



CDIC

Canada Deposit
Insurance Corporation

CANADA DEPOSIT INSURANCE CORPORATION

Deposit Insurance Information By-law

Consultation Paper

September 12, 2016

INTRODUCTION

Fostering awareness about deposit insurance helps to ensure that depositors have the information they need to make informed financial decisions. It also enhances confidence in the deposit insurance coverage system, thereby contributing to financial stability by mitigating the risk of bank runs. Awareness is achieved by depositors receiving clear and simple information at the right time, and in a convenient manner. Canada Deposit Insurance Corporation (CDIC) takes a two pronged approach to depositor awareness. Firstly, undertaking its own public awareness efforts by running annual public awareness campaigns,¹ and secondly, by requiring its member institutions to provide accurate information to depositors at the appropriate time. It is important that CDIC's public awareness initiatives continue to inform Canadians about CDIC and the deposit insurance system. It is equally important that members provide clear, simple and not misleading information about deposit protection to their clients.

The *Canada Deposit Insurance Corporation Information By-law* (the By-law) governs what CDIC member institutions can say about their CDIC membership status, and about the federal deposit insurance protection provided by CDIC. The authority for the By-law is in Section 11(2)(f) of the *CDIC Act*.

The key elements of the current By-law include:

Awareness of CDIC membership status. To make depositors aware of who is a CDIC member, the By-law requires members to display a CDIC membership sign, and dictates how members can make references to their membership status in advertisements.

Providing information about deposit insurance. To inform depositors about CDIC's deposit insurance protection, the By-law requires members to prominently display the CDIC brochure at each "place of business" and "point of service" (and to provide it on request), and to display it on their websites.

Accuracy in representations about deposit insurance and membership. To help ensure that depositors receive accurate information about CDIC membership and coverage, the By-law provides that no person shall make false, misleading or deceptive representations about what is/is not a deposit, what is/is not an insured deposit, or who is a CDIC member.

Negative stamping. To make depositors aware of what deposit products are not eligible for CDIC coverage, members must include warning statements on ineligible deposit products. In addition, advertisements for mutual funds (which are not deposits) must include a prescribed warning statement.

The full text of the current By-law is available at <http://laws.justice.gc.ca/eng/regulations/SOR-96-542/index.html>.

¹ CDIC has run annual public awareness campaigns since 1999.

REVIEW

CDIC undertakes comprehensive reviews of its by-laws from time to time to ensure they remain up-to-date and relevant, and continue to support the achievement of CDIC's objects. The last comprehensive review of this By-law was completed in 2006.

The past decade has seen significant advancements in communication tools, resulting in expanded use of electronic channels to communicate and transact with depositors. As a result, amendments to the By-law are necessary to ensure depositors continue to be appropriately informed about deposit insurance protection at the appropriate time. Proposed amendments address the increasing importance of electronic banking as a primary means to transact with depositors, while recognizing the continued importance of member institutions' branch networks and of deposit brokers. The proposed amendments also respond to the need for depositors to receive clear, simple and not misleading information.

This consultation paper sets out proposed By-law amendments that reflect CDIC's experience applying and administering the By-law, current domestic and international financial information disclosure rules, and initial feedback from an industry consultation group² and CDIC's safety-net partners.³

Comments are requested from member institutions, their associations, regulators, the general public, and other interested parties. Please send your written comments by Friday October 28, 2016 to:

Joanne Lucas
Manager, Insurance
Canada Deposit Insurance Corporation
By mail to: 50 O'Connor Street, 17th floor
Ottawa, Ontario K1P 6L2
By email to: jlucas@cdic.ca with a copy to members@cdic.ca

Information received throughout this submission process is subject to the *Access to Information Act* and the *Privacy Act*. Should you express an intention that your submission, or any portions thereof, be considered confidential, CDIC will make all reasonable efforts to protect this information.

ENVIRONMENTAL CONSIDERATIONS

CDIC assessed a number of environmental considerations that may impact how member institutions provide information about membership status, deposits and deposit insurance to their clients. These include:

Depositor expectations. CDIC's surveys confirm that depositors want to receive information on deposit insurance at the time they undertake a financial transaction, regardless of the

² Consisting of CDIC member institutions, the Canadian Bankers Association, the Small Bank Forum and the Trust Companies Association.

³ Bank of Canada, the federal Department of Finance, the Financial Consumer Agency of Canada, and the Office of the Superintendent of Financial Institutions.

distribution channel. The surveys also indicate that most depositors want to receive key information (e.g. what products are eligible, coverage limit) from their financial institution, and that it is most effective when information is provided in clear and simple language. Member institutions therefore have an important role to play in providing depositors with information about CDIC's deposit insurance protection.

Distribution channels. In July 2016, the Canadian Bankers Association reported that the Internet is the main means of banking for 55% of Canadians, that 31% of Canadians used mobile banking in the last year, and that ATMs are still popular, with 182 million deposits made via ATMs in 2015. While the CBA reported that in-branch banking is declining as a primary banking method, it also found that branches remain important as they offer a variety of products, services and advice.⁴

Financial advisors and deposit brokers are also important channels through which depositors access members' deposit products. CDIC research shows that these third parties are an influential source of information about deposit insurance. Close to 40% of respondents who sought out information about deposit insurance got that information from their financial advisor. More than half of those respondents indicated the advisor was the most influential source of information on deposit insurance that they used.

To continue to be effective, the By-law needs to reflect these trends to ensure information is available to depositors regardless of how and where they conduct their banking.

International financial information disclosure regulations. One of the International Association of Deposit Insurers' Core Principles for Effective Deposit Insurance Systems is for member institutions to be required to provide information about deposit insurance. A number of deposit insurers have been improving the information available to depositors. For example, effective July 2015, members of the European Union's deposit guarantee schemes must provide consumers with an "information sheet" containing standardized, prescribed information at account opening and annually thereafter. Other deposit insurers are focusing on displays at electronic distribution channels such as requiring information to be available on ATMs and other electronic banking platforms.

REVIEW THEMES

The proposed changes to the By-law can be grouped into two key themes:

Key review theme #1. Enhanced clear, simple and not misleading information to depositors. Proposals under this theme include requiring members to provide depositors with the CDIC brochure (as opposed to simply making it available) prior to entering into a deposit agreement, and updates to the CDIC membership sign. CDIC is also soliciting feedback in relation to proposals in regards to the use of trade names by members, and negative and positive representations about deposit product eligibility.

Key review theme #2. Ensuring all depositors receive useful information on deposit insurance at the appropriate time, prominently displayed across all distribution channels.

⁴ <http://www.cba.ca/technology-and-banking>

Proposals under this theme include: (i) updates to make the By-law technology neutral; and (ii) updates to the display requirements for the CDIC membership sign and brochure to ensure appropriate information is provided to depositors, irrespective of the distribution channel. CDIC is also soliciting feedback on proposals in relation to how member institutions can better ensure their clients are appropriately informed about CDIC deposit insurance protection, when seeking out members' eligible deposit products through financial advisors or deposit brokers.

In developing the proposals, we have focused on the anticipated benefits to depositors and member institutions, and taken into account the ease with which member institutions can implement the changes.

After receipt and consideration of comments, further consultation will be undertaken through the pre-publication in the Canada Gazette of an amending by-law. It is anticipated that CDIC's Board of Directors will make the amending by-law in June 2017, followed by a 6 month transition period from such date prior to the amendments becoming effective.

PROPOSED AMENDMENTS

KEY THEME #1: ENHANCED CLEAR, SIMPLE AND NOT MISLEADING DISCLOSURE TO DEPOSITORS

1. REPRESENTATIONS CONCERNING DEPOSITS: IMPROVING THE INFORMATION DEPOSITORS RECEIVE ABOUT CDIC MEMBERSHIP AND DEPOSIT INSURANCE COVERAGE (SECTIONS 5(2) AND 7)

PROPOSAL SUMMARY

- To contribute to depositor awareness and retention of the key points about deposit insurance, enhance the CDIC membership sign by including reference to the CDIC website address.
- To help ensure depositors receive the information they need prior to making financial decisions, require members to provide a copy of the CDIC brochure to depositors prior to entering into a new deposit product agreement.

BACKGROUND

The current By-law includes requirements regarding what information members must provide to their clients about CDIC deposit insurance protection. To help ensure depositors receive information about who is a CDIC member, members must display a CDIC membership sign at branches and on websites. To inform depositors about CDIC deposit insurance protection, members must prominently display a CDIC brochure in branches and on websites. The brochure is designed to assist Canadians in making informed financial decisions, and to contribute to depositor awareness. A copy of the current brochure is available at www.cdic.ca/en/financial-community/Documents/CDIC-ProtectingYourDeposits.pdf.

COMMENTS

- The display by members of the CDIC membership sign provides value by readily notifying depositors that their institution is a member of CDIC. As there are many deposit-taking institutions in Canada, not all of which are CDIC members, the CDIC sign is an easy and effective way to build membership recognition.
- CDIC's research shows that depositors want to receive information about CDIC deposit insurance protection from their financial institution at the time they are making financial decisions. It also indicates that depositors who are aware of the role of deposit insurance are less likely to withdraw deposits in the event of a financial crisis, or problems at their financial institution.
- CDIC's research indicates that despite a widespread belief in the availability of deposit protection, only 41% of respondents had heard of deposit insurance, and only 37% knew CDIC's coverage limit is \$100,000.
- Consumer research also shows that depositors' ability to retain information decreases as the length and complexity of information increases. Our member institutions have told us that the CDIC brochure is a very useful tool for member staff to explain deposit insurance

protection to their clients with more detailed questions. Consumer research shows that highlighting only the key points about CDIC deposit insurance protection in a clear, simple and concise manner is likely more effective for depositors.

PROPOSALS

Enhancing the content of the CDIC membership sign. Expand the content of the CDIC membership sign by including reference to the CDIC website.

Require members to provide the CDIC brochure to depositors. Require members to provide depositors with the CDIC brochure (as opposed to simply making it available) prior to entering into a new deposit agreement (e.g. a new personal deposit account agreement, or a new GIC purchase agreement). We also intend to make changes to the format and content of the CDIC brochure, to ensure the information is clear, simple and concise.

CDIC proposes to amend the By-law’s content requirements about what depositors must be told about CDIC membership status and deposit insurance coverage as follows:

Current requirements	Proposed amendments
<p><u>Sign content (Section 5(2)).</u> Must represent a stylized Canadian flag containing CDIC name, contact info and names of members doing business where sign appears.</p>	<p>Amend to provide additional design flexibilities to aid in CDIC membership recognition.</p> <p>Both the physical sign (by way of additional text) and the electronic version (by way of a “pop-up”) would need to be prominently displayed, and contain a statement such as the following:</p> <p>“The Canada Deposit Insurance Corporation protects eligible deposits at this institution. For more information visit cdic.ca .”</p> <p>CDIC proposes to make the electronic CDIC membership sign available to members (in different sizes and formats).</p> <p>CDIC proposes to provide members with a physical card containing the additional text for display at teller windows.</p>
<p><u>Provision of the CDIC brochure prior to entering into a new deposit agreement (Section 7).</u> Members must make copies of the CDIC brochure <u>available</u> at places of business and points of service, and must display it on websites.</p>	<p>Require members to provide prospective depositors with the CDIC brochure prior to entering into a new deposit agreement.</p> <p>CDIC proposes to amend the existing brochure format and content to ensure information is clear and simple.</p> <p>See Proposal 7 regarding displays of the CDIC brochure.</p>

CDIC is seeking your feedback on the above noted proposals. Additionally, we are seeking your feedback on:

- (a) The content of the proposed text to be included in the CDIC membership sign.
- (b) The electronic format(s) in which the electronic CDIC membership sign should be available.

2. TRADE NAMES (SECTION 2)

BACKGROUND

The current By-law does not contain any specific requirements as to what members must tell their clients about how deposit insurance protection applies to a trade name used by a member. The use of trade names by members has resulted in depositor confusion about CDIC membership, and the application of deposit insurance protection when dealing with a trade name. A trade name is simply a separate business name for a member institution to operate under. A trade name is not a separate CDIC member institution.

Where a member institution uses a trade name or trade names, the \$100,000 coverage limit is applied to aggregate eligible deposits held by the member and any of its associated trade names. There is no separate deposit insurance coverage offered based on a member's use of a trade name.

COMMENTS

- It is important for depositors to be aware of how the \$100,000 coverage limit applies to deposits held with the CDIC member institution using a trade name. Depositors have indicated that the use of trade names by CDIC members causes confusion about which entity is a CDIC member, and in determining coverage limits.
- Improved sharing of information about trade names would assist in raising depositor awareness and would contribute to a better understanding of how CDIC's coverage limit applies.

PROPOSAL

CDIC proposes to maintain a list of members and their related trade names on CDIC's website, and to require members to prominently display trade names (used for deposit taking purposes) on members' own electronic banking channels.

CDIC also proposes to update the CDIC brochure content to make depositors aware that there is no separate insurance coverage offered based on a member's use of a trade name, and to include the CDIC website address where member trade names are posted.

As a result, CDIC proposes a By-law amendment to require members to promptly report trade names to CDIC (and for CDIC to make such information available publicly), and to require members to prominently display on their electronic banking channels, a list of each trade name they use for deposit-taking activities.

CDIC is seeking your feedback on the above noted proposal. Additionally, we are seeking your feedback on:

- (a) Would the Regulatory Reporting System be an efficient way to facilitate such filings?
- (b) What trade names should be reported, e.g. only those used for deposit-taking activities?

3. NEGATIVE REPRESENTATIONS CONCERNING DEPOSITS (SECTIONS 9, 9.1 AND 9.2)

BACKGROUND

It is important that members make their clients aware when a deposit product is not eligible for CDIC deposit insurance protection. As a result, the current By-law requires member institutions to include a warning statement on “instruments” (e.g. deposit product agreements) for products that are not eligible for CDIC coverage. Members may choose whether to include the negative stamp on “documents” for ineligible deposit products (e.g. marketing materials).

Where an instrument references both eligible and ineligible deposits, the By-law specifies where the negative stamp must appear. Finally, because historically there has been depositor confusion about the eligibility of mutual funds for CDIC deposit insurance protection, the By-law requires that members’ advertisements about money market mutual funds (which are not deposits) include a prescribed warning statement indicating they are not eligible for CDIC coverage.

COMMENTS

- Research continues to indicate that a significant number of Canadians mistakenly think that mutual funds are eligible for CDIC deposit insurance protection.
- To help depositors make informed financial decisions, it is important that depositors receive clear, simple and not misleading information about the absence of CDIC coverage prior to entering into a deposit product agreement. For that reason, it would be beneficial for documents (e.g. marketing materials) for ineligible deposit products to display the same negative stamp as is required for instruments (e.g. deposit product agreements).

PROPOSAL

CDIC proposes to amend the By-law’s requirements about instruments (e.g. deposit account agreements) and documents (e.g. marketing and other materials) for ineligible deposit products, and for mutual funds (which are not deposit products) that must be negative stamped as follows:

Current requirements	Proposed amendments
<p><u>Negative stamping of instruments for ineligible products (Sections 9(1) and 9(2)).</u> The face instruments for ineligible deposit products, and for instruments that contain both eligible and ineligible deposit products, must be negative stamped with one of the prescribed warning statements.</p>	<p>Require the warning statement to be <u>prominently</u> displayed, on instruments for products that are not eligible for CDIC coverage.</p>
<p><u>Negative stamping requirements for electronic transactions (Section 9(3))</u></p>	<p>Update to reflect the proposed definition of “electronic banking” (Proposal 5).</p>
<p><u>Negative stamping of documents for ineligible products (Section 9.1).</u> Members may, but are not required to,</p>	<p>Make the negative stamping of advertisements for ineligible products mandatory, by prominently displaying one of the warning statements set out in Section 9(1) or 9(2).</p>

Current requirements	Proposed amendments
negative stamp documents for ineligible deposit products with one of the warning statements set out in Section 9(1) or 9(2).	
<u>Negative stamping of instruments for mutual funds (Section 9.2).</u> None.	Expand the current requirement to negative stamp advertisements for mutual funds, to also require that instruments for mutual funds prominently display the warning statement in 9.2.

CDIC is seeking your feedback on the above noted proposals. Additionally, we are seeking your feedback on:

- (a) How can members most efficiently implement the negative stamping requirements?
- (b) In addition to mutual funds, are there any other non-deposit products that should be subject to negative stamping requirements to increase awareness that they are not eligible for coverage? For example, are there other investment products that should be negative stamped?
- (c) Is the distinction between “instruments” (e.g. deposit account agreements) and “documents” (e.g. marketing and other materials) in the By-law sufficiently clear?

4. POSITIVE REPRESENTATIONS CONCERNING DEPOSITS

BACKGROUND

To help ensure depositors understand what is protected by CDIC, the current By-law requires CDIC to supply members with the CDIC brochure, which contains information about CDIC and deposit insurance coverage. Members may make representations about anything contained in the CDIC brochure. This helps members to provide their clients with information about CDIC, coverage limits, and eligible deposit insurance categories.

From 1996 to 2006, the By-law required members to display both the CDIC brochure, and a Deposit Register listing the names of its eligible deposit products. The Deposit Register requirement was intended to raise depositor awareness about whether their specific deposit products were eligible for CDIC coverage. Before a product could be listed on a Deposit Register, the member had to submit the product terms and conditions to CDIC so that CDIC could assess their eligibility for CDIC coverage. This was known as mandatory clearance.

As part of the 2006 comprehensive review of the By-law, depositors told us that the Deposit Register was not a useful tool for enhancing depositor awareness about CDIC coverage. For example, depositors were not able to recognize their deposit accounts within the Deposit Register. As a result, the By-law was amended in 2006 to eliminate the Deposit Register, and the associated mandatory clearance process. Members are still required to display the CDIC brochure.

From 2006 to date, members have been required to submit an annual Deposit Product List to CDIC. This document lists each deposit product the member has determined is eligible for CDIC coverage. The current By-law does not prescribe a form or detailed content requirements for the Deposit Product List, the list does not provide enough information for CDIC to verify the accuracy of a member's determination that a product is eligible for CDIC coverage, and there is no requirement for members to provide the Deposit Product List to their clients.

COMMENTS

- Depositors have told CDIC that in addition to the coverage limit, the most important information about deposit insurance is what products are eligible for coverage. While the current By-law requires members to advise their clients when a product is not eligible for coverage, it does not require them to advise clients a product is eligible for CDIC coverage.
- Some members currently tell their clients that specific deposit products are eligible for CDIC deposit insurance (i.e. positive stamping), in things such as deposit product agreements, and in Deposit Product Lists posted on member websites. However, there is a lack of consistency in the wording used for such positive stamping, and in where it appears.
- Some jurisdictions require members to indicate clearly and simply when a deposit product is eligible for deposit protection. There are potential challenges associated with this approach, including the potential for ineligible products to be misrepresented as eligible for deposit insurance, and for depositors to misinterpret that a product is “insured”, as opposed to “eligible” for insurance.
- While CDIC research shows the Deposit Product List does not help depositors determine whether their product is eligible for CDIC coverage, it is useful to CDIC in respect of CDIC's payout functions, as it provides CDIC with a reasonably current list of products a member has assessed as eligible for coverage.

PROPOSAL FOR THE DEPOSIT PRODUCT LIST

CDIC proposes to include the requirement to prepare and maintain a Deposit Product List in the *Data and System Requirements By-law*. CDIC also proposes to eliminate the requirement for it to be provided annually, in favour of it being provided promptly at CDIC's request. These amendments are intended to harmonize the Deposit Product List requirement with existing DSRB requirements, and to create operational efficiencies for member institutions by eliminating similar or duplicative processes.

CDIC is seeking your feedback on this proposal.

FEEDBACK ON POSITIVE STAMPING APPROACHES

Depositors have told us that they want to receive information about the eligibility of specific deposit products for CDIC coverage. As a result, CDIC intends to take steps to ensure depositors receive clear, simple and not misleading information about the eligibility of specific deposit products offered by member institutions.

Proposals 6 and 7 would require members to prominently display general information about the availability of CDIC coverage (i.e. the CDIC sign and brochure) in locations including a depositor's online account page (following log-in).

In addition to those proposals, CDIC is considering other options that would require members to advise their clients that a specific deposit product is eligible for CDIC coverage. This could include options such as:

- requiring that instruments (e.g. account agreements) and documents (e.g. marketing materials) prominently display a prescribed notice that a deposit is eligible for CDIC coverage, and
- requiring eligible products to be listed on a depositor's online account page/paper account statement to be clearly identified as eligible using a prescribed notice.

Concerns in relation to mandating positive stamping of eligible products include the risk of members making inaccurate representations in the absence of a mandatory clearance process, and the associated risks to depositors, CDIC and its members.

CDIC is seeking your feedback on the above noted proposals. Additionally, we are seeking your feedback on:

- (a) Would requiring members to advise their clients when a deposit is eligible for CDIC coverage necessitate a return to mandatory clearance to mitigate the risk of inaccurate representations?
- (b) Alternatively, are there other systems/processes that could be implemented to appropriately mitigate the risk of inaccurate eligibility representations being made by members?

KEY THEME #2: ENSURING ALL DEPOSITORS RECEIVE THE SAME INFORMATION ABOUT DEPOSIT INSURANCE AT THE APPROPRIATE TIME, REGARDLESS OF THE DISTRIBUTION CHANNEL

5. INTERPRETATION: UPDATING OF DEFINITIONS (BY-LAW SECTIONS 1, 5, 7 AND 9)

PROPOSAL SUMMARY

Amend the “place of business” definition to reflect that depositors transact in-branch (and in branch-like locations) without a member representative being able to assist.

Replace the “point of service” definition with one that would capture deposit transactions conducted through electronic, interactive communication channels.

Amend the By-law to clarify that where CDIC information (e.g. brochure, membership sign, negative/positive stamp) must be “prominently” displayed, it must be prominently displayed in a location and in a manner that is likely to attract a depositor’s attention.

BACKGROUND

The By-law contains definitions of “place of business” and “point of service”. The purpose of the definitions is to help ensure that the CDIC membership sign and the CDIC brochure are displayed in a manner that results in depositors having access to timely information about deposit insurance protection where they conduct transactions.

- “Place of business” captures locations where traditional over-the-counter in-branch deposit-taking activities take place, and requires a representative of the member institution to be available to assist. The definition reflects the banking environment when the By-law was made in 1996.
- “Point of service” captures locations where one can, in person or by electronic means, commence a transaction to open an account or make a deposit but does not include a place of business. The By-law was amended in 1999 to reflect the impacts of website and telephone banking.
- The By-law requires the CDIC brochure and CDIC membership sign to be “prominently” displayed in various locations. The purpose of this requirement is to help ensure the displays are seen by depositors, and therefore contribute to depositor awareness about CDIC membership, and deposit insurance protection.

COMMENTS

- CDIC’s research continues to indicate that depositors want to receive information about deposit insurance protection from their financial institutions.
- Research also indicates a continued migration away from traditional in-branch banking to electronic forms of banking (e.g. smart phones, mobile apps, SMS, websites, etc.). However, the CBA reports that a significant number of Canadians (13%) identify branch banking as their main banking method, indicating it remains an important part of banking in Canada.⁵

⁵ <http://www.cba.ca/technology-and-banking>

- The current reference to “with the assistance of a representative” in the definition of “place of business” does not reflect the current deposit-taking environment.
- Taking a technology neutral approach in the By-law allows for information to be available to depositors across all distribution channels, (as opposed to prescribing separate display requirements for websites, mobile apps, smart phones, ATMs, etc.). This approach will: (i) make it easier for members to provide information to depositors across distribution channels, (ii) reduce the risk of the By-law becoming outdated as soon as a new distribution channel emerges, and (iii) enable display requirements to be met in-branch or electronically.
- CDIC research indicates that displays of the CDIC membership sign and brochure, both at places of business and points of service are not always positioned in a manner that results in them attracting attention. For example, membership signs are often displayed at the very bottom of a branch’s entrance doors, as opposed to being put at eye level, similar to the branch’s hours of operation.

PROPOSALS

Amendments to “place of business”. CDIC proposes to amend the definition of “place of business” to reflect that depositors can transact in-branch without a member representative being available to assist, and to further clarify that this definition includes in-branch, and in-branch-like locations (e.g. kiosks, temporary locations).

Amendments to “point of service”. CDIC is proposing to amend the By-law to include a definition of “electronic banking” such as: “an automated method used by a member institution to carry on business through electronic, interactive communication channels” in order to capture deposit transactions conducted through electronic channels such as websites, ATMs (that accept deposits/permit withdrawals), mobile apps, smart phones, telephone, tablets, etc.

Clarification of the requirement for “prominent” displays. CDIC is proposing to amend the By-law to clarify what is intended by a “prominent” display, wherever the word “prominent” is used in the By-law (both currently, and reflecting Proposals 6 and 7). For example, in respect of the requirement to display the CDIC brochure, CDIC is considering wording such as “A member institution shall prominently display the brochure in a location and in a manner that is reasonably likely to bring the depositor’s attention to the brochure”.

CDIC is seeking your feedback on the above noted proposals. Additionally, we are seeking your feedback on:

- (a) Does the proposed change to “place of business” reflect the in-branch distribution channel?
- (b) Will the proposed replacement of “point of service” definition capture all electronic channels?
- (c) Do you have feedback on the proposed definition of electronic banking?

6. ADDITIONAL DISPLAYS OF THE CDIC MEMBERSHIP SIGN (BY-LAW SECTIONS 5 AND 7.1)

PROPOSAL SUMMARY

To make depositors aware of who is a CDIC member, in addition to the existing requirement to prominently display the CDIC membership sign on entrances to each place of business, require the CDIC membership sign to be prominently displayed at teller windows (electronically or using the physical membership sign) that accept eligible deposits. For electronic banking, require members to prominently display the CDIC membership sign on the homepage, on each page where representations are made about CDIC eligible deposits, on depositors' online banking pages (following log-in), and on ATM screens (for ATMs that accept deposits/permit withdrawals).

BACKGROUND

To ensure that depositors are made aware of who is a CDIC member, the current By-law sets out when and where the CDIC membership sign must be displayed, and the minimum sign content.

Past amendments include the addition of the “point of service” definition in 1999 that allowed members to optionally display the CDIC membership sign at those locations. The 2006 amendments prescribed specific website display requirements. Currently, the requirement to display a CDIC membership sign varies across distribution channels. At a place of business, it must be prominently displayed at each entrance and be clearly visible during business hours. At a point of service, a member may display the CDIC membership sign. On a website, it must be displayed on (a) the homepage, (b) where representations about CDIC protection are made, or (c) on a page with a link to (a) or (b).

COMMENTS

- Display requirements should be technology neutral and should also be effective across various distribution channels.
- To be effective, electronic display requirements should result in CDIC information being readily visible to depositors. Currently, the effectiveness of electronic displays is limited by the way the CDIC membership sign is displayed (e.g. small, bottom of page), its placement within member websites being difficult to find, or it not being posted on products and services pages (where many depositors seek information) or on pages used to conduct deposit transactions.
- Internationally, steps have been taken to increase depositor awareness by improving the display of membership information where depositors conduct transactions. The European Union has expanded the locations where membership representations must be made, requiring signs to be displayed both in-branch (at entrances and teller windows), and electronically. The FDIC requires physical membership signs to be displayed at teller windows, while electronic displays are optional.

PROPOSALS

CDIC proposes to amend the display requirements for the CDIC membership sign as follows:

Current requirements	Proposed amendments
<p><u>Sign display at a place of business (Section 5(1))</u>. Must be prominently displayed at each entrance, and clearly visible during business hours. In shared premises, must not be displayed in manner giving impression that other person is a CDIC member.</p>	<p>Retain requirement for the sign to be prominently displayed at each entrance so it is clearly visible during business hours.</p> <p>Add requirements to display the sign at each teller window (either with a physical sign, or electronically).</p>
<p><u>Displays for all electronic banking channels.</u></p>	<p>Amend the By-law to require prominent display of the electronic CDIC membership sign on electronic banking channels (see Proposal 5 for proposed definition of “electronic banking”), at minimum on the members’:</p> <ul style="list-style-type: none"> a) homepage, b) each page where representations about CDIC-eligible deposit products are made, c) depositors’ online banking pages (following log-in), <u>and</u> d) ATM screens (for ATMs that accept deposits/permit withdrawals).

CDIC is seeking your feedback on the above noted proposals. Additionally, we are seeking your feedback on where else the CDIC membership sign should appear on electronic banking channels to best ensure it is seen by depositors?

7. MEMBERSHIP REPRESENTATIONS: DISPLAY OF THE CDIC BROCHURE (BY-LAW SECTIONS 7 AND 7.1)

PROPOSAL SUMMARY

- To increase depositor awareness of key points about deposit insurance coverage, require prominent display of the CDIC brochure on all electronic banking channels and at each place of business.
- To promote awareness about CDIC’s deposit insurance coverage, require members to provide information to their clients about membership status and deposit insurance coverage via social media or direct electronic communications with their clients.

BACKGROUND

To help ensure that depositors have information about CDIC deposit insurance coverage where they conduct their transactions, members must prominently display the CDIC brochure in-branch and at points of service. Since 2006, the By-law has required members to display the CDIC brochure on their websites on either the home page, where there are representations about CDIC-insured deposits, or on a page with a link to one of those two locations.

COMMENTS

- The impact of technology means it is vital for displays about deposit protection to be prominent on electronic banking channels, as the statistics evidence a continuing migration from traditional in-branch banking to electronic banking, and increasing reliance by depositors on websites for information. It is important that display requirements for the CDIC brochure on electronic banking channels meet the needs of depositors.
- The By-law’s current online brochure display requirements do not necessarily result in information being readily available to depositors due to its placement on a member’s website.

PROPOSALS

Display of CDIC brochure. Require members to prominently display the CDIC brochure in-branch and on electronic banking channels to help ensure depositors have access to the information they need to make informed financial decisions. These requirements would be in addition to those in Proposal 1.

Member awareness activities. Require members to provide information, from time to time, to depositors about their CDIC membership status, CDIC deposit insurance and a link to CDIC’s website via (a) social media broadcasts, and (b) messages to depositors on on-line banking accounts.

CDIC proposes to amend the display requirements for the CDIC brochure as follows:

Current requirements	Proposed amendments
<p><u>Brochure display at a place of business (Section 7).</u> Must be prominently displayed at each place of business and point of service, and make copies available.</p>	<p>Remove reference to “point of service”. Continue to require the CDIC brochure to be prominently displayed at each place of business.</p> <p>Add requirement for members to provide the CDIC brochure to depositors (as opposed to simply making it available) prior to entering into a new deposit product agreement (Proposal 1).</p>
<p><u>Brochure display on websites (Section 7.1).</u> Must be displayed on websites on: (a) homepage, (b) page where representations are made about CDIC-</p>	<p>Delete specific display requirements for websites in favour of requirements applicable to all electronic banking channels (see below).</p>

Current requirements	Proposed amendments
insured deposits, or (c) on a page that links to (a) or (b). If website shared with non-member, must not be displayed on home page.	
<p><u>Display of CDIC brochure on electronic banking channels.</u> Section 7.1 for brochure.</p>	<p>Amend By-law to require prominent display of the CDIC brochure on electronic banking channels (see Proposal 5 for proposed definition of “electronic banking”), at minimum on the members’:</p> <ul style="list-style-type: none"> a) homepage, b) each page where representations about CDIC-eligible deposit products are made, <u>and</u> c) depositors’ online banking pages (following log-in). <p>Where a member institution shares an electronic banking channel with a non-member, the CDIC brochure shall not be displayed on the home page.</p>
<p><u>Member awareness activities.</u></p>	<p>Require members, from time to time, provide information (provided by CDIC) to depositors about their CDIC membership status, CDIC deposit insurance and a link to CDIC’s website, for example, via: (a) social media broadcasts, or (b) messages to depositors on on-line banking accounts.</p>

CDIC is seeking your feedback on the above noted proposals. Additionally, CDIC is seeking your feedback on whether there are other places on electronic banking channels where the CDIC brochure should appear to best ensure it is readily available to depositors?

8. ENSURING DEPOSITORS WHO ACCESS MEMBER DEPOSIT PRODUCTS THROUGH THIRD PARTY ADVISORS RECEIVE THE SAME INFORMATION

PROPOSAL SUMMARY

- Ensure that depositors who access members’ deposit products from third parties receive the same information about CDIC membership and CDIC coverage as depositors who transact directly with members.

BACKGROUND

A significant number of depositors deal with financial advisors and place their money in CDIC member institutions by using a financial advisor. The current By-law does not extend to these third parties.

COMMENTS

- Canadians receive some information about CDIC deposit protection from third parties, such as financial advisors and deposit brokers. CDIC research shows significant variances in how these third parties provide information about CDIC members and their deposit products.
- CDIC research shows that financial advisors are an influential source of information about deposit insurance. Close to 40% of respondents who sought out information about deposit insurance got that information from a financial advisor. More than half of those respondents indicated the party advisor was the most influential source of information on deposit insurance that they used.
- Members who permit third parties to offer their deposit products need to take steps to verify those depositors receive correct, sufficient and complete information about CDIC membership and coverage.

PROPOSAL

Amend the By-law to provide that a member institution shall not permit a third party to offer the member institution's deposit products unless the third party formally agrees: (a) to not make false, misleading or deceptive statements about CDIC membership or coverage, (b) to provide depositors with a copy of the CDIC brochure prior to entering into a new deposit product agreement for a member's eligible deposit product, and (c) to include the By-law's required warning statements on members' ineligible deposit products, and on members' advertisements for mutual funds.

FEEDBACK

CDIC would appreciate receiving feedback on these proposals, including whether there is another way to ensure all member clients, whether they use a financial advisor or a deposit broker, receive correct, sufficient and complete information about CDIC membership and coverage?

CONCLUSION

CDIC is confident that the proposals put forward in this paper will help it to achieve its goal of fostering awareness about deposit insurance to ensure depositors have the information they need to make informed financial decisions. In doing so it will enhance the confidence in the deposit insurance coverage system, thereby contributing to financial stability. We look forward to your comments.