

# Focus: Understanding the Canadian Banking System



## Focus Sheet

### FAST FACTS

- Banks in Canada are recognized worldwide for their strength and resiliency, prudent lending practices, large and diverse deposit bases and diligent government oversight.
- More than 99% of working age Canadians have an account at a financial institution, surpassing the 91% rate in the United States.
- The International Monetary Fund estimates that 97 per cent of deposit accounts of individuals in Canada are covered by CDIC deposit insurance.

### The Bottom Line

The Canadian banking system is well-managed and well-regulated. And banks operating in Canada are well-capitalized and ranked among the world's most stable. Canadians have confidence in their banking institutions and benefit from one of the most accessible banking systems in the world.

The Canadian banking system is well-known for its strength and stability and the sector is an essential contributor to the country's economic growth and well-being. Canadians rely on sound, stable banks to help them purchase a home, save for retirement, support the growth of small businesses, and drive the economy, which generates economic benefits to all Canadians.

Banks in Canada are recognized worldwide for their strength and resiliency, prudent lending practices, large and diverse deposit bases and diligent government oversight. Recent surveys<sup>1</sup> by the Bank of Canada and the International Monetary Fund acknowledge the strong capitalization levels of Canada's banks and the high degree

of confidence of market participants in our country's financial system.

The Canadian model of banking includes a national banking system where several large domestic retail banks actively compete with each other, with small and medium-sized domestic banks and with foreign banks operating in Canada. Banks in Canada are federally regulated under the Bank Act and Canada has a robust deposit insurance protection system in place and has for more than 50 years.

## **Canada's system is a model of stability and resiliency**

Even during several challenging periods, Canada's banking system remained resilient. During the 2007-08 Global Financial Crisis, there was significant turmoil in the global financial system and a number of banks in other countries became insolvent and either failed or received taxpayer-funded bailouts. No Canadian bank was in danger of failing or needed a government bailout.

During the pandemic, Canada's banks played a critical role in supporting the Canadian economy by ensuring lending continued to flow, and worked in lockstep with government to stand up essential relief programs to strengthen the financial well-being of Canadians. Our country's banks again demonstrated their resiliency amid a significant external shock.

While banks in Canada are unlikely to fail, Canadian banks have developed recovery and resolution plans that would help the bank recover from financial distress or bring about an orderly resolution in the event of their failure.

## Canadians benefit from a national system of banking

Canada has a national system of banking where many retail banks have a vast network of branches across the country. This national system means that consumers have access to similar products at the same price regardless of where they live.



Canadians have access to a national network of 5,711 branches, 18,782 bank-owned ABMs, debit and Tap & Pay payment services at more than 500,000 retailers in Canada as well as online, mobile app and phone banking.

When it comes to having access to affordable financial products and services, Canada leads G7 countries in financial inclusion. More than 99% of working age Canadians have an account at a financial institution, surpassing the 91% rate in the United States. Canada also outshines its peers when it comes to credit and debit card ownership, adoption of digital payment systems and availability of credit services.<sup>2</sup>

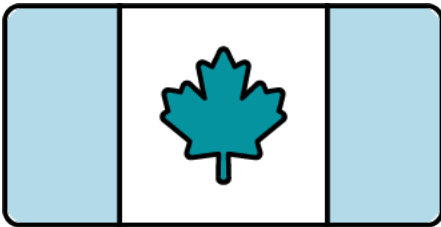
## Canadian bank deposits are secure

Canadians can rest assured that their bank deposits are safe. Deposits in Canadian dollar and foreign currency savings and chequing accounts as well as term deposits, tax-free savings accounts, first home savings accounts and more (up to \$100,000 per type of account per bank) are protected provided the institution is a member of the Canada Deposit Insurance Corporation (CDIC). All Canadian banks that take retail deposits are [CDIC members](#).

CDIC's insurance provides for coverage in a total of [nine separate deposit categories](#) at each member institution.

Canadian depositors are well-protected – in fact, the International Monetary Fund estimates that 97 per cent of deposit accounts of individuals in Canada are covered by CDIC deposit insurance.<sup>3</sup>

CDIC regularly reviews the deposit insurance framework to ensure it continues to provide adequate protection for Canadian depositors. These periodic reviews build on the constructive changes made in previous deposit insurance reviews that have resulted in enhanced insurance protection for Canadians.



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## **The Canadian banking sector is highly competitive, benefiting consumers and the economy**

Consumers benefit from the high degree of competition and choice in the Canadian financial services marketplace. In addition to the more than 30 domestic banks operating in Canada, there are 15 foreign bank subsidiaries and an additional 32 foreign bank branches operating in the country. They compete head on with domestic banks in different business lines and regions. Of the more than 80 domestic and foreign banks operating in Canada, more than 40 offer financial products and services to retail customers, including bank accounts, credit cards, loans, and investments.

In addition, banks compete not only with each other, but also with a variety of other financial service providers in the market, including trust companies, life insurance companies, finance companies, more than 200 federal and provincial credit unions and caisses populaires, federal and provincial financial agencies and financial technology companies.

The banking sector accounts for almost four per cent of Canadian GDP and has authorized \$1.7 trillion in credit to businesses of all sizes. Banks delivered more than \$22 billion in dividend payments to millions of Canadians in 2022, either directly as shareholders or indirectly through pensions and investment funds, including Registered Retirement Savings Plans and Tax-Free Savings Accounts. And the industry is a leading job creator, employing almost 300,000 Canadians who serve millions of customers across the country.

## Further reading

Canadian Deposit Insurance Corporation website:

<https://www.cdic.ca>

Global Banking Regulation and Banks in Canada:

<https://cba.ca/global-banking-regulations-and-banks-in-canada>

Competition in the Financial Services Sector:

<https://cba.ca/competition-in-the-financial-services-sector>

- 1 Source 1: Bank of Canada - Financial System Survey (Spring 2022), June 2022 and Source 2: International Monetary Fund - 2022 Article IV Consultation (Staff Report), December 2022.
- 2 World Bank, The Global Findex Database 2021 <https://www.worldbank.org/en/publication/globalfindex/Data#sec1>
- 3 International Monetary Fund Country Report, Canada, Financial Sector Assessment Program, Technical Note, Bank Resolution and Crisis Management, p. 48 [https://www.imf.org/-/media/Files/Publications/CR/2020/English/1CAN\\_EA2020008.ashx](https://www.imf.org/-/media/Files/Publications/CR/2020/English/1CAN_EA2020008.ashx)

The Canadian Bankers Association is the voice of more than 60 domestic and foreign banks that help drive Canada's economic growth and prosperity. The CBA advocates for public policies that contribute to a sound, thriving banking system to ensure Canadians can succeed in their financial goals.

Canadian Bankers Association **[www.cba.ca](http://www.cba.ca)**

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