Canada Deposit
Insurance Corporation

# Summary of the Corporate Plan

## 2019/2020 to 2023/2024

Including a Summary of the 2019/2020 Operating and Capital Budgets, and Borrowing Plan

Canada

# CDIC mandate

CDIC's mandate is to provide insurance against the loss of part or all of deposits and to promote and otherwise contribute to the stability of the financial system in Canada, for the benefit of those with deposits in CDIC member institutions while minimizing the Corporation's exposure to loss, and to act as the resolution authority of its members.

# CDIC vision

Earning the trust of Canadians as a global leader in deposit insurance and resolution.

# CDIC deposit insurance coverage

## What's covered?

CDIC insures eligible deposits held in each member institution up to a maximum of $100,000 (principal and interest combined) separately in each of the following:

- Deposits held in one name
- Joint deposits
- Trust deposits
- Registered Retirement Savings Plans (RRSPs)
- Registered Retirement Income Funds (RRIFs)
- Tax-Free Savings Accounts (TFSAs)
- Deposits held for paying taxes on mortgaged property

## What's an eligible deposit?

Eligible deposits include:

- Savings accounts and chequing accounts
- Term deposits, such as Guaranteed Investment Certificates (GICs), of five years or less
- Money orders and bank drafts issued by CDIC members, and cheques certified by CDIC members

Deposits must be payable in Canada, in Canadian currency.

## What's not covered?

CDIC deposit insurance does not protect all accounts and financial products. For example, mutual funds, stocks, foreign currency deposits (including those in U.S. dollars), and digital and cryptocurrencies are not covered by CDIC.

# For more information about CDIC

Visit the CDIC website or consult CDIC's 2018 *Annual Report* at **www.cdic.ca**. You can also reach CDIC by phone, e-mail, fax or letter:

**Head office**
Canada Deposit Insurance Corporation
50 O'Connor Street, 17th Floor
Ottawa, Ontario
K1P 6L2

**Toronto office**
Canada Deposit Insurance Corporation
1200–79 Wellington Street West
P.O. Box 156
Toronto, Ontario
M5K 1H1

Toll-free telephone service:
1-800-461-CDIC (2342)
TTY: 613-943-6456
Fax: 613-996-6095
Website: **www.cdic.ca**
E-mail: info@cdic.ca

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# Executive summary

## Overall condition of the Corporation

The Corporation's financial condition is strong, with total assets at $5,057 million as at December 31, 2018 (up from $4,383 million as at March 31, 2018). CDIC's $5,041 million investment portfolio, which is a funding source for resolution activities, forms the majority of its assets. Progress against CDIC's 2018/2019 corporate strategic objectives and initiatives is proceeding as planned, with the exception of two initiatives. Though CDIC experienced some slippage in its initiative to modernize its depositor reimbursement system, it is evaluating a combination of commercial off-the-shelf solutions, customized software and external service providers for the purpose of getting back on schedule. While public awareness of CDIC deposit protection has increased from 47% to 54%, it remains below the March 2019 target of 55%. New advertising plans for 2018/2019 are in progress with a view to meeting the target in the short term.

## Strategic issues

The Canadian economy is performing well with stable growth and improvements in exports, aided by the depreciation of the Canadian dollar. CDIC's membership continues to exhibit strong profitability and healthy capital and liquidity ratios. However, high consumer indebtedness, elevated housing prices in certain key markets and consumers' ability to adapt to higher interest rates may impact future member performance. Moreover, the pace of change in the regulatory environment has not abated. Modifications to deposit insurance legislation will result in amendments to insurance coverage. Forthcoming regulatory updates will also expand the scope of CDIC's member institutions to invest in fintech. Depositor expectations are shifting as well, often in response to the aforementioned changes in the regulatory environment and to insurance coverage.

## Major objectives

Given the operating environment and the corporate risks discussed above, CDIC will focus on four strategic objectives with corresponding outcomes and initiatives over the planning period:

1. **Preparedness: Advancing resolution readiness**
2. **Deposit insurance program: Modernizing the insurance program**
3. **Stakeholders: Strengthening confidence and trust**
4. **Organization: Evolving the Corporation**

## Major decisions

The Corporation anticipates several key decision points during the planning period. These include: finalization of the by-law and related compliance regime for domestic systemically important bank (D-SIB) resolution planning; selection of technology upgrades for the reimbursement architecture; amendments to certain CDIC by-laws; setting of premium pricing and *ex ante* funding targets considering recent and potential new members; and adjustments to the public awareness strategy in pursuit of an optimal 60%–65% target awareness level.

# WE PROTECT YOUR SMALL BUSINESS MONEY

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# WE PROTECT YOUR EDUCATION MONEY

# Part 1 – About CDIC

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*). The Corporation is an agent of Her Majesty in right of Canada and is a Crown corporation named in Part I of Schedule III to the *Financial Administration Act*. CDIC reports to Parliament through the Minister of Finance.

The Corporation is funded by premiums that are assessed on the insured deposits of member institutions as at April 30 of each year. CDIC applies a differential premiums structure that classifies each member annually into one of four premium categories.

CDIC is the resolution authority for all of its member institutions, including the six largest banks, known as domestic systemically important banks (D-SIBs), one of which is also a global systemically important bank (G-SIB). The Corporation also works with its federal partners and domestic and international stakeholders to strengthen collaboration and planning, to be ready in the unlikely event of a D-SIB or G-SIB failure in Canada.

CDIC members include most Canadian chartered banks, trust and loan companies, federally regulated credit unions, as well as retail associations governed by the *Cooperative Credit Associations Act.* As at December 31, 2018, there were 84 member institutions.

While there have been 43 member institution failures since 1967, due to CDIC's protection Canadians did not lose any insured deposits related to those failures. We continue to work for Canadians by insuring eligible deposits made at banks and other financial institutions that are CDIC members. (See the inside cover for a list of what's covered and what's not covered by CDIC.)

## CDIC's Board of Directors and Executive Team

CDIC's affairs are administered by its Board, made up of a Chairperson, five other private sector Directors and five *ex officio* Directors (the Governor of the Bank of Canada, the Deputy Minister of Finance, the Commissioner of the Financial Consumer Agency of Canada (FCAC), the Superintendent of Financial Institutions, and a Deputy Superintendent of Financial Institutions or another officer of the Office of the Superintendent of Financial Institutions (OSFI) appointed by the Minister of Finance).

As at December 31, 2018, three standing committees support the Board in its activities: the Audit Committee, the Governance and Nominating Committee, and the Human Resources and Compensation Committee. For additional information on these committees and on how CDIC is governed, please visit **www.cdic.ca**.

## Board of Directors composition

*as at December 31, 2018*

**Robert O. Sanderson**
Chair

### Private sector Directors

**Linda Caty**
Lawyer
Carignan, Québec

**Johanne Charbonneau**
Financial Executive
Ottawa, Ontario

**David Dominy**
Business Executive
Edmonton, Alberta

**Andrew Kriegler**
Financial Executive
Toronto, Ontario

**Wendy Millar**
Financial Executive
Oakville, Ontario

### *Ex officio* Directors

**Stephen Poloz**
Governor
Bank of Canada

**Paul Rochon**
Deputy Minister
Department of Finance

**Lucie Tedesco**
Commissioner
Financial Consumer Agency of Canada

**Jeremy Rudin**
Superintendent of Financial Institutions
Office of the Superintendent of Financial Institutions

**Jamey Hubbs**
Assistant Superintendent
Deposit-taking Supervision Sector
Office of the Superintendent of Financial Institutions

### Alternates (for *ex officio* Directors)

**Vacant**
Bank of Canada[1]

**Leah Anderson**
Assistant Deputy Minister
Financial Sector Policy Branch
Department of Finance

## Executive Team

*as at December 31, 2018*

**Peter D. Routledge**
President and CEO

**Dean A. Cosman**
Executive Vice-President
Insurance and Risk, and Chief Risk Officer

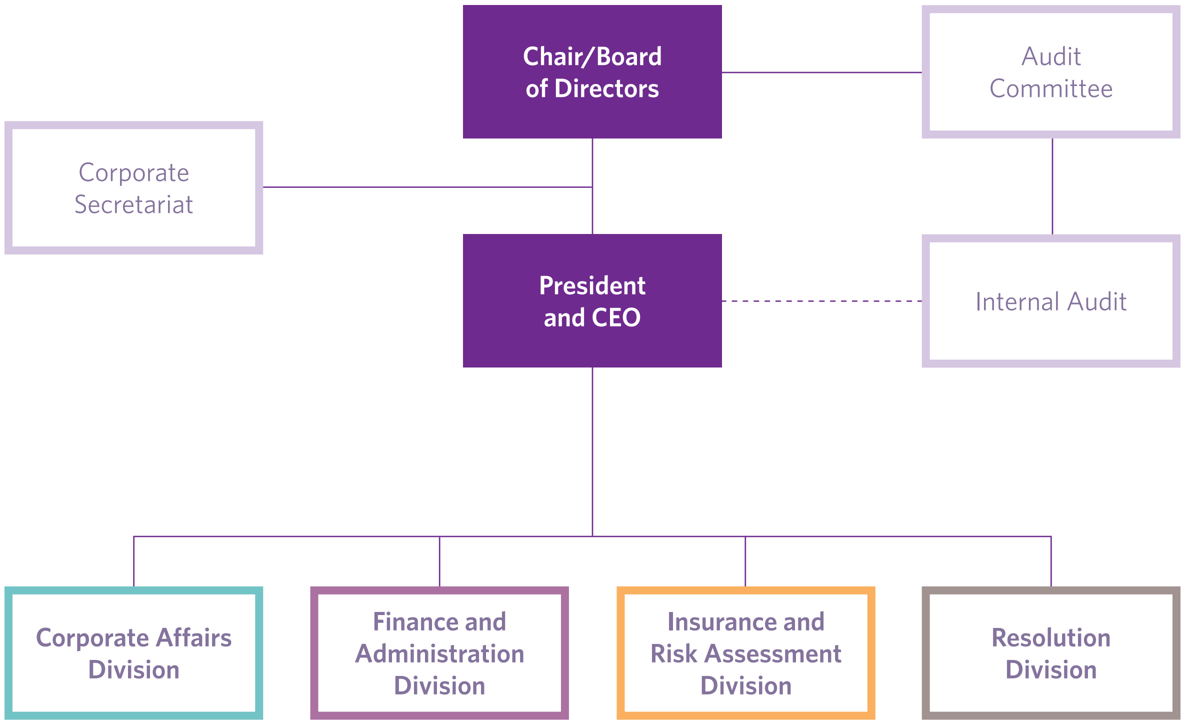
**Michael Mercer**
Senior Vice-President
Resolution

**Anthony Carty**
Vice-President
Finance and Administration, and Chief Financial Officer

**Chantal M. Richer**
Vice-President
Corporate Affairs, General Counsel and Corporate Secretary

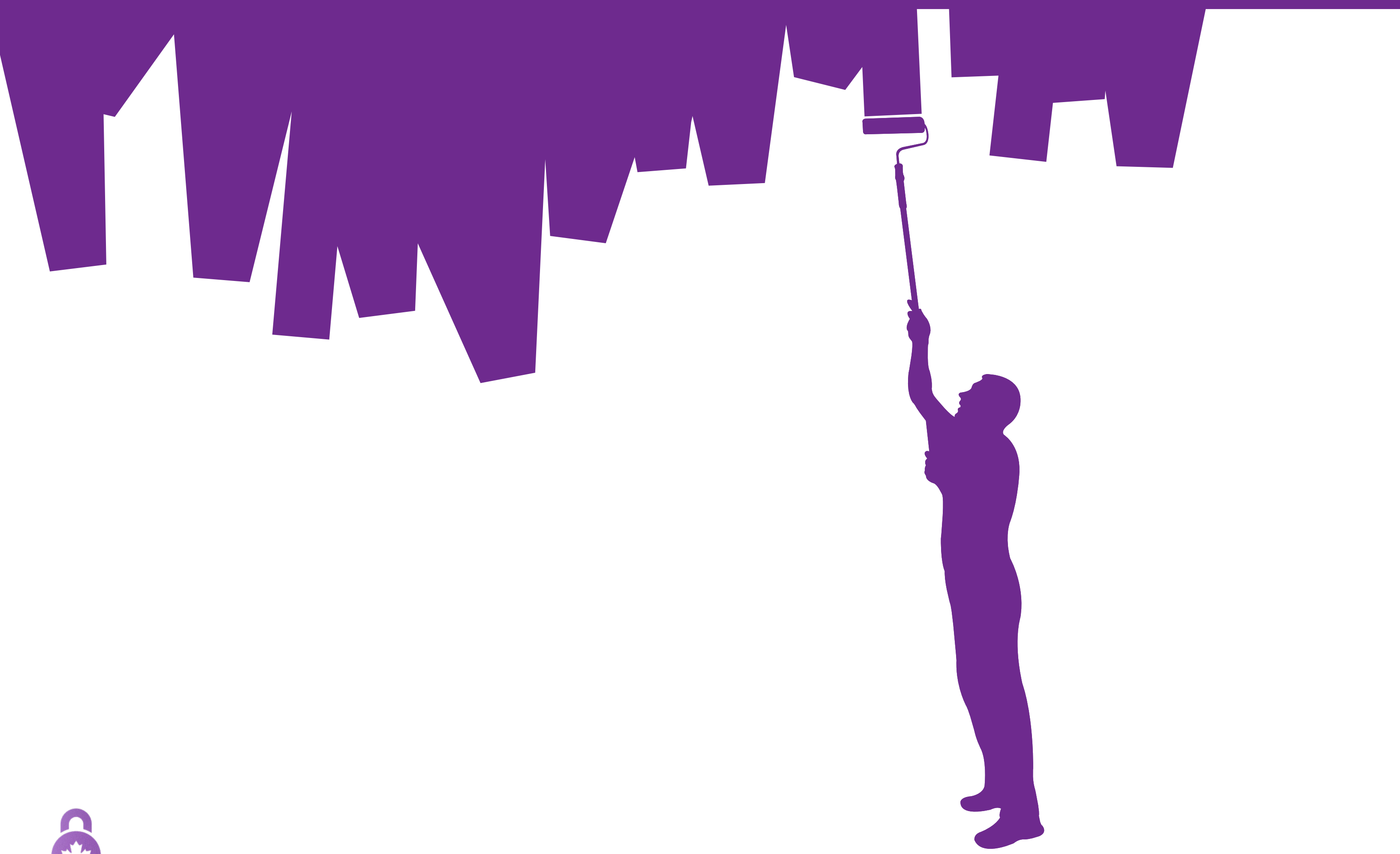
[1] Vacant as at December 31, 2018. Deputy Governor Paul Beaudry was designated as Alternate effective February 18, 2019.

# How CDIC is organized




- - - - - - - - - - - Denotes administrative reporting relationship

# WE PROTECT YOUR HOME RENOVATION MONEY



# Part 2 – CDIC's five-year Plan

## CDIC's operating environment

### Economic environment

Economic activity in Canada continued to be buoyant through 2018, driven by a balanced composition of consumption, investment and exports, the latter aided by the depreciation of the Canadian dollar. Further supporting exports and business investment, negotiations were tentatively concluded on a United States-Mexico-Canada Agreement (USMCA), which has alleviated some uncertainty regarding trade. Unemployment remained low, both nationally and at the provincial level, and while inflation rose, it remains within the Bank of Canada's target range. Notwithstanding the positive economic environment, the key vulnerabilities remain unchanged: high consumer indebtedness and elevated house prices in certain key markets. Recent declines in commodity prices, particularly the growing spread between global and Canadian oil prices, could result in a potentially challenging environment for some regionally focused member institutions. Solid economic growth has led to an increasing interest rate environment. Rising rates could lead to weakening credit quality and slowing credit growth over time as Canadian households and businesses adjust to a changing macro-economic climate, presenting risks to member institution profitability over the planning horizon.

### Regulatory environment

In 2018, the Department of Finance concluded its review of the deposit insurance system. The review was conducted to ensure the deposit insurance framework continues to provide adequate protection given the shifts in the banking landscape. As a result of the review, recent amendments to the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*) were introduced with the purpose of broadening and clarifying the Canadian deposit insurance framework, while ensuring it continues to meet the objectives of protecting depositors and supporting financial stability. The changes will come into force at a later date by order of the Governor in Council and will require amendments to certain CDIC by-laws and administrative processes.

Federal legislative changes also broadened the ability of CDIC's member institutions to invest and engage in fintech. In 2018, the Government of Canada passed amendments allowing member institutions to invest and engage more broadly in the emerging fintech sector. Implementation of these amendments is subject to forthcoming enabling regulation (with the exception of expanded digital verification and identification powers). As well, the Government of Canada is undertaking a review into the merits of open banking in order to provide meaningful benefits to Canadians with appropriate safeguards to mitigate risk. Emerging technologies in the financial services sector pose both challenges and opportunities with respect to disrupting established business models, cyber security and data privacy.

## Member environment

Overall, CDIC's membership continues to produce healthy capital and liquidity ratios, strong asset quality and robust profitability. Notwithstanding these strengths, the financial performance of many members remains vulnerable to risks associated with high housing prices in certain key markets, elevated levels of household indebtedness, and uncertainty about the ability of some households to service their debt levels in a rising interest rate environment. Some of CDIC's members also exhibit a high degree of concentration by geography or business line, leaving them more susceptible to a downturn in their markets.

Competition for deposits remains intense and, with interest rates rising, members' profitability is under pressure. Domestic systemically important banks (D-SIBs) continue to retain their market leadership position and now hold approximately 94% of total deposits in the membership. These banks, through their respective wealth management channels, also collectively supply approximately three quarters of the brokered deposits raised by CDIC's small and mid-sized members.

The digitalization of banking is expected to gather momentum and poses both threats and opportunities to member institutions. The risk of cyber events and associated concerns with the privacy and security of depositor data continues to present new challenges for both member institutions and regulators. The changing banking landscape requires that CDIC proactively respond by modernizing its programs and systems, to ensure that Canadians can continue to save and bank with confidence.

## Depositor and public environment

Public awareness of deposit protection supports financial stability in Canada and mitigates the risk of bank runs. Following a multi-year decline in public awareness, CDIC launched a three-year public awareness strategy in April 2017 to increase awareness of CDIC deposit protection. It includes television advertising, digital and social media channels, and leverages member institutions through new requirements under the *Deposit Insurance Information By-law* which came into effect in September 2018. While public awareness increased to 54% (as at December 31, 2018) from 48% in March 2017, stemming its declining trend, it was below the interim target of achieving 55% awareness by March 31, 2018 (long-term target: 60%–65%). The new strategy also saw other awareness indicators increase. CDIC will maintain its activities under the public awareness strategy with a view to reaching its awareness target of 60%–65% by March 31, 2020. Depositors' behaviours and expectations will continue to evolve and CDIC must keep pace.

The pending changes to deposit insurance coverage rules, as well as CDIC's role as resolution authority and the coming into force of the bail-in regime, will increase the interest and need for public awareness and transparency. Its focus on education of the general public and other stakeholders will continue, to build confidence in and strengthen the credibility of CDIC. CDIC must strive to meet its public awareness targets and manage stakeholders' expectations and relationships.

### Corporate environment

CDIC's work force is highly engaged, with relatively low turnover. However, the labour pool is tightening and will have to be considered in CDIC's future recruitment, development and retention strategies. Work force and demographic changes and trends indicate that employees value work–life balance, flexibility, autonomy, and a focus on career growth and development opportunities. CDIC must keep pace with these trends to meet the needs of a more diverse population.

The Corporation's leadership changed with the appointment of a new President and Chief Executive Officer in November 2018. In addition, all five private sector Directors on CDIC's Board were replaced by new members in 2018. These changes may have an impact on the corporate environment as committee charters are reviewed and new priorities are established.

As CDIC's programs and systems evolve and are modernized, building and maintaining key competencies and knowledge through employee and leadership development will be important. Excellence, innovation, flexibility and adaptability will continue to be key factors driving CDIC's future success.

CDIC requires the necessary tools and business processes to intervene effectively in the event of a member failure and meet depositor expectations. CDIC's reimbursement systems require continuous modifications in order to keep pace with advances in technology, changes in deposit insurance rules and depositors' expectations. Any changes to CDIC's systems will need to consider the compatibility and integration of modern technologies with its existing legacy intervention systems.

The Office of the Auditor General (OAG) will conduct a Special Examination of CDIC during the 2019/2020 fiscal year, to ensure that CDIC's assets are safeguarded, its resources are managed economically and efficiently, and its operations are carried out effectively. CDIC previously underwent Special Examinations by the OAG in 1999, 2004 and 2010.

## Corporate risks

CDIC maintains an Enterprise Risk Management (ERM) program to identify and manage the key risks that can prevent the Corporation from achieving its objectives. The ERM program includes a comprehensive assessment of key corporate risks, updated on a quarterly basis. Assessments are conducted on a residual risk basis that consider the following:

- The potential impact of the risk on the Corporation's financial position, reputation, and/or ability to fulfill its mandate and statutory objects
- The likelihood of such an event occurring (external environment considerations)
- The Corporation's risk management activities

Management's assessment at December 31, 2018, highlighted the following key risks that continue to require attention and for which mitigation strategies are ongoing or have been developed, as described in its activities for the planning period:

1. Economic vulnerabilities (e.g., high consumer indebtedness, rising interest rates, overvalued housing markets, trade uncertainties) could negatively impact a number of CDIC's members, leading to multiple failures that could stretch CDIC's capacity to respond adequately.
2. The risk of a cyber event at a member institution could result in the failure of that member and challenge CDIC's ability to respond to that failure. Similarly, a cyber event at CDIC could prevent the Corporation from effectively responding to a failure scenario.
3. Regulatory fatigue, or the inability to guide members in the adoption of new insurance coverage regulations, could adversely impact CDIC's ability to introduce these new measures effectively, as required.
4. CDIC's risk assessment approach could be ineffective in highlighting new risks or triggering a timely launch of preparedness activities, given the expected increased speed of failures and new failure scenarios.
5. A lack of market understanding and/or an inability to operationalize key elements of new bail-in powers could reduce the effectiveness of strategies aimed at limiting CDIC and taxpayer loss from resolving the failure of a domestic systemically important bank (D-SIB).
6. Operational changes at both CDIC and member institutions arising from the deposit insurance review are not implemented in a timely manner and could affect CDIC's ability to meet depositor expectations in a failure scenario.
7. An inability to build greater flexibility and increased modernization into CDIC's mandate applications could impair the Corporation's ability to provide access to all insured deposits within seven days of a failure (or less).
8. Below-target public awareness levels could contribute to depositors making uninformed financial decisions and/or withdrawing deposits from a troubled member institution (a "bank run").
9. The tightening labour market and limited career opportunities given CDIC's relatively small size could challenge CDIC's future success in recruiting and retaining high-performing employees and thus adversely impact CDIC's ability to have the necessary resources in place to meet its mandate effectively.

The initiatives that address these key risks are described on the following pages under CDIC's four strategic objectives. CDIC will monitor the progress of its initiatives and will continually assess their impact on risk and determine when the risks have been mitigated to an acceptable level. The Corporation will also ensure that any new risks are identified. CDIC's Strategic Initiative Management Board, which oversees all of the Corporation's key projects, will monitor the risks and mitigation activities.

# Strategic objectives and outcomes

Given its mandate, operating environment and corporate risks, CDIC will pursue the following strategic objectives over the planning period:

- **Preparedness: Advancing resolution readiness**
- **Deposit insurance program: Modernizing the insurance program**
- **Stakeholders: Strengthening confidence and trust**
- **Organization: Evolving the Corporation**

These strategic objectives and related outcomes will be delivered through a number of initiatives outlined below. The budgets that support these outcomes, against which progress will be reported in CDIC's 2019 and future Annual Reports, are included in Part 3 of this Plan.

## Preparedness: Advancing resolution readiness

### Outcomes

- In the event of member failure, CDIC's people, systems and processes are ready to provide access to all insured deposits within seven days or less, through a streamlined and scalable solution.
- Resolvability of all member institutions, regardless of size, is supported by CDIC's robust risk assessment, resolution planning and preparedness activities.

***Implement key design features of the modernized reimbursement process, scalable for concurrent failures, with a focus on strengthening deposit data standards and technology enhancements to ensure privacy and security, depositor communication and electronic reimbursement capabilities.***

CDIC's goal is to provide access to all insured deposits within seven days or less. Although they satisfy all stated requirements, CDIC's reimbursement systems require ongoing modifications to enhance their functionality. These modifications typically leverage modern technologies, including authentication processes, payment methods and security applications. New developments, including changes to deposit insurance coverage, oblige CDIC to modernize its payment and communications capabilities. CDIC will continue to assess depositor preferences respecting payout and communication methods, with the aim of providing modern reimbursement and communication options to Canadian depositors.

### 2019/2020 key deliverable:

- Enhanced depositor reimbursement system, including the development of customer relationship management and electronic transfer functionality.

### Long-term outcome:

- Enhanced core mandate systems functionality (including integration of modern technologies for increased flexibility and functionality of business processes) enables CDIC to meet its seven days or less payout target for all insured deposits.
  - Individual projects are planned and launched as required and completed on time and within budget.

***Guide and direct D-SIBs in reaching the 2020 resolvability target through formalized assessment and testing of resolution plans and timely remediation of identified impediments.***

CDIC will continue to advance D-SIB members towards the 2020 resolvability target by conducting annual resolvability assessments and providing timely feedback to each D-SIB on its work plans to address remaining impediments. In addition, over the 2019 planning period, joint testing exercises will be carried out between each D-SIB and CDIC, to test the effectiveness of key elements of D-SIB plans.

### 2019/2020 key deliverables:

- Formal assessment of D-SIBs' commitment to address remaining resolvability impediments through effective resolution plans by March 2020 under the proposed *CDIC Resolution Planning By-law*.
- Joint testing exercises with each D-SIB to test the effectiveness of key crisis capabilities.

### Long-term outcome:

- D-SIB commitment to resolvability beyond 2020 by maintaining effective resolution plans will be assessed annually under the proposed by-law and supported by a periodic, risk-based testing program.
  - All D-SIB resolution plans and/or associated work plans to address deficiencies are assessed annually and results reported to the CDIC Board.
  - Plan feedback and notification of any deficiencies are provided to D-SIB boards ahead of the annual April 30th compliance date.

***Advance preparedness for member failure through a risk-based testing and readiness program that demonstrates an appropriate level of preparedness for all members and considers evolving risks (such as cyber attacks) and associated impacts on intervention approaches. Strengthen crisis communications for all aspects of CDIC's resolution toolkit.***

Risk assessment activities will increasingly focus on earlier stage preparedness so that CDIC is ready to respond proactively as key risks in its membership emerge. Building on the multi-year tabletop and simulation program, CDIC will strengthen its internal preparedness and staff training to undertake key facets of its resolution toolkit, including rapid reimbursement and transactional approaches comprising both multiple failure scenarios and crisis communications.

In collaboration with other safety net agencies CDIC will evaluate its role and intervention response to protect depositors, should a member (or CDIC itself) experience a severe and plausible cyber event. The Corporation will implement areas of improvement in its toolkit, programs and resolution responses.

### 2019/2020 key deliverables:

- Enhancement of member risk assessment and resolution preparedness capabilities: early stage readiness for riskier members; management of multiple failures; crisis communications; and cross-border coordination.
- Review of CDIC's ability to respond effectively to cyber events at member institutions and implement necessary program changes.

### Long-term outcome:

- CDIC's people, processes and systems are ready to address emerging risks (e.g., cyber events) and effectively coordinate risk response with its partners in other jurisdictions.
  - CDIC's risk-based, multi-year program identifies critical and other activities for periodic testing and training through simulation, tabletop or other validation exercises.

## Deposit insurance program: Modernizing the insurance program

### Outcome

- Key elements of CDIC's deposit insurance program (including processes, by-laws and legislation) are modernized to support the Corporation in the delivery of its mandate; to anticipate and adapt to the changing banking landscape; and to meet the needs of depositors.

***Implement changes from the deposit insurance review including engaging with members and other key stakeholders.***

The Government of Canada amended the *CDIC Act* to modernize and enhance Canada's deposit insurance framework. While these changes were approved by Parliament in June 2018, they will come into force at a later date by order of the Governor in Council. In preparation, CDIC will amend certain by-laws and administration requirements to reflect the new framework. Member institutions and stakeholders will also need to adjust their operations and systems to ensure that clients benefit from the amended coverage. CDIC's goal is fast and effective implementation of these changes. In particular, CDIC will work with the nominee broker community in the development of its systems to ensure that CDIC's seven days or less payout objective is met. The Corporation will consult and keep member institutions and other key stakeholders informed so they can plan and deploy appropriate resources accordingly.

### 2019/2020 key deliverables:

- Updated CDIC systems and processes that reflect the changes from the deposit insurance review.
- Support to depositors, members and other key stakeholders (e.g., brokers, professional trustees) during the implementation period.

**Long-term outcome:**

- A compliance framework to ensure that nominee broker compliance with new *CDIC Act* requirements is implemented.
  - A nominee broker compliance framework is developed.
  - An oversight approach for nominee brokers is developed, including processes for reviewing broker attestations, verifying the use of unique client IDs and addressing broker non-compliance.

***Conclude the by-law modernization initiative and develop a program for the regular and timely review of all by-laws.***

The multi-year work to modernize and update the suite of by-laws will be completed by December 31, 2019. The by-law reviews will be guided by changes resulting from the ongoing deposit insurance review (specifically the *Data and System Requirements By-law* and the *Joint and Trust Account Disclosure By-law*) and the 2019 federal financial sector framework review. Other by-laws will be reviewed from time to time to assess relevancy and effectiveness, most notably the *Differential Premiums By-law*. In addition, new by-laws are planned such as the *Resolution Planning By-law*.

**2019/2020 key deliverables:**

- Amended *Joint and Trust Account Disclosure By-law* and *Data and System Requirements By-law*.
- Comprehensive review of *Differential Premiums By-law*.

**Long-term outcome:**

- By-laws are reviewed annually over the planning period and updated as needed.
  - Updated by-laws are published in the *Canada Gazette*.

***Assess the progression of* ex ante *funding toward the minimum target in light of insurance coverage changes and evolving membership risks.***

CDIC remains committed to reaching the 100 basis point minimum *ex ante* funding target in a reasonable period of time. However, the membership risk environment is dynamic and regular assessments will determine the potential impact of changes on the time it will take to reach the minimum target. Enhanced insurance coverage resulting from the deposit insurance review is also expected to impact the progression to the minimum target. Management will monitor and assess the impact of these changes through the coming into force date and the filing of the first return of insured deposits that incorporate such changes.

**2019/2020 key deliverable:**

- Completion of an impact analysis of new developments on the funding and premium strategy (e.g., internal benchmarking, sufficiency, etc.) to assess potential changes in the expected time it will take to reach the minimum *ex ante* funding target.

**Long-term outcomes:**

- Reach the minimum *ex ante* funding target in a reasonable period of time.
  - The *ex ante* funding target is achieved by the established target date.
- Develop strategies to manage the minimum target and premium rates once the *ex ante* funding target is achieved.
  - Future funding strategies that consider different categories of members are identified.

***Strengthen focus and understanding of key emerging issues in order to best position CDIC, as a deposit insurer and resolution authority, in adapting to modern banking trends and contributing to financial stability.***

CDIC will place increasing emphasis on its understanding of, and insight into, key emerging technological, demographic and regulatory issues affecting the Corporation and its member institutions. These include the impacts and opportunities that open banking and other digitalization trends present to both depositors and members, as well as coordinated governmental efforts on cyber-related risks to the financial industry. In pursuing this work, CDIC will connect directly with important industry, academic and thought leaders through a variety of research and other fora, including hosting a conference in May 2019 on how these industry trends will shape the future of deposit insurance.

**2019/2020 key deliverables:**

- By May 2019, a conference is hosted on emerging resolution and deposit insurance issues.
- Increased level of awareness of the CDIC deposit protection framework (e.g., for trusts) among depositors, brokers and trustees.
- Enhanced CDIC understanding of key emerging risks impacting the Corporation and its member institutions, to adapt to changing banking trends and positioning the Corporation as a thought leader on deposit insurance and resolution issues.

**Long-term outcome:**

- CDIC is positioned as a thought leader on deposit insurance and resolution issues through a continued focus on key emerging issues and adapts to new industry trends as they arise.
  - CDIC is recognized as a thought leader on deposit insurance and resolution issues.

## Stakeholders: Strengthening confidence and trust

**Outcomes**

- Public awareness and key stakeholders' understanding of CDIC's role as deposit insurer and resolution authority are strengthened and support confidence and trust in CDIC and the stability of the financial system.
- CDIC fosters a collaborative and productive relationship with member institutions and Canadian financial safety net partners.

***Increase public and depositor awareness of CDIC and its deposit insurance program, by leveraging members and key media consumed by the public, and conducting research on depositor behaviour and expectations.***

Public awareness of CDIC deposit insurance promotes confidence in the Canadian financial system and mitigates the risk of bank runs. A three-year public awareness strategy was launched in 2017/2018 to stem declining public awareness levels. The Corporation will continue to implement and adapt this strategy to increase public awareness of CDIC deposit protection towards a target range of 60%–65% of Canadians by March 31, 2020. This will include: leveraging key media consumed by the public such as television, digital and social media; conducting research on evolving depositor habits and behaviours; and leveraging members to inform Canadians about the deposit insurance program.

### 2019/2020 key deliverable:

- Increased awareness of CDIC deposit protection among Canadians to 60%–65% by March 31, 2020.

### Long-term outcome:

- Once the target is reached, maintain public awareness of CDIC deposit protection among Canadians to at least 60%–65% throughout the balance of the planning period.
  - Public awareness percentages of CDIC deposit protection are maintained.

***Strengthen relationships with key stakeholders through an integrated engagement process that is responsive to key findings from a member survey, and other consultations and engagement activities.***

Given the important role that CDIC's stakeholders play in supporting an effective deposit insurance and resolution program, various ongoing by-law reviews, outreach activities, and member involvement in resolution and public awareness efforts, the Corporation will work to strengthen relationships with stakeholders through an integrated engagement process. CDIC will conduct a member survey in early 2019 exploring overall impressions of CDIC pertaining to effectiveness and involving regular interactions with CDIC members. This will help CDIC understand and anticipate potential concerns of the membership and enable the Corporation to undertake appropriate engagement activities.

### 2019/2020 key deliverable:

- Implementation is initiated on an action plan to address key opportunities revealed by a survey of member institutions to be conducted in early 2019.

**Long-term outcome:**

- CDIC has effective relationships with key stakeholders through ongoing consultations and other engagement activities.
  - A comprehensive stakeholder engagement plan is developed and implemented.

***Increase stakeholder understanding of CDIC's role as resolution authority for all members (including a G-SIB), and build credibility and confidence in CDIC's ability to deliver on its mandate.***

The visibility of CDIC's role in resolution and resolution planning has grown over the last few years. This is expected to increase given the evolution of CDIC's responsibilities and powers as resolution authority. To build trust and confidence in CDIC and its resolution authority function, the Corporation will continue to enhance the dissemination of information on resolution to the public and stakeholders, including coordination among its Canadian financial safety net partners, through an enhanced resolution authority communications plan. This will include posting additional resolution information on the CDIC website and in other media, as well as conducting outreach activities such as webinars and speeches.

**2019/2020 key deliverable:**

- Information on resolution is disseminated to stakeholders through CDIC's website, and speeches and webinars.

**Long-term outcome:**

- Key stakeholders have improved understanding of CDIC's resolution role through regular dissemination of information.
  - More information is published on CDIC's website and outreach activities are completed (e.g., webinars, speeches).

## Organization: Evolving the Corporation

**Outcome**

- CDIC has an engaged, innovative, adaptable and high-performing work force and a work environment that supports the changing needs of the organization and its employees.

***Foster CDIC's strong culture of respect, diversity, innovation, adaptability and excellence through continued focus on employee skills and leadership development, to support the evolution of the Corporation's programs and organization.***

In order to adapt to evolving programs, systems and work force trends, CDIC will continue to focus on its ability to attract and retain engaged employees by building and maintaining key competencies and knowledge through employee and leadership development, and succession planning.

### 2019/2020 key deliverable:

- A new multi-year Talent Management Strategy that focuses on attracting, developing and retaining a highly engaged work force reflective of Canada's diversity, while meeting the needs of CDIC's evolving programs and systems.

### Long-term outcome:

- Employee engagement is maintained through recruitment, development and retention strategies that meet the needs of an evolving demographic work force and CDIC's programs and systems.
  - Recruitment, development and retention strategies are in place.

***Conduct a comprehensive review of CDIC's Enterprise Risk Management (ERM) program.***

CDIC's operating environment and corporate risk management activities have evolved and there is a need to review the current design and performance of the ERM program. CDIC will carry out an assessment, with a focus on the policy framework, management oversight, risk tolerance and metrics, and implement recommendations to transform and strategically integrate the ERM program with the business.

### 2019/2020 key deliverable:

- Implementation of an enhanced ERM framework (including appropriate risk tolerances) and regular reporting of risk metrics to CDIC's Board of Directors.

### Long-term outcome:

- A robust ERM program that is integrated into CDIC's operations and strategic planning process is maintained.
  - Actions to integrate the ERM framework into the planning process are implemented.

***Enhance the work environment, including adapting CDIC's policies, practices and technology to align with work force changes and trends.***

During the planning period, changes will be made to CDIC's office tools and technology. These changes must meet the needs of a new generation of employees. The Corporation will create a work environment aligned with changing employee work force trends and organizational needs.

### 2019/2020 key deliverable:

- Planning and design of a work environment that leverages technology and productivity tools to drive performance excellence, organizational flexibility and resolution readiness through enhanced collaboration and efficiency.

### Long-term outcome:

- A work environment that supports collaboration, teamwork and efficiency is maintained throughout the planning period.
  - Workplace-related employee engagement scores are maintained or improved.

***Review CDIC's data assets and ensure that they are streamlined, effective and secure.***

There is a demand for increased and easier sharing of data and information within CDIC, while being sensitive to information security risks associated with broader access to data and information. To address this, CDIC will formulate a data management strategy that balances those benefits and ensures the information and data are subject to appropriate governance and controls. Robust data analysis will also be emphasized and shared with external stakeholders, contributing to CDIC's role as a thought leader on deposit insurance and resolution issues.

### 2019/2020 key deliverables:

- A consolidated corporate view of CDIC's data assets, to facilitate the sharing of data and information within CDIC.
- Enhanced analysis on relevant data shared externally through the appropriate fora.

### Long-term outcomes:

- A data management strategy is implemented over the planning period to provide users with high quality data that are secure, easily accessible and available in a consistent manner.
- Results of data analysis are regularly disseminated through CDIC's website and other fora.
  - Secure and easily accessible high quality data are made available and regularly disseminated.

# WE PROTECT YOUR
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# MONEY

# Part 3 – Financial and resource plans

The Corporation's financial plan focuses on ensuring that CDIC has the capacity, skills and resources available to carry out its mandate effectively throughout the planning period.

CDIC expects to maintain a stable financial position throughout the planning period; however, member failure events, legislative changes and other initiatives could have a significant impact on the Corporation's resources. If CDIC is required to intervene in the affairs of a member institution, Board approval may be sought for additional resources and budget.

The financial and resource plans that follow reflect the operating environment, key corporate risks and resulting initiatives that the Corporation will undertake to achieve its strategic objectives and desired outcomes, as described in Part 2 of this Plan. CDIC's projected financial statements (included below) have been prepared in accordance with International Financial Reporting Standards (IFRS).

The key elements of CDIC's financial plan are its: insured deposit levels; *ex ante* funding; premiums; provision for insurance losses; investment revenue; and operating and capital budgets. Each of these is described in detail below.

## Planning assumptions

### Insured deposits

Insured deposit growth impacts all the key areas of CDIC's financial plan. The assumed growth is affected by a variety of factors, including: overall economic growth; interest rates; disposable income growth; and the manner in which income and financial savings are allocated among a variety of financial instruments by consumers. *For the planning period, the assumed annual growth in insured deposits is 4% in 2019/2020 and 3% thereafter*.

In 2018 the Government of Canada amended the *Canada Deposit Insurance Corporation Act* (the *CDIC Act*) to modernize and enhance Canada's deposit insurance framework. While these changes were approved by Parliament in June 2018, the coming into force date of this legislation is not yet known but is expected to occur during the planning period. *It is assumed that these changes will occur during the 2020/2021 fiscal year*.

### *Ex ante* funding and liquidity

CDIC maintains *ex ante* funding to cover possible losses from resolving member institutions. The amount of *ex ante* funding is represented by the aggregate of the Corporation's retained earnings and its provision for insurance losses. The minimum target level is 100 basis points of insured deposits and reflects the size and complexity of CDIC's member institutions, as well as international best practices. CDIC's *ex ante* funding level, as at December 31, 2018, was 59 basis points of insured deposits and is supported by a $5.0 billion investment portfolio.

Additional funding is available through CDIC's authority to borrow under the *CDIC Act*, subject to approval by the Minister of Finance. Supplemental borrowing, if required, could be authorized either by Parliament through an appropriation act, or by the Minister of Finance out of the Consolidated Revenue Fund. *It is assumed that no borrowing will be necessary to resolve member institutions during the planning period*.

## Premiums

Premium rates are a key determinant of the length of time it will take the Corporation to reach its minimum target level of *ex ante* funding.

During the 2018/2019 fiscal year CDIC concluded a five-year program of moderate premium rate increases designed to provide a mechanism to reach the minimum *ex ante* funding target of 100 basis points of insured deposits in a reasonable period of time. Management estimates that *ex ante* funding will reach the minimum target in the Corporation's 2025/2026 fiscal year, assuming premiums stay flat to current rates, and concludes that current premium rates are appropriate. *Therefore, for planning purposes, CDIC has assumed that the Category 1 rate (the base rate) will remain stable at 7.5 basis points throughout the planning perio*d.

CDIC applies a differential premiums structure that classifies each member annually into one of four premium categories, based on a scoring of quantitative and qualitative factors. Premium Category 1 has the lowest premium rate; Premium Category 4 has the highest rate. In 2018/2019, the rate ranged from 7.5 to 33.3 basis points of insured deposits.

Approved premium rates for 2019/2020 are:

| | |
|---|---|
| **Category 1** | **7.5 basis points of insured deposits** |
| **Category 2** | **15.0 basis points of insured deposits** |
| **Category 3** | **30.0 basis points of insured deposits** |
| **Category 4** | **33.3 basis points of insured deposits** |

## Provision for insurance losses

The provision for insurance losses represents CDIC's best estimate of losses that are likely to occur as a result of insuring deposits of member institutions. It is estimated by assessing the aggregate risk of CDIC's member institutions based on: (i) the level of insured deposits; (ii) the expectation of default derived from probability statistics and the Corporation's specific knowledge of its members; and (iii) an expected loss given default. *The Plan assumes that no failures of CDIC members will occur during the planning period, but that the provision for insurance losses will increase in conjunction with the forecasted growth in insured deposits. All other inputs into the provision for insurance losses are based on information as at December 31, 2018*.

### Investment revenue

Significant financial risks that arise from transacting and holding financial instruments include credit, liquidity and market risks. Formal policies are in place to manage all significant financial risks to which CDIC is exposed. The policies are reviewed at least annually to ensure that they continue to be appropriate and prudent, and that they comply with the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*.

CDIC's investment portfolio consists of high quality, liquid investments on which interest income is earned. *Investment revenue during the planning period is based on an assumed average yield on cash and investments of 1.6% for 2019/2020, rising gradually to a yield of 1.8% in 2023/2024, consistent with an increasing interest rate environment*.

## Resource plans

### Operating budget—2019/2020 to 2023/2024

CDIC is a self-funded Crown corporation and does not receive government appropriations. The 2019/2020 operating budget reflects an increase in operating expenditures of $1.6 million to $50.0 million. The increase will serve primarily to:

1. Ensure resolution readiness by securing additional internal and external resources to advance the modernization of core systems.
2. Enhance marketing and public awareness initiatives to increase awareness of CDIC's deposit protection.
3. Support the implementation of amendments to the *CDIC Act* with respect to deposit insurance coverage changes.
4. Modernize CDIC's Enterprise Risk Management (ERM) framework.

A summary of the operating budget for the planning period is set out below (see Figure 1).

**Figure 1**

**Operating budget**
*(C$ millions)*

| | Actual | Approved Plan | Forecast | Plan | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017/ 2018 | 2018/ 2019 | 2018/ 2019 | 2019/ 2020 | 2020/ 2021 | 2021/ 2022 | 2022/ 2023 | 2023/ 2024 |
| **OPERATING EXPENSES** | | | | | | | | |
| Salaries and other personnel costs | 23.3 | 24.8 | 20.9 | 24.8 | 25.4 | 26.1 | 26.7 | 27.4 |
| Other operating expenses: | | | | | | | | |
| Professional fees | 3.9 | 6.0 | 5.7 | 6.1 | 6.2 | 6.3 | 6.5 | 6.6 |
| General expenses | 6.9 | 6.4 | 5.5 | 6.5 | 6.6 | 6.8 | 6.9 | 7.0 |
| Premises | 3.8 | 3.9 | 3.8 | 4.2 | 4.3 | 4.4 | 4.5 | 4.5 |
| Public awareness | 5.3 | 5.0 | 5.0 | 5.8 | 5.8 | 5.8 | 5.8 | 5.8 |
| Data processing | 2.5 | 2.5 | 2.2 | 2.8 | 2.9 | 2.9 | 3.0 | 3.0 |
| Total operating expenses | 45.7 | 48.6 | 43.1 | 50.2 | 51.2 | 52.3 | 53.4 | 54.3 |
| Less cost recovery (OSFI) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) | (0.2) |
| **NET OPERATING EXPENSES*** | **45.5** | **48.4** | **42.9** | **50.0** | **51.0** | **52.1** | **53.2** | **54.1** |

*For planning purposes, net operating expenses have an assumed annual growth of 2% to 2.5% starting in fiscal 2020/2021. For 2020/2021 to 2023/2024, actual budgets may vary materially from those presented above.

## Human resource requirements

For 2019/2020, the Corporation's work force will increase to 143 permanent positions, an increase of five positions from the prior year. The increase in permanent positions is primarily to advance the modernization of core systems. Ten term positions (four of which are leave replacements) are included in the 153 full-time equivalents. CDIC participates in the federal public service pension and benefits plans. Employees of CDIC are not unionized.

## Capital budget—2019/2020 to 2023/2024

The budget for capital expenditures in 2019/2020 is $3.1 million, an increase of $0.6 million from the previous year (see Figure 2). The increase to the capital budget is primarily to enhance the collaborative technology used by CDIC in its office spaces.

### Figure 2

**Capital budget**
*(C$ thousands)*

| | Actual | Approved Plan | Forecast | Plan | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017/2018 | 2018/2019 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
| Furniture and equipment | 24 | 100 | — | 1,000 | 100 | 100 | 100 | 100 |
| Computer hardware | 333 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |
| Software development costs | 1,379 | 2,000 | 1,395 | 1,600 | 1,500 | 1,500 | 1,500 | 1,500 |
| Leasehold improvements | 13 | 100 | 700 | 250 | 100 | 100 | 100 | 100 |
| **TOTAL** | **1,749** | **2,450** | **2,345** | **3,100** | **1,950** | **1,950** | **1,950** | **1,950** |

For 2020/2021 to 2023/2024, actual budgets may vary materially from those presented above.

# Projected condensed consolidated financial statements and past results

The tables that follow present CDIC's expected performance from 2018/2019 to 2023/2024, as well as actual results for the year 2017/2018 (see Figures 3 to 6).

### Figure 3

**Projected condensed consolidated statement of financial position as at March 31**
*(C$ millions)*

| | Actual | Approved Plan | Forecast | Plan | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017/2018 | 2018/2019 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
| **ASSETS** | | | | | | | | |
| Cash | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Investment securities | 4,372 | 5,020 | 5,033 | 5,719 | 6,479 | 7,275 | 8,109 | 8,984 |
| Capital assets | 8 | 8 | 9 | 15 | 14 | 13 | 12 | 11 |
| Right-of-use assets* | — | — | — | 6 | 5 | 4 | 3 | 2 |
| Other assets | — | — | — | — | — | — | — | — |
| **TOTAL ASSETS** | **4,382** | **5,029** | **5,043** | **5,741** | **6,499** | **7,293** | **8,125** | **8,998** |
| **LIABILITIES** | | | | | | | | |
| Trade and other payables | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Provision for insurance losses | 2,050 | 2,200 | 2,050 | 2,150 | 2,250 | 2,300 | 2,400 | 2,450 |
| Lease liabilities* | — | — | — | 6 | 5 | 4 | 3 | 2 |
| Other liabilities | 4 | 5 | 4 | 5 | 5 | 5 | 5 | 5 |
| Total liabilities | 2,060 | 2,210 | 2,059 | 2,166 | 2,265 | 2,314 | 2,413 | 2,462 |
| **EQUITY** | | | | | | | | |
| Retained earnings | 2,322 | 2,819 | 2,984 | 3,575 | 4,234 | 4,979 | 5,712 | 6,536 |
| **TOTAL LIABILITIES AND EQUITY** | **4,382** | **5,029** | **5,043** | **5,741** | **6,499** | **7,293** | **8,125** | **8,998** |

**IFRS 16 Leases* is effective for annual periods beginning on or after January 1, 2019. The impact of the implementation of this accounting standard has been estimated and disclosed as right-of-use assets and lease liabilities.

### Figure 4

**Projected condensed consolidated statement of comprehensive income for the year ended March 31**
*(C$ millions)*

| | Actual | Approved Plan | Forecast | Plan | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017/2018 | 2018/2019 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
| **REVENUE** | | | | | | | | |
| Premium* | 535 | 636 | 645 | 665 | 723 | 748 | 773 | 800 |
| Investment income | 46 | 61 | 66 | 85 | 99 | 115 | 133 | 152 |
| | 581 | 697 | 711 | 750 | 822 | 863 | 906 | 952 |
| **EXPENSES** | | | | | | | | |
| Operating | 46 | 48 | 43 | 50 | 51 | 52 | 53 | 54 |
| Recovery of amounts previously written off | (1) | — | — | — | — | — | — | — |
| Increase in provision for insurance losses | 450 | 100 | — | 100 | 100 | 50 | 100 | 50 |
| | 495 | 148 | 43 | 150 | 151 | 102 | 153 | 104 |
| Net income before income taxes | 86 | 549 | 668 | 600 | 671 | 761 | 753 | 848 |
| Income tax expense** | — | (3) | (6) | (9) | (12) | (16) | (20) | (24) |
| **NET INCOME** | **86** | **546** | **662** | **591** | **659** | **745** | **733** | **824** |
| Other comprehensive income*** | — | — | — | — | — | — | — | — |
| **TOTAL COMPREHENSIVE INCOME** | **86** | **546** | **662** | **591** | **659** | **745** | **733** | **824** |

*The increase in premium revenue is due to the assumed growth in insured deposits.

**The Corporation's primary source of taxable income is its interest income. From this amount, allowable expenditures are deducted in order to arrive at its net income for tax purposes. Under the provisions of the *Income Tax Act* the Corporation's premium revenue and changes in the provision for insurance losses are not taxable.

***Other comprehensive income includes items that will not be reclassified to net income, including the actuarial gain or loss on defined benefit obligations. These amounts are not material and, due to rounding, the amounts are shown as zero.

### Figure 5

**Projected condensed consolidated statement of changes in equity for the year ended March 31**

*(C$ millions)*

| | Actual | Approved Plan | Forecast | Plan | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017/ 2018 | 2018/ 2019 | 2018/ 2019 | 2019/ 2020 | 2020/ 2021 | 2021/ 2022 | 2022/ 2023 | 2023/ 2024 |
| **RETAINED EARNINGS AND TOTAL EQUITY** | | | | | | | | |
| Balance at beginning of the fiscal year | 2,236 | 2,273 | 2,322 | 2,984 | 3,575 | 4,234 | 4,979 | 5,712 |
| Net income | 86 | 546 | 662 | 591 | 659 | 745 | 733 | 824 |
| Other comprehensive income | — | — | — | — | — | — | — | — |
| Total comprehensive income | 86 | 546 | 662 | 591 | 659 | 745 | 733 | 824 |
| **ENDING BALANCE** | **2,322** | **2,819** | **2,984** | **3,575** | **4,234** | **4,979** | **5,712** | **6,536** |

**Figure 6**

**Projected condensed consolidated statement of cash flows for the year ended March 31**
*(C$ millions)*

| | Actual | Approved Plan | Forecast | Plan | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017/2018 | 2018/2019 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
| **OPERATING ACTIVITIES** | | | | | | | | |
| Net income | 86 | 546 | 662 | 591 | 659 | 745 | 733 | 824 |
| Add (deduct) items not involving cash: | | | | | | | | |
| Investment income | (46) | (61) | (66) | (85) | (99) | (115) | (133) | (152) |
| Tax expense | — | 3 | 6 | 9 | 12 | 16 | 20 | 24 |
| Loss on retirement and disposal of property, plant and equipment | 1 | — | — | — | — | — | — | — |
| Other | 2 | — | — | — | — | — | — | — |
| Change in working capital: | | | | | | | | |
| Increase in provision for insurance losses | 450 | 100 | — | 100 | 100 | 50 | 100 | 50 |
| Change in other working capital items | 4 | — | — | — | — | — | — | — |
| Interest received | 70 | 61 | 66 | 85 | 99 | 115 | 133 | 152 |
| Income tax paid | — | (3) | (6) | (9) | (12) | (16) | (20) | (24) |
| Net cash generated by operating activities | 567 | 646 | 662 | 691 | 759 | 795 | 833 | 874 |
| **INVESTING ACTIVITIES** | | | | | | | | |
| Acquisition of property, plant and equipment, and intangible assets | (2) | (2) | (2) | (3) | (2) | (2) | (2) | (2) |
| Purchase of investment securities | (1,846) | (2,181) | (1,941) | (1,970) | (2,038) | (2,073) | (2,111) | (2,152) |
| Proceeds from sale or maturity of investment securities | 1,281 | 1,537 | 1,281 | 1,282 | 1,281 | 1,280 | 1,280 | 1,280 |
| Net cash used in investing activities | (567) | (646) | (662) | (691) | (759) | (795) | (833) | (874) |
| Net change in cash | — | — | — | — | — | — | — | — |
| Cash, beginning of year | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **CASH, END OF YEAR** | **1** | **1** | **1** | **1** | **1** | **1** | **1** | **1** |

## 2017/2018 actual to Plan

### *Statement of financial position*

**Total assets** as at March 31, 2018, were $4,382 million, a $17 million variance compared to the planned amount of $4,365 million. The variance related primarily to the higher than planned premium revenue received and reinvested during the year.

**Total liabilities** as at March 31, 2018, were $2,060 million, $550 million higher than the planned amount of $1,510 million due to the higher than planned provision for insurance losses, as detailed below.

### *Statement of comprehensive income*

Actual **net income** for the 2017/2018 fiscal year was $86 million, compared to a planned net income of $469 million. This $383 million negative variance is due to:

- An actual increase of $450 million to the provision for insurance losses, with only $50 million included in the Plan. The increase is due primarily to the occurrence of events that negatively impacted the risk profiles and/or increased the expected default derived from probability statistics of certain member institutions.
- Premium revenue was $16 million higher than planned due to the change in categorization and risk profile of certain member institutions.

## 2018/2019 forecast to Plan

Forecasted net income (as at December 31, 2018) for 2018/2019 was $662 million, compared to a planned net income of $546 million. This $116 million positive variance was primarily due to:

- An increase to the provision for insurance losses of $100 million that was included in the Plan; however, the provision is forecasted to remain at $2,050 million with no gain or loss incurred in net income. While there was a decrease to the provision during the first quarter of 2018/2019 because of the change in risk profiles of some member institutions, the addition of a new member institution during the third quarter of the year offset this decrease.
- Premium revenue that was $9 million higher than planned due to the change in categorization and risk profile of certain member institutions and the addition of new member institutions during the third quarter of the year.

The Corporation forecasts that its *ex ante* funding will grow to 62 basis points of insured deposits by the end of the fiscal year, compared to the minimum target range of 100 basis points, which is expected to be met by fiscal 2025/2026.

## Borrowing plan

CDIC's funding activities are governed by section 10.1 of the *CDIC Act* and section 127 of the *Financial Administration Act*. The activities must also comply with the *Minister of Finance Financial Risk Management Guidelines for Crown Corporations*.

Pursuant to section 10.1(1) of the *CDIC Act*, at the Corporation's request, the Minister of Finance may lend money to CDIC from the Consolidated Revenue Fund (CRF) on such terms and conditions that the Minister may establish. If needed, CDIC would access funds from the CRF through the Crown Borrowing Program, and in accordance with the *Crown Borrowing Program Standby Credit Facility Service Agreement* with the Department of Finance.

Section 10.1(2) of the *CDIC Act* provides that the Corporation can also borrow by means other than the CRF, including the issuance and sale of bonds, debentures, notes or any other evidence of indebtedness.

In accordance with section 127(3) of the *Financial Administration Act*, CDIC requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time, terms and conditions of the transaction.

As at December 31, 2018, CDIC had no debt outstanding.

The planning assumption is that no additional borrowing will be necessary; however, if an intervention were required (or a member institution were to fail), then various funding options, including borrowing, would be available.

Funding of intervention strategies would require a case-by-case analysis to determine optimal funding strategies. CDIC's investment portfolio may be used as a first call upon liquidity, depending on the funding strategy. Considerations in developing a funding strategy would include, among others, future liquidity requirements and asset/liability matching.

## Leases

CDIC does not have any existing leases that exceed the ministerial threshold.

Approval of upcoming potential right-of-use leases is as follows:

| | | **Estimated lease liability** *(C$ millions)* | | | | |
|---|---|---|---|---|---|---|
| **Asset class** | **Description** | **2019/ 2020** | **2020/ 2021** | **2021/ 2022** | **2022/ 2023** | **2023/ 2024** |
| Office space | Lease for Ottawa premises; current term through October 2020 with a planned renewal to extend the term through 2030 | 13 | 12 | 11 | 10 | 9 |

Note: A forecast amount has not been included for 2018/2019 as CDIC is adopting *IFRS 16 Leases* using the modified retrospective approach and will not restate comparative figures.

Paragraph 10(b) of the *Crown Corporation General Regulations, 1995* requires CDIC to seek approval from the Minister of Finance on the specific terms and conditions of lease transactions which exceed the lesser of $10 million or five percent of the total assets of CDIC. To ensure sufficient flexibility in negotiating lease transactions, the estimated lease liability in the table above is determined using maximum possible lease terms and liable amounts and includes allowances for unforeseen circumstances.

## Short-term borrowing authorities for 2019/2020

CDIC has in place credit facilities with its banker for up to $10 million for cash management purposes. The credit facility is specifically exempt from the credit enhancement fee that applies to other borrowings. CDIC does not anticipate drawing on its credit facility over the planning period. This line of credit carries no cost to CDIC until it is used. As such, CDIC requests authority from the Minister of Finance to borrow up to a maximum of $10 million through an operating line of credit.

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# Part 4 – Performance against past Plans

CDIC's previous Corporate Plan (2018/2019 to 2022/2023) identified four corporate strategic objectives that reflected the Corporation's assessment of its operating environment and risks, and supported its business objects:

- **Preparedness: Advancing resolution readiness**
- **Deposit insurance program: Modernizing our insurance program**
- **Stakeholders: Strengthening confidence and trust**
- **Organization: Evolving the Corporation**

## Highlights of CDIC's past performance

Key corporate initiatives and outcomes were identified to support these strategies. As detailed in the Corporate Scorecard on the following pages, progress against most of CDIC's 2018/2019 corporate strategic objectives and initiatives is proceeding as planned as at December 31, 2018, with the exception of the following initiatives:

- Implement key design features of a modernized reimbursement process with a focus on strengthening deposit data standards and technology enhancements to facilitate online authentication, depositor communication and electronic reimbursement capabilities.
- Increase public and depositor awareness of CDIC and its deposit insurance program, by leveraging members and key media consumed by the public, and conducting research on depositor behaviour.

The Corporate Scorecard provides additional information on the status of these and other key corporate initiatives.

# CDIC's Corporate Scorecard—2018/2019 to 2022/2023

*(as at December 31, 2018)*

## Preparedness: Advancing resolution readiness

### Outcomes

- In the event of member failure, CDIC's people, systems and processes are ready to provide access to all insured deposits within seven days or less, through a streamlined and scalable solution.
- Resolvability of all member institutions, regardless of size, is supported by CDIC's robust risk assessment, and resolution planning and preparedness activities.

| Key corporate initiatives | Status ▲ ▼ ● | Update |
|---|---|---|
| Advance domestic systemically important banks (D-SIBs) toward the 2020 resolvability target through review and provision of feedback on their 2018 planning submissions, and the implementation of a bail-in regime in Canada. Crisis communications for all resolution tools will also be addressed. | ▲ | CDIC continues to set expectations and provide feedback to the banks on their plans to achieve resolvability by 2020. D-SIBs submitted another iteration of their resolution plans in December 2018, incorporating CDIC feedback and focusing on the legal, operational and financial feasibility of executing their resolution strategy. Regulations supporting bail-in and the new compensation regime are now in place. Steps have been taken to strengthen crisis communications and a D-SIB communications plan will be complete by March 31, 2019. |
| Implement key design features of a modernized reimbursement process with a focus on strengthening deposit data standards and technology enhancements to facilitate online authentication, depositor communication and electronic reimbursement capabilities. | ▼ | CDIC continually evaluates its current capabilities and future needs, and identifies alternatives to address any gaps. Solution optioning continues and, although tracking is behind schedule, CDIC has identified and begun to evaluate options, including a combination of commercial off-the-shelf solutions, customized software and external service providers. |
| Implement a multi-year tabletop and simulation program that tests preparedness for reimbursement and other resolution tools and that involves the CDIC Board, member institutions and other safety net agencies. | ▲ | Several tabletop and simulation exercises were conducted throughout 2018 in line with planned preparedness activities. An assisted transaction communications tabletop exercise and a reimbursement system walk-through took place in August and September 2018. An expedited broker reimbursement communications dry run was carried out in September 2018 and interagency tabletops focusing on a mid-size failure exercise were conducted in November and December 2018. |

### Legend

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred

# CDIC's Corporate Scorecard—2018/2019 to 2022/2023

*(as at December 31, 2018)*

## Deposit insurance program: Modernizing our insurance program

### Outcome

- Key elements of CDIC's deposit insurance program (including processes, by-laws and legislation) are modernized to support the Corporation in the delivery of its mandate, to adapt and respond to the changing banking landscape, and to meet the needs of depositors.

| Key corporate initiatives | Status ▲ ▼ ● | Update |
|---|---|---|
| Accelerate the roll-out of the comprehensive by-law review program. | ▲ | New requirements contained in the *Deposit Insurance Information By-law* came into force on September 29, 2018.<br><br>CDIC will develop an updated *Differential Premiums By-law* and a new *Resolution Planning By-law* in support of its role as resolution authority for all domestic banks. The *Data and System Requirements By-law* and the *Joint and Trust Account Disclosure By-law* are being reviewed and updated in support of the deposit insurance review changes. Consultation on each of these by-laws is underway.<br><br>Further by-law updates resulting from the deposit insurance review (the *Deposit Insurance Information By-law* and the *Exemption from Deposit Insurance (Notice to Depositors) By-law*) will be carried out. |
| Review the *Premium Rate and Ex Ante Funding Strategy* to ensure it remains consistent with CDIC's coverage and membership and with the Corporation's role as resolution authority for its member institutions. | ▲ | The review was completed in Q1 2018/2019 and recommended that premium rates and the *ex ante* funding minimum target remain at their current levels. Further analysis will be conducted during the planning period as the Corporation approaches the minimum funding target. |

### Legend

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred

# CDIC's Corporate Scorecard—2018/2019 to 2022/2023

*(as at December 31, 2018)*

## Stakeholders: Strengthening confidence and trust

### Outcomes

- Public awareness and key stakeholders' understanding of CDIC's role as deposit insurer and resolution authority are strengthened and support confidence and trust in CDIC and in the stability of the financial system.
- CDIC fosters a collaborative and productive relationship with member institutions.

| Key corporate initiatives | Status ▲ ▼ ● | Update |
|---|---|---|
| Increase public and depositor awareness of CDIC and its deposit insurance program, by leveraging members and key media consumed by the public, and conducting research on depositor behaviour. | ▼ | CDIC is in year two of its three-year public awareness strategy which includes television advertising and digital and social media channels, and which leverages member institutions through new requirements under the *Deposit Insurance Information By-law* (DIIB). Public awareness of CDIC deposit insurance increased to 54% (as at December 31, 2018) but remains below the target of 55%. New DIIB measures came into force on September 29, 2018, and advertising plans for this year are in progress with a view to meeting the target of over 55% by March 31, 2019. |
| Strengthen relationships with key stakeholders through an integrated engagement process, including results from a member survey. | ▲ | A stakeholder engagement process was designed and implemented to facilitate the proactive identification and tracking of engagement activities. These activities are updated and reported on at the monthly strategic initiative management meetings.<br><br>CDIC will survey its members in January 2019. The primary objective of the survey is to explore perceptions of CDIC's effectiveness in by-law consultation, and in its interaction with members in certain key processes such as resolution planning, premiums and fast insurance determination. |
| Increase transparency regarding CDIC's role as resolution authority for all members (including a global systemically important bank (G-SIB)), to educate stakeholders and build credibility and confidence in CDIC's ability to deliver on its mandate. | ▲ | The information available on CDIC's website with respect to its resolution authority role has been enhanced, and various outreach (e.g., speeches) and communications (e.g., news releases) activities were conducted as part of the enhanced resolution authority communications plan implementation. |

### Legend

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred

# CDIC's Corporate Scorecard—2018/2019 to 2022/2023

*(as at December 31, 2018)*

## Organization: Evolving the Corporation

### Outcome

- CDIC promotes innovation and adaptability in a modern work environment.

| Key corporate initiatives | Status ▲ ▼ ● | Update |
|---|---|---|
| Implement a plan to develop employees with the competencies required to support the evolution of programs and systems and the change in leadership, to preserve CDIC's strong culture of respect, diversity and adaptability. | ▲ | Since the current Talent Management Strategy (TMS) remains relevant and appropriate, it has been extended for an additional year. It includes three main areas of focus for 2018/2019. Work in this regard is underway including: employee development; planning for work environment changes; and an engagement strategy and communications plan. |
| Modernize the work environment (including new or renovated workspaces, tools and technology) and enhance data safeguards and cyber security programs to protect depositor information. | ▲ | The overall Cloud Migration Strategy was initiated and is on track. Implementation of (Microsoft) Office 365 is expected before fiscal year end. Work has commenced on an upgrade of SharePoint to enhance document and data security. Analysis of CDIC's systems for the potential migration to Infrastructure and Platform Cloud solutions for implementation in 2019/2020 has begun. Discussions concluded regarding the lease renewal of CDIC's Ottawa premises, in advance of its expiry in 2020. |

### Legend

▲ Planned progress on schedule and within budget

▼ Slippage in terms of time to completion, budget and/or target variances

● Cancelled or deferred