

**Statement by
Chantal Richer, CDIC Vice-President Corporate Affairs, and General
Counsel
to the Senate Committee on Banking, Trade and Commerce
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Good morning.

My name is Chantal Richer and I am the Vice President, Corporate Affairs, and General Counsel for the Canada Deposit Insurance Corporation, or CDIC. My colleague, Tara Newman, is also with me here today.

BACKGROUND

CDIC is the federal Crown corporation that protects deposits in some 80 Canadian member institutions in the event of their failure and contributes to the stability of Canada's financial system. Our members include banks, federally regulated credit unions, loan and trust companies and associations governed by the *Cooperative Credit Associations Act* that take deposits.

Since CDIC was created in 1967, we have dealt with 43 member failures, affecting some 2 million Canadians. In our nearly 50 years of operation, no one has lost a dollar of deposits under CDIC protection.

We currently insure close to \$700 billion in deposits.

RESOLUTION TOOLS

CDIC is Canada's resolution authority. This means we take the lead in handling the failure of any of our member institutions – from the smallest to the largest.

CDIC has a range of tools to deal with a failing member. These resolution tools include:

- Providing financial assistance, such as loans and guarantees to support a private-sector transaction;
- Taking control of a failing bank for a short period of time to complete its sale;
- Establishing a bridge bank, which is intended to bridge the gap between when an institution fails and when buyers or a private-sector solution can be found; and
- Arranging for liquidation and rapid reimbursement of insured deposits.

The tool that CDIC chooses to use would be guided by our mandate to protect depositors, contribute to financial stability and minimize CDIC's exposure to loss.

While many of the 43 member failures were dealt with by liquidation and reimbursement of insured deposits, a number of them were resolved by the assisted sale of a failing bank to a sound member institution. This approach resulted in no interruption of service for clients – and lower losses for CDIC.

RECENT DEVELOPMENTS

Following the global financial crisis, like other G20 countries around the world, CDIC and its financial safety-net partners represented at this table, considered whether we had the necessary tools to resolve Canada's largest banks.

CDIC also took steps to advance its preparedness to handle the failure of Canada's largest banks, which were designated by the Superintendent of Financial Institutions as systemically important for Canada's economy, or DSIBs.

Early work in this area included the development of the bridge bank tool, and resolution plans for each of these large banks. These plans set out, at a high-level, a strategy and operational plan that could be implemented should a bank fail.

In Budget 2015, the federal government made DSIBs responsible for preparing their own resolution plans, recognizing the important role and accountability of DSIBs in demonstrating that they are resolvable.

A current priority for CDIC is guiding and directing the development of the banks' plans to ensure they are realistic and practical, and could be put into use if necessary.

PROPOSED AMENDMENTS

This brings us to today's topic.

CDIC welcomes the introduction of the proposed bail-in legislation. Bail-in is another important tool that would strengthen our resolution toolkit and is consistent with global standards set out by the Financial Stability Board.

The regime would enable a failing bank to continue serving its customers – including depositors -- by allowing CDIC to convert certain debt of the bank into common shares to recapitalize the bank while it remains open and operating.

This would ensure losses are covered by the failing bank's shareholders and certain investors. Not taxpayers.

We think it is important that Canadians understand their hard-earned savings remain protected by CDIC, as they have been for nearly a half century.

This concludes my opening remarks. I would be pleased to answer your questions.