



Remarks from

Guy L. Saint-Pierre
President and CEO,
Canada Deposit Insurance Corporation

And

Bryan P. Davies
Chair,
Canada Deposit Insurance Corporation

For:

**FIRST ANNUAL PUBLIC MEETING
OF
CANADA DEPOSIT INSURANCE CORPORATION**

-CHECK AGAINST DELIVERY-

*CDIC's First Annual Public Meeting
Royal Ontario Museum, Glass Room
Toronto, Ontario
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BRYAN P. DAVIES:

Good evening and welcome to the first-ever Annual Public Meeting of the Canada Deposit Insurance Corporation.

Bonsoir. Et bienvenue à la toute première assemblée publique annuelle de la SADC.

It is my pleasure to host this evening, particularly since it is being held during my first year as Chair of the Corporation. It is an honour for me to have this opportunity to meet and share with you, information about Canada Deposit Insurance Corporation's activities and priorities.

CDIC is the federal deposit insurer charged with protecting the eligible savings of Canadians. One of our most important roles is to contribute to the stability of Canada's financial system.

Knowing that the financial institution where they bank is protected by CDIC – that it has that red and white decal on the door – provides comfort to Canadians.

As with insurance coverage of all types, we always hope we will never have occasion to draw on it, but it's good to know that it's there.

In fact, since CDIC was established nearly 40 years ago, it has protected more than \$25 Billion dollars in deposits at failed institutions, protection of the insured savings of some 2 million depositors.

Last year, Parliament increased the deposit insurance coverage limit from \$60,000, to \$100,000 per person. It means that everyone banking in Canada now has from 1 to 100,000-dollars of their eligible savings protected by CDIC. The new limit represents the most important change to our deposit insurance program in recent years.

All of CDIC's operations are funded exclusively by premiums paid by its member financial institutions. CDIC is not run on taxpayers' dollars. However, the fact that CDIC has the ability

to borrow money from the federal government, if necessary, means that it will always have the ability to protect the savings of Canadians.

It is this insurance protection that gives Canadians confidence in the safety of their deposits.

Before inviting our President & Chief Executive Officer to provide more information about CDIC's activities, I would like to introduce the members of the CDIC Board of Directors who are here this evening. They are the people responsible for overseeing CDIC and directing its activities.

Our Board consists both of senior public sector officials who bring the expertise of their positions to the Board, and of Directors drawn from the private sector from across Canada.

Let me start with our Directors drawn from the private sector. I'll ask each Director to stand briefly as I mention their name.

- Tracy Bakkeli from Regina
- Claude Huot from Montreal
- Grant Morash from Halifax
- And Darryl Raymaker from Calgary.

We also have a number of our ex officio or public sector members here:

- Jim Callon from the Financial Consumer Agency of Canada
- Julie Dickson from OSFI
- Serge Dupont from Finance Canada
- And Carl Hiralal from OSFI.

I would like to take this opportunity to thank these individuals and all of the Board members for their commitment to CDIC.

My immediate predecessor, Ronald N. Robertson is also here this evening and I would ask him to stand and accept our thanks for his six years of work as the Chair and his 20 years of service to CDIC.

We are also honoured to have another former Chair with us tonight. Ronald McKinlay served as Chair of our Board from 1985 to 1992. Please join me in welcoming him as well.

I would now like to introduce Guy Saint-Pierre. Guy has been with CDIC for over 19 years and has been the President & CEO since May 2005. Over his years at CDIC, Guy has gained significant and unique experience especially while addressing the failures of financial institutions in the late 1980s and early 1990s. He has the skills and the knowledge to lead CDIC through any challenges we may encounter.

...Guy?

GUY L. SAINT-PIERRE:

Thank you, Bryan for your kind introduction. I am very happy to be here with all of you tonight.

As many of you know, CDIC is one of 5 federal agencies that make up Canada's financial safety net. The others are: the Bank of Canada, the Department of Finance, the Financial Consumer Agency of Canada (FCAC), and, last but not least, the Office of the Superintendent of Financial Institutions (OSFI).

CDIC's role is a unique one: let me explain briefly.

If one of our member institutions – and by that I mean banks, trust and loan companies or credit associations – goes bankrupt, we reimburse the savings of depositors of that institution from \$1 up to \$100,000. So, in short, we protect the deposits of Canadians up to \$100,000.

Our role also includes contributing to the stability of the Canadian financial system and minimizing our exposure to loss – all for the benefit of depositors.

When Bryan mentioned that we've protected 2 million depositors and over \$25 billion in insured deposits, this represents money Canadians could have lost if we had not been there to protect them.

Recently some parts of our mandate were changed by Parliament:

First, we don't have to promote standards of sound business and financial practices for our members any longer. This has removed overlap with OSFI's governance guidelines. It has eliminated an element of regulatory burden for our members.

Second, New members of CDIC need only apply to OSFI and not to CDIC as well – this also has reduced duplication in the system.

These two important changes to our mandate have helped improve the efficiency of the Canadian financial regulatory system. But, importantly, we continue to conduct regular risk assessments of our members and monitor their performance and results. So, the fundamentals of our mandate remain unchanged.

However, we are still continuing to streamline and reduce regulatory burden. We have undertaken an extensive review of our Deposit Insurance Information By-law in order to remove some of the requirements that members had to follow. In addition, we are working on methods to simplify the return of insured deposits that members must file with us annually.

The third key change to our mandate and the most significant from the consumers' point of view, as Bryan mentioned, is the increase in the deposit insurance coverage limit from \$60,000 to \$100,000.

Now let me explain how we are fulfilling our mandate.

Our primary focus, of course, is always our readiness strategy. "Readiness" means all the preparation we need to do, to be in a position to respond quickly if a member institution were failing.

Canadians, all of us, have rent or mortgage payments to pay and groceries to buy. We have to be ready to respond quickly, so that depositors have access to their insured money as soon as possible.

In the past year and again this year, we've enhanced the systems we use in the event that we have to make a deposit insurance payment.

We've also tested our systems and our own capabilities to make a payment should it be needed. These simulations have provided us with beneficial learning experiences and allowed us to make improvements to our processes. These will continue in the current year.

We prepare ourselves for the day if, and when, we may be called upon to intervene in the affairs of a failing member, we have to make a payment, or we have to deal with a non-payment situation.

We are also planning modifications to our systems to permit us to make "tranche" or partial payments of deposit insurance.

Pour que la Société contribue à donner confiance aux Canadiens dans le système financier du pays, il faut d'abord que les gens sachent qu'elle existe. Ensuite, il faut que les déposants sachent... ce que la Société protège et j'insiste là-dessus, ce que l'assurance-dépôts ne couvre pas.

Nous nous apercevons de plus en plus que nous devons poser une question toute simple aux Canadiens, celle-ci : « Pensez-vous être protégés, alors qu'en fait vous ne l'êtes pas ? »

For CDIC to contribute to the people's confidence in Canada's financial system, Canadians must first know it exists. They must then know what it covers, and I must stress, what deposit insurance does not cover.

We are finding increasingly, that we need to ask Canadians this simple question: "Do you think you are protected when, in fact, you are not?"

There is still a good deal of lack of awareness about deposit insurance. Let me give you an example. In 2000, CDIC determined that only 47% of Canadians knew about deposit insurance. We wanted to improve this awareness and so launched a campaign.

By 2004, CDIC had increased these figures to the highest level of knowledge of since the last failure in 1996, and they continue to remain above our objective of 50%.

And yet, because deposit insurance is complex, we still have a lot of awareness work to do. In fact, awareness levels of the new limit are only at 10%.

With the new limit, we launched a special campaign last year to publicize the new coverage of \$100,000. This campaign continues this year.

You will see our new ads on TV and in print during January and February 2007. And for the first time, we will have Internet ads. And finally, we will be launching our revamped web site, which will make it easier for consumers to understand who we are and what we do.

CDIC works with a number of stakeholders to better achieve our mandate.

Under our Act, the Office of the Superintendent of Financial Institutions is mandated to perform examinations of our members on our behalf. We rely on our colleagues at OSFI in conducting our risk monitoring, making OSFI our key partner.

In conducting our public awareness activities we are grateful to have so many other partners to work with – some of whom are represented here tonight.

FCAC – the Financial Consumer Agency of Canada

AMF – l’Autorité des marchés financiers, with whom we partner for our ad campaign in Québec

We are also partners in a forum with the organizations mentioned on the screen, with whom we share a web site, which is designed to assist consumers in locating the compensation plan that protects their savings, investments and insurance policies.

These and other partnerships allow us to get our message out to more Canadians on a cost-effective basis.

Bryan will be speaking to you momentarily about our 4th strategy: Sound Governance, so I will move on to our financial results.

Last year, our financial performance remained strong.

Our net income was \$52 million, even though we increased our provision for insurance losses by \$50 million. The increase to the provision reflects the increase in the amount of deposits insured by CDIC – a result of the increase in the deposit insurance coverage limit to \$100 thousand.

CDIC continues to maintain a level of ex ante or advance funding. Our ex ante fund is represented by the aggregate of CDIC's retained earnings and provision for insurance losses.

Our target level of funding is between 40 and 50 basis points of insured deposits. Our positive results have allowed CDIC to increase its ex ante fund to \$1.4 billion, representing 33 basis points of insured deposits.

Under conservative assumptions and assuming no failures, we anticipate that we will reach the bottom of the target range in our 2012-2013 fiscal year.

Once again in 2005/06, we held our operating expenses in check, keeping them essentially the same as the previous year. In fact, our operating expenses have remained unchanged over the past 5 years. As CEO, it is one of my key priorities to continue to look for ways to streamline our activities in order to keep our members' costs of deposit insurance down.

The rates for premiums paid by CDIC members remain at an all time low. For the 2005 premium year, CDIC reduced its premium rates in all premium categories by one third resulting in premium revenue of \$64.6 million.

CDIC's highest rated members have now seen their premium rates reduced by more than 90% since 1999. Reduced premiums means reduced regulatory costs of deposit insurance for members.

Our members' financial performance, last year was solid – they've shown strong profits and excellent capital and asset ratios that are higher than in the past.

2006 is proving to be another favourable year for our members – and for CDIC.

La Société doit sa réussite aux efforts soutenus et au dévouement de ses employés et de son équipe de direction. Je tiens à leur exprimer ici toute ma gratitude.

Je voudrais vous présenter les principaux membres de l'équipe de direction de la Société :

All of our accomplishments could not have been achieved without the hard work and dedication of our employees and management team. I'd like to publicly express my thanks to them. I would like to introduce the senior members of the management team:

Tom Vice, Vice-President, Finance and Administration and Chief Financial Officer

Michele Bourque, Vice-President, Insurance and Risk Assessment.

I would also like to thank Claudia Morrow, Vice-President, Corporate Affairs, General Counsel and Corporate Secretary, who unfortunately was not able to join us.

I will turn it back to our Chair, Bryan Davies.

Thank you all very much.

BRYAN P. DAVIES:

Thank you, Guy.

I will now speak to the fourth Strategy, Pursuing Sound Governance.

Let me start by stating what we mean when we use the somewhat overworked word, “governance”. Governance refers to the rules and procedures by which we run our organization and operate our business. CDIC is proud to have been at the forefront in its governance practices for many years. With our Annual Report, we report to Parliament, through the Minister of Finance, to our member institutions and to the public.

CDIC’s commitment to strong governance was confirmed last year, when CDIC was awarded the Auditor General Award for Excellence in Annual Reporting. This was for our 2005 Annual Report and Summary Corporate Plan.

In fact we have won this award previously – in 1996 – and have been a finalist in each of the intervening years.

And just 2 weeks ago, CDIC was honoured to be awarded the 2006 Deposit Insurer of the Year by the International Association of Deposit Insurers. This award from our peers around the globe recognized our commitment to improving the effectiveness of deposit insurance systems.

CDIC is proud to have received these awards. They recognize the strength of our governance. But we recognize we must strive to improve continuously.

The Board of Directors is committed to fostering a culture of ethical behaviour and business conduct at CDIC. It strives to do so by setting the “tone at the top”. We want to ensure that this tone is embraced and reflected in all of our work at CDIC, at all levels – from the Board as a whole, to individual Directors, to senior management and to all other employees.

For these reasons, the Board recently examined key CDIC's corporate policies and compared them against the best practices outlined in guidelines issued last year by the federal government.

In order to reflect these best practices, we revised the Charters, or terms of reference, for our Board committees. Provisions for reporting internal concerns in our Harassment and Disclosure Policies were also updated.

All these revisions are focused on strengthening CDIC's accountability structures to help ensure the Corporation operates as effectively and efficiently as possible.

As Guy noted, CDIC kept its operating expenses in check again last year, and I would like to compliment Guy and his team for constantly striving to be as efficient as possible. We have an obligation to our member institutions and to all of you to spend funds prudently, and the fact that expenditures have remained essentially flat indicates very clearly that our staff works hard at this important objective.

In closing my remarks, I would like to thank each and every one of you, who took the time to attend this, our first annual public meeting.

[THE END]