culture so that each of my CDIC colleagues can flourish and reach their potential.

This year we delivered our first Diversity, Equity and Inclusion Strategy and corresponding programming, established an Inclusion Advisory Panel, built up our wellness programs and improved our workplace policies, including against harassment and violence.

When our people feel safe and supported at work, we can truly do remarkable things and this allows everyone to bring their true selves to work. In this way we are able to put Canadians first in everything that we do.

Thank you.

**Mark Boutet, Moderator**

## **Q&A session**

No questions were asked during the live webcast.

## Conclusion

This concludes our 2022 Annual Public Meeting. Thank you to all who joined us this afternoon and to everyone who submitted questions.

As a quick reminder, we will be posting a recording of the annual public meeting to our website in the next few days.

For regular updates and information, follow us on Facebook, LinkedIn, YouTube, Twitter, and Instagram.

On a final note, if you could take a moment to fill out a short survey that will appear on your screen once the broadcast ends, it would be much appreciated. Your feedback is important and will help us prepare for future events.

Thanks everyone. Enjoy the rest of the afternoon.