

CBA Responses re Deposit Insurance Review Consultation

Good afternoon.

We support the current review of the deposit insurance framework and recognize that deposit insurance is a key element of the financial safety net in Canada. It is important that the system provide adequate protection for the savings of Canadians. We are happy to work with you to ensure the maintenance of a strong deposit insurance framework to preserve public confidence in the financial system and promote financial stability.

Streamlining Deposit Categories

1. What are your views on removing the mortgage tax account as a deposit category?

CBA Response: We do not support removing mortgage tax accounts as a deposit category. There is no benefit to Canadians in making this change and member institutions would have to incur technology costs to enable the new functionality with no improvement to the customer's position.

Updating the Scope of Eligible Deposits

2. What are your views on adding RESPs and RDSPs as new deposit categories or the amalgamation of all registered products into one category?

CBA Response: We support the addition of two new deposit categories for RESPs and RDSPs to make coverage clear and simple for clients. The alternative suggested, amalgamating all registered plans into one category with a higher insurance limit, would add an unnecessary level of complexity by introducing multiple limits to the deposit insurance framework and is not supported by CBA members.

3. What are your views on removing travellers' cheques as eligible deposits?

CBA Response: Given that CDIC member institutions no longer issue travellers' cheques, it makes sense to remove them as eligible deposits. The third party travellers' cheques currently offered are not covered in any event.

4. What are your views on extending deposit insurance coverage to term deposits with terms of maturity greater than five years? Should there be a maximum term?

CBA Response: We do not see the demand to expand coverage to include term deposits with maturity periods greater than five years. In the current low-interest rate environment, there is minimal demand for investments with terms greater than five years. The change would result in higher premiums for members and would not result in much of a benefit to clients. If CDIC decides to proceed with the change, the maximum term covered should be 10 years.

5. What are your views on the inclusion of foreign currency as an eligible deposit? Should only certain foreign currencies be insured? If so, which currencies should be covered and why?

CBA Response: We do not support extending foreign currency as eligible deposits. Such a change would potentially represent a significant increase in CDIC exposure and would be very complex to implement. We do not see any demand for this coverage from personal clients and are not aware of any customer complaints about foreign currencies being out of scope. If only certain currencies were covered

this would potentially create confusion for consumers. The FDIC does not insure Canadian dollar deposits held in the US.

6. What are your views on extending deposit insurance to include temporary high balances?

CBA Response: We do not support extending deposit insurance coverage to include temporary high balances. Such an extension would create additional exposure and add complexity as well as significant implementation challenges. The ex-post application of premiums is not practical and would represent a major departure from the current system. There are other ways for clients to mitigate the risk of temporary high balances, i.e. separating the funds across different CDIC members or account types.

Addressing the Complexities of Trusts

In view of the additional questions relating to trust deposits provided to us for our November 7 meeting with Finance and CDIC, we will address issues relating to trusts and trust deposits in a separate submission.

We appreciate the opportunity to provide our input. **We consent to the disclosure of our full submission but request that my identity and personal identifiers be removed prior to publication.**