



Notes pour une allocution prononcée par

M^e Louis Morisset, Président-directeur général
de l'Autorité des marchés financiers

Assemblée générale annuelle de l'IADI
(*International Association of Deposit Insurers*)

Québec, le 11 octobre 2017

N.B. Seule l'allocution prononcée fait foi

Opening address - Louis Morisset
IADI – AGM 2017

M. Thomas Hoenig, président du Conseil exécutif de l'IADI, Chairman of the Executive Council of IADI.

Mme Michèle Bourque, présidente et première dirigeante de la Société d'assurance-dépôts du Canada, President and Chief Executive Officer of CDIC.

M. David Walker, secrétaire général de l'IADI, Secretary General of IADI.

Distingués invités, distinguished guests,
Mesdames et messieurs, Ladies and gentlemen,

Bonjour et bienvenue à Québec!,
Hello and welcome to Québec City!

I am very pleased and proud to welcome you today to the capital of our province, in one of the most prized jewels of Québec's architectural heritage.

The Château Frontenac has hosted many historic events, and welcomed numerous celebrities.

Distinguished figures who stayed here on various occasions include U.S. aviator Charles Lindbergh—following his legendary crossing of the Atlantic—, General Charles de Gaulle, and several members of the British royal family.

It is also within these walls that Mackenzie King hosted the great statesmen Winston Churchill and Franklin D. Roosevelt, in their attempt to find an end to the Second World War.

And renowned film director Alfred Hitchcock came here to shoot his crime drama *I Confess* in the 1950s.

I don't want to put pressure on any of you, but much will need to be accomplished in the next three days for our event to be as memorable. . . But I have to tell you, I am very confident.

All joking aside, welcome to beautiful Quebec City. I sincerely hope you will truly enjoy your stay.

----- *Bienvenue*

Être l'hôte de la 16e assemblée générale et de la conférence annuelle de l'Association internationale des assureurs-dépôts est pour nous, un grand honneur. Vous êtes aujourd'hui près de 230 représentants d'assureurs-dépôts et d'agences de résolution internationaux, de banques centrales, d'organismes de réglementation de partout dans le monde, et d'autres grandes organisations internationales comme le Fonds monétaire international, et la Banque mondiale.

Votre participation à cette grande assemblée est d'autant plus appréciée qu'elle nous fournit une occasion exceptionnelle, de consolider des liens privilégiés que nous avons tissés au fil des ans avec plusieurs d'entre vous, en provenance de divers horizons. Et la thématique retenue pour cette conférence – « l'assurance-dépôt pour tous » – vise justement à reconnaître, et à célébrer, la diversité et la richesse de nos expériences respectives.

Notre programme d'assurance-dépôts célèbre cette année son 50^e anniversaire. Votre présence parmi nous est une façon très agréable, pour mes équipes et moi-même, de marquer le moment. Merci d'être avec nous pour ces 50 ans!

----- *50 years of deposit insurance*

Fifty years of deposit insurance is something worth celebrating, and to do so, we have prepared a well-documented publication that recounts the history of our deposit insurance plan, from its creation to the present, through its various developments. Take some time to read the copy we have included in your conference kit.

From that history, allow me to share with you a few key moments that, although often out of the spotlight, have had a significant impact on the stability of our financial system.

The deposit insurance plan has been a great success for Québec. The goal of the Québec government at the plan's inception was to reduce the likelihood of a "run on the banks" in the event of a crisis, and resulting massive withdrawal of funds from financial institutions, knowing full well that this could have negative ramifications on the stability of the economy, and the financial system as a whole.

Back then, the United States was one of the few jurisdictions that had adopted a deposit insurance plan, and several jurisdictions were considering doing likewise in the wake of bankruptcies and difficulties, faced by certain financial institutions.

Québec was among the first jurisdictions in the world to adopt its own *Deposit Insurance Act*, which instituted the Québec Deposit Insurance Board. The Board had to co-ordinate its activities with the then Québec Ministry of Financial Institutions, Companies and Cooperatives, as well as with the Government of Canada.

To avoid duplicate guarantees and inspections for financial institutions registered both in Québec, and at the federal level, the Board reached an agreement in 1969—which remains in effect to this day—on the sharing of jurisdictions with the Canada Deposit Insurance Corporation, which is also marking its 50th anniversary this year.

The foundations of our plan were thus in place at the start of the 1970s. Back then, the Board had limited intervention powers, and was entirely funded, by the Government of Québec.

Between 1973 and 1997, two major recessions rattled Canada and Québec, resulting in turbulence and repercussions throughout the economy, including the financial sector. It is in this context that the Québec deposit insurance plan was deployed for the first time.

----- *Crise des caisses d'entraide*

Les Québécois nés au début des années 70 ou avant se souviennent peut-être de la crise des caisses d'entraide économique du Québec, en 1981. On en comptait alors 76 au Québec, détenant environ 450 M\$ en dépôts, dont près de 257 M\$ étaient garantis par la Régie.

Des difficultés financières de plusieurs de ces caisses rapportées par les médias avaient provoqué une perte de confiance des déposants, et entraîné un vent de panique, de même qu'une « course aux guichets ».

La Régie dut alors rembourser les dépôts garantis, en plus de soutenir les caisses toujours viables, grâce à une avance de fonds du ministère des Finances et un emprunt auprès de la SADC. Au terme des interventions de la Régie, la crise s'est estompée.

Mais cette crise a mis en évidence la nécessité de revoir plusieurs éléments de notre programme, dont notamment l'adéquation de la couverture d'assurance-dépôts; la pertinence de constituer un fonds d'assurance-dépôts pourvu par des primes payées par les institutions financières inscrites; un resserrement de l'encadrement et de la supervision prudentielle; et la diversification des pouvoirs d'intervention mis à la disposition de la Régie.

As a result, the Board went from an initial “Paybox” or “Paybox Plus” mandate, according to IADI’s current definitions, to that of “Loss Minimizer.”

You can read about other past significant events in the publication that we distributed to you. All in all, the intervention tools and powers of the Québec deposit insurance plan were used some 30 times over its first 30 years: No less than 28 institutions experienced serious financial difficulties, resulting in disbursements of approximately \$285 million, all of which was ultimately assumed by the registered financial institutions.

----- *Establishment of the AMF and growth*

Over the years, our plan has been adjusted and has undergone other transformations, in response to the changing needs of depositors and market participants. The deregulation of the financial sector led to greater consolidation among registered institutions, and the emergence of diversified financial groups.

Between 1998 and 2006, the number of institutions registered under the *Deposit Insurance Act* declined by more than 50% in Québec, in particular due to the extensive consolidation within Desjardins Group, which is the predominant player in the province’s financial sector.

Several Quebec agencies, each with their own separate mission, were then responsible for oversight of the financial sector. Following the work and recommendations of a task force on the Quebec financial sector regulation, it was deemed advisable to reorganize the various agencies making up Québec’s financial safety net, and adapt them to the new market realities.

Accordingly, the entire regulatory framework of Québec’s financial sector was reviewed in the early 2000s, following which the AMF was established. Lawmakers clearly intended the AMF to be an integrated regulator, a one-stop service centre for consumers of financial products, and services.

Responsibilities assumed by the Board, as well as those of other agencies with regulatory, prudential supervision or compensation roles, were all entrusted to the AMF in 2004.

Moreover, additional powers were granted to the AMF, allowing it to intervene more effectively with deposit institutions, in the event of a crisis.

The AMF thus began to carry out a “Risk Minimizer” mandate, in which it could not only choose from a full suite of resolution powers and strategies in the event of bankruptcy by an institution, but also use a prudential regulatory toolbox in an integrated manner, in order to reduce the probability of such an event.

----- *Encadrement en cours de modernisation*

Le perfectionnement de notre modèle d'encadrement s'est poursuivi. La crise financière de 2007-2008 a entraîné son lot de leçons apprises et de réformes réglementaires internationales, que nous nous efforçons de mettre en place sur notre territoire.

Bien que le Québec et le Canada aient été épargnés des pires conséquences de cette crise – aucune institution financière n'a fait faillite au Canada depuis la fin des années 90 –, personne ne sait où, quand et comment, les prochaines crises frapperont. Et notre première responsabilité face aux consommateurs de produits et services financiers est d'être prêts.

J'en profite pour souligner les efforts colossaux qui ont été déployés ces deux dernières années par le ministre des Finances du Québec et les équipes de son ministère, afin de compléter et bonifier le modèle de régulateur complètement intégré au Québec, tel qu'il apparaît dans un important projet de loi déposé jeudi dernier.

Le ministre des Finances du Québec, monsieur Carlos Leitão, a d'ailleurs accepté notre invitation à venir vous parler de sa vision de l'encadrement du secteur financier québécois, qui se veut dynamique, et moderne. Vous aurez donc l'occasion de l'entendre demain sur cette tribune.

Pour le gouvernement du Québec, il est clair que le programme d'assurance-dépôts et les nouveaux outils concernant la résolution continuent d'être un pilier important du filet de sécurité financière, lequel est essentiel au maintien de la confiance des consommateurs et des entreprises, présents sur notre territoire.

----- *Collaboration with CDIC*

I would also like to underscore our excellent relationship with CDIC ever since reaching an agreement, in 1969. This relationship is based on a respectful sharing of jurisdictions, and solid collaboration.

In a moment, you will have the pleasure of hearing Ms. Michèle Bourque, who has been heading CDIC for the past seven years, and has acquired nearly 25 years of service at this major institution.

Welcome Michèle. We look forward to hearing your insights!

----- *Prudential supervision and Desjardins*

Post financial crisis, we continue to see a number of challenges. However, our “360-degree” perspective, made possible thanks to our integrated regulatory model, is very useful to understand the complex realities of all markets, and to strengthen, in a concerted manner, our supervision of the activities of industry players.

Earlier, I spoke to you about Desjardins Group and its predominant role, in our financial sector. As a Quebecker, this major, homegrown cooperative financial institution is a source of pride, but as an integrated regulator, it also keeps us on our toes!

Desjardins Group has close to 48,000 employees, 7 million members and clients, and \$258 billion in assets. At year-end 2016, the institution’s assets represented 65.7% of Québec’s gross domestic product, compared with 47.1% 10 years earlier.

In June 2013, the AMF designated Desjardins Group as a D-SIFI, a domestic systemically important financial institution, in accordance with the criteria set out by the Basel Committee on Banking Supervision. As you are aware, this status results in higher capitalization and disclosure requirements, as well as enhanced supervisory and resolution functions.

This is all part of a larger framework of risk detection, early intervention and resolution planning, the ultimate purpose of which is to ensure the operational continuity of Desjardins Group, in the event of a failure.

I am pleased to greet here today the President and CEO of Desjardins Group, Mr. Guy Cormier, who will speak later this afternoon about the remarkable development of Desjardins over its 117-year history as well as the challenges he foresees in the next few years.

As in other jurisdictions, Québec has had to take measures regarding institutions that are “too big to fail.” Which is why, here in Québec, we also refer to such familiar tools as “recovery and resolution plans”, with respect to Desjardins Group.

----- *Collaboration avec l’IADI*

Nous avons donc suivi avec beaucoup d’intérêt le développement des standards internationaux en matière d’assurance-dépôts, notamment grâce à notre implication au sein de l’IADI.

Mais étant donné que la plupart des principes internationaux sont développés plus spécifiquement pour répondre aux enjeux posés par le modèle d'affaires des banques traditionnelles, nous avons dû effectuer certaines adaptations pour les rendre applicables au groupe coopératif financier d'importance systémique, qu'est le Mouvement Desjardins.

Notre implication au sein de l'IADI a également permis de jeter les bases d'une meilleure compréhension internationale de la problématique de l'adaptation des outils de résolution bancaire aux coopératives financières, dans le cadre notamment d'un comité de travail piloté par notre collègue Julien Reid – qui, soit dit en passant, célèbre lui aussi son 50^e anniversaire cette année!

Ce comité de travail a produit un premier document de recherche qui apporte un éclairage inédit sur ces enjeux. Ce document est le fruit d'un travail concerté qui s'appuie sur un important sondage mené auprès de quelque 130 assureurs-dépôts et autorités de résolution, et de 16 études de cas. Ce document de recherche, je l'espère, se conclura par une approbation aux fins de consultation publique, demain lors de l'assemblée générale.

Mon collègue Patrick Déry, surintendant de l'encadrement de la solvabilité à l'Autorité, qui a été élu en novembre 2016 au conseil de direction de l'IADI - l'EXCO-, vous parlera plus en détail tout à l'heure des travaux en cours concernant les groupes financiers coopératifs.

Cela dit, il est intéressant de souligner que notre présence au sein de l'IADI permet à l'Autorité de mettre à contribution une expertise acquise au niveau local, et de la hisser à un niveau international, afin de prendre part activement aux discussions sur les meilleures pratiques à mettre en place, pour les institutions financières coopératives.

----- *Conclusion*

As we turn the page on the first 50 years, it is safe to say that Québec's deposit insurance plan has successfully accomplished its mission, and ensured consumer protection. Institutions that have failed have been supported in an orderly manner, and without any significant loss of public confidence, in our financial system.

Does that prepare us for any eventuality? If we were to experience another "perfect storm" or a crisis like the one seen in 2007-2008, would we be able to stand the test? Would we come through it as effectively? Let's not take things for granted. Let's remember that. Humility is second only to paranoia, as the most important qualification for our job ...

It is our duty to strive for preparedness on an ongoing basis. Given the ever faster pace of market changes, we cannot rest on our laurels.

It is our duty to be agile, show openness, collaborate effectively, and work together with the other regulators and agencies, that make up the financial safety net.

Our 50 years of experience are a testimony to the importance of understanding and adapting to the issues facing us, at different times, and in various contexts. This is what we will do once again here in Québec, in connection with the major bill that was tabled last week by the Minister of Finance, to modernize the framework governing the financial sector.

Openness, dialogue and the pooling of our knowledge and skills are what give meaning to an event like this 16th Annual General Meeting and Annual Conference of IADI.

On behalf of the entire team at the AMF, and from me personally, I once again thank you for your presence here with us over these two days of fruitful meetings, and discussions.

Profitez bien de votre séjour ici à Québec et de cette hospitalité extraordinaire qui caractérise notre belle province! ! Enjoy your stay!

Merci beaucoup, thank you very much.