

Amendments to the *CDIC Act* and Co-owned and Trust Disclosure By-law (COTDB)

January 23, 2020

UPDATED as of May 19, 2020

The Government of Canada has advised CDIC that [changes](#) to deposit protection originally slated for April 30, 2021 are deferred by one year and **will now come into force on April 30, 2022**.

As a result, this document has been updated to replace previous references to April 30, 2021 with April 30, 2022. No other content changes have been made. Any reference to April 30, 2021 in any document issued by CDIC before May 19, 2020 is superseded by this update.

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How CDIC Protects Deposits Currently

Deposit insurance limit: \$100,000/DI category

INSURANCE CATEGORIES

One name (individual)	🔒 \$100,000
More than one name (joint deposits)	🔒 \$100,000
In trust for another person	🔒 \$100,000
Registered Retirement Savings Plans (RRSPs)	🔒 \$100,000
Registered Retirement Income Funds (RRIFs)	🔒 \$100,000
Tax Free Savings Accounts (TFSAs)	🔒 \$100,000
For paying realty taxes on mortgaged property	🔒 \$100,000

🔒
Total Covered
by CDIC



Coverage in each category applies to eligible deposits that include:

- Savings and chequing accounts
- Guaranteed Investment Certificates (GICs) and other term deposits of five years or less
- Money order, travelers' cheques and bank drafts issued by CDIC members and cheques certified by members

Summary of the Changes

The Government of Canada has amended the *Canada Deposit Insurance Corporation (CDIC) Act* to modernize and enhance Canada's deposit insurance framework. Changes will come into force in two phases – April 30, 2020 and April 30, 2022.

Changes to Deposit Protection	Effective date	
Expanded coverage of eligible deposits held in foreign currencies	April 30, 2020	Phase 1
Extended coverage of eligible deposits with terms greater than 5 years	April 30, 2020	
Elimination of coverage for travellers' cheques (travellers' cheques are no longer issued by CDIC member institutions)	April 30, 2020	
Separate coverage for up to \$100,000 in eligible deposits held under Registered Education Savings Plans (RESPs)	April 30, 2022	Phase 2
Separate coverage for up to \$100,000 in eligible deposits held under Registered Disability Savings Plans (RDSPs)	April 30, 2022	
Removal of separate coverage for deposits in mortgage tax accounts (these deposits will be combined with eligible deposits in other categories such as savings in one name)	April 30, 2022	
New requirements for deposits held in trusts, including nominee brokered deposits that enhance CDIC's ability to extend protection to these deposits and reimburse them quickly after a CDIC member failure.	April 30, 2022	

Changes in Requirements by Insurance Category

Deposits held in more than one name (co-owned)

Deposits held in one name

Deposits held in a registered retirement income fund (RRIF)

Deposits held in more than one name (co-owned)

Deposits held in a tax-free savings account (TFSA)

Deposits held in trust

Deposits held in a registered education savings plan (RESP)

Deposits held in a registered retirement savings plan (RRSP)

Deposits held in a registered disability savings plan (RDSP)

- New legislation 2022 and by-law use the word “co-owned” instead of “jointly held”
 - the intent is not to change the current level of coverage
- Coverage requirements include
 - ✓ an indication that the deposit is co-owned
 - ✓ name of each of the co-owners
- It is not mandatory for MIs to change their documentation to reflect new wording

Deposits held in Trust

Deposits held in one name

Deposits held in a registered retirement income fund (RRIF)

Deposits held in more than one name (co-owned)

Deposits held in a tax-free savings account (TFSA)

Deposits held in trust

Deposits held in a registered education savings plan (RESP)

Deposits held in a registered retirement savings plan (RRSP)

Deposits held in a registered disability savings plan (RDSP)

- Depositors of a trust deposit receive coverage up to **\$100,000 per beneficiary**, per MI
 - **however, certain information must be disclosed on the records of the MI**
- The trustee is considered the depositor; deposit insurance payments are made to the trustee and not to the underlying beneficiaries
- All of a beneficiary's deposits placed by the same trustee at a single MI would be aggregated to determine the amount of coverage

Deposits held in Trust

Deposits held in one name

Deposits held in a registered retirement income fund (RRIF)

Deposits held in more than one name (co-owned)

Deposits held in a tax-free savings account (TFSA)

Deposits held in trust

Deposits held in a registered education savings plan (RESP)

Deposits held in a registered retirement savings plan (RRSP)

Deposits held in a registered disability savings plan (RDSP)

- The legislation creates 3 types of trust deposits with different legal disclosure requirements:
 - 1 A nominee broker deposit
 - 2 A deposit held in an account identified as a professional trustee account
 - 3 A deposit made in trust by a trustee not identified as a professional trustee or a nominee broker
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- The rules for a professional trustee account only apply if the professional trustee requests that the account be identified as such

① Nominee Broker Deposits

Summary of New Requirements

- Amendments to contracts with nominee brokers
- New disclosure requirements for CDIC members
- Information to be transmitted by brokers
- Annual attestation made to CDIC by nominee brokers
- Timing of notification by CDIC members
- Contact information to be provided by the broker
- Summary of notification requirements for CDIC members

Amendments to Contracts with Nominee Brokers

- New contracts must be ready by April 30, 2022, prior to coming-into-force
- MIs must enter into a written contract with nominee brokers if none currently exists
- Contracts must include provisions requiring nominee brokers to:
 1. Provide CDIC within 3 days of request:
 - each beneficiary's alphanumeric code (Unique Client Identifier (UCI)), name and address
 - the type of special income arrangement (SIA), if any
 - each individual's alphanumeric code (UCI) and name when the deposit is held under a special income arrangement
 2. Provide CDIC with an attestation in accordance with the *Co-owned and Trust Deposit Disclosure By-law* (COTDB)
 3. To provide and update the nominee brokers' contact information in accordance with the COTDB

Information a CDIC Member must have on its records before failure

- ✓ An indication that the deposit is held in trust by a nominee broker
- ✓ The legal name and address of the nominee broker
- ✓ The Unique Client Identifier (UCI) of the beneficiary
- ✓ If there is more than one beneficiary:
 - the UCI of each beneficiary
 - the % or amount of each beneficiary's interest in the deposit
- ❖ **MI's must ensure that all this information is received when a nominee broker is making a deposit. Otherwise, MI's must inform the nominee broker of its non-compliance status ASAP and indicate which information is missing.**

Information to be Transmitted to MIs by Nominee Brokers

To qualify for separate coverage, brokers **must** disclose certain information at time of deposit

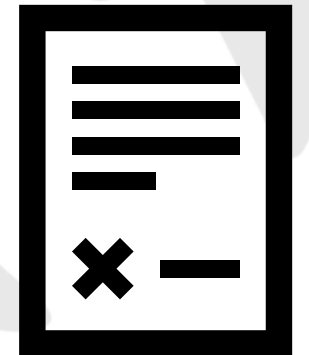
Legal name of the nominee broker	Amount of deposit	Beneficiary ID	% or amount of interest of each beneficiary in the deposit	SIA/Account type	Individual who benefits from the plan
<u>Legal</u> name of the nominee broker.	Amount at time of purchase, amount at time of re-registration or transfer.	Unique Client Identifier assigned by the nominee broker to its client in accordance with the COTDB and industry best practices developed by the Broker Deposit Advisory Group (BDAG).	% or amount allocated to each beneficiary of the trust deposit identified by a unique ID. Mandatory for deposits with multiple beneficiaries. However, for single beneficiary, it could say 100% or nothing.	For CDIC's purposes, relevant types include RRSP, RRIF, TFSA, RESP, RDSP or non-registered. In the legislation and the by-law, referred to as "special income arrangement".	To be provided only for deposits held under an RRSP, RRIF, TFSA, RESP or an RDSP.

Elements of Attestations for Nominee Brokers

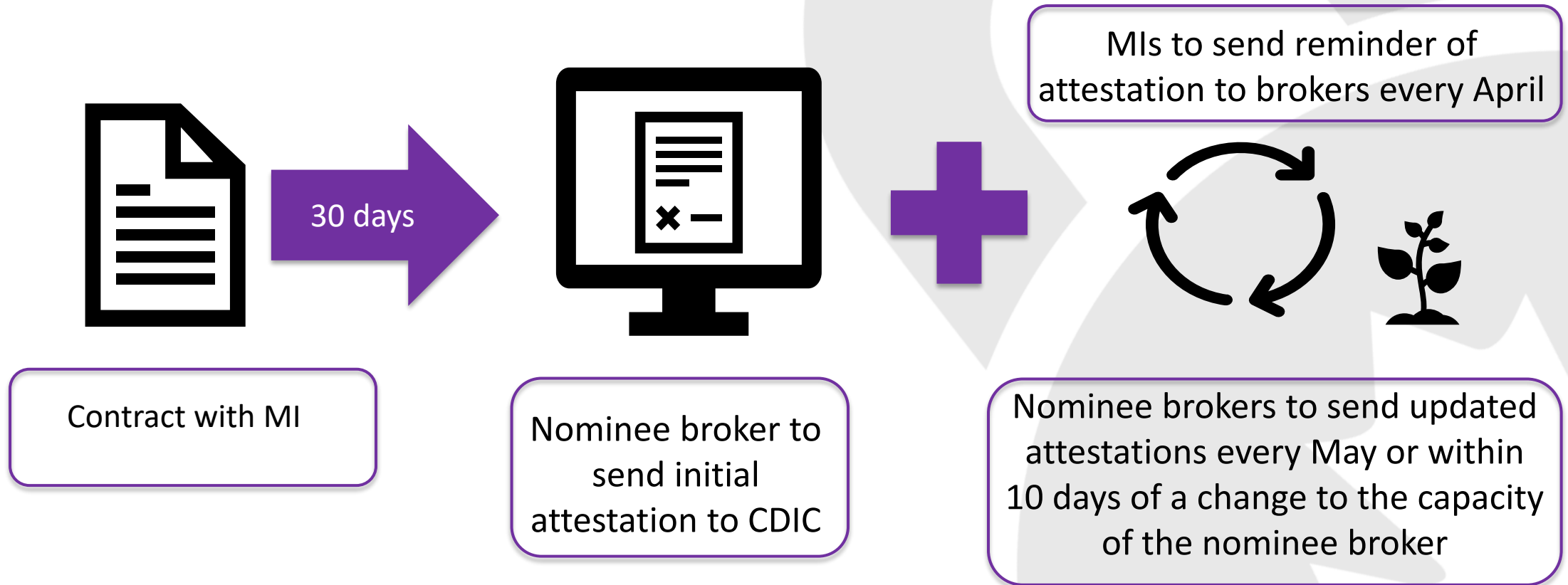
- ✓ A statement of capability (or not) to fulfill obligations with a description of policies and procedures

The obligations include:

- Assigning unique alphanumeric code to each beneficiary and individual benefitting from the plan
 - Sending the codes, name, address and the type of deposit to CDIC within three days of its request
- ✓ Actions and timeframe to become compliant if non-compliant
 - ✓ List of MIs with which the nominee broker has entered into an agreement and any changes since its last attestation
 - ✓ Signature and contact information of a senior officer



Timing for Attestations and Updates



Contact Information: Agreements and Attestations



Contact information of the nominee broker, if an individual, or of two senior officers if the nominee broker is a corporation, including:

Name
Mailing address
Email address
Telephone number



Senior officer is defined in the By-law as the chief executive officer or a member of the board of directors, or an individual who performs functions similar to those normally performed by someone occupying one of those positions or an officer who reports directly to one of those persons.

Note that if the senior officer is an officer who reports directly to a CEO or a member of the Board, CDIC expects the officer to possess sufficient independence from the business activity to be able to verify and confirm that sound governance and business practices are being followed.

Summary of Notification Requirements and Related Expectations

- MIs **must remind nominee brokers** to make an updated attestation to CDIC and to update their contact information at the MI every April.
- MIs **must notify CDIC** by email (members@cdic.ca) within 15 days after entering into or ending an agreement with a nominee broker.
- MIs must ensure that all the required information is received when a nominee broker is making a deposit. Otherwise, MIs **must inform the nominee broker** ASAP and indicate which information is missing.
- MIs to provide an annual list of nominee brokers with whom they have an agreement.
- MI to attest annually to CDIC, having:
 - Adequate policies and procedures to fulfill new requirements
 - Agreements with each broker that include the required provisions

② Trust Deposits Held in a Professional Trustee Account

Professional Trustee Accounts

- Professional trustees can request that their account at a MI be identified as a professional trustee account. Examples include public trustees, lawyers etc.
- Once identified as a professional trustee account, the beneficiary information does not have to be disclosed on the records of the MI
- However, the professional trustee must:
 - attest to being a professional trustee
 - provide their name and address and request that the MI identify the account as a professional trustee account
 - maintain a record that sets the name and address of each beneficiary and the amount or percentage of interest or right of each beneficiary
 - provide the beneficiary information to CDIC upon request
 - provide a written attestation every April and update contact information to MI
- In the event of a failure, CDIC would contact the professional trustee to request the beneficiary information to calculate the insured amount based on the number of beneficiary.

Information a CDIC Member must have on its records before failure

- ✓ An indication that the deposit is held in trust in a professional trustee account
- ✓ A copy of the written attestation stating they are a professional trustee
- ✓ The name and address of the professional trustee

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- ❖ This is a new requirement for which all MIs will have to build appropriate record-keeping/databases
 - ❖ Pay premiums on the entire amount of the deposit
 - ❖ Build a process for managing/notifying professional trustees of their obligations

Notification Requirement Process



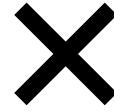
Each March, MIs must ask the depositor of a professional trustee account to make an attestation to:

- confirm that the depositor is still a professional trustee;
- update the contact information; and,
- confirm that the account should still be identified as a professional trustee account.



A Professional trustee must re-attest before end of April

- A professional trustee can decide to remove the designation at any point in time



MIs must remove the designation

- if the MI has not received the attestation and the confirmation that the account is a professional trustee account



When an MI is removing the designation, the MI must inform the depositor in the following manner:

- in writing
- within 5 days of the removal
- the notification must include the steps that the depositor must take to reinstate the designation



When the designation is removed, the trustee must follow the requirements for trusts not identified as professional trustee accounts or made by nominee brokers

- Trustee must provide the information

3

Trust Deposits Not Made by a Nominee Broker and Not in a Professional Trustee Account

Information a CDIC Member must have on its records before failure

- ✓ An indication that the deposit is held in trust
- ✓ The name and address of the trustee (i.e. the depositor)
 - If more than one trustee, only the address of one trustee is required
- ✓ The name and address of the beneficiary
- ✓ If there is more than one beneficiary:
 - the name and address of each beneficiary
 - the % or amount of each beneficiary's interest in the deposit

❖ **Ms are expected to ask for this information at account opening**

Please refer to DSR version 3.0 on how to report the information to CDIC

Notification Requirement

MI's must provide the depositor of a trust deposit with certain information in writing **at account opening** and **each March**:

- ✓ The fact that the trustee is responsible for providing the required beneficiary information to ensure beneficiaries receive full deposit protection

Example: To receive insurance coverage up to \$100K per beneficiary for a trust deposit, you must provide the name and address of the beneficiary and if there is more than one beneficiary, the % or amount of each beneficiary's interest in the deposit.

- ✓ The manner in which the trustee may provide and update the information

Example: The information can be provided or updated at a branch, by mail or online.

- ✓ The fact that CDIC relies on the information on the records of the MI prior to failure to determine coverage and if the information is missing, coverage may be affected at time of failure

Example: Note that the amount insured by CDIC will be determined based on the information on the records of the bank at time of failure. Without the beneficiary information, the insured amount may be limited. For more information, please visit www.cdic.ca.

Deposits held under a Special Income Arrangement

Deposits held in one name

Deposits held in a registered retirement income fund (RRIF)

Deposits held in more than one name (co-owned)

Deposits held in a tax-free savings account (TFSA)

Deposits held in trust

Deposits held in a registered education savings plan (RESP)

Deposits held in a registered retirement savings plan (RRSP)

Deposits held in a registered disability savings plan (RDSP)

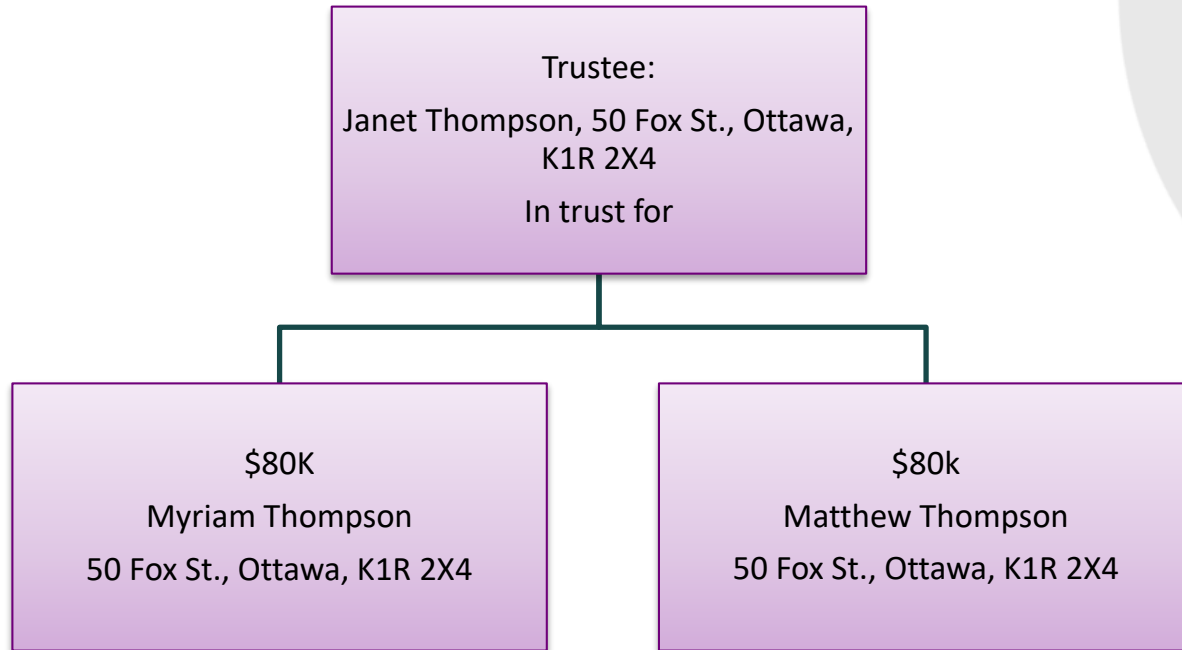
- Separate coverage under each type of arrangement for the **individual who benefits from the plan**
- If the depositor is a trustee, the depositor must comply with disclosure requirements of a trust deposit plus:
 - ✓ An indication of the type of SIA
 - ✓ The name and address of the individual who benefits from the plan (or an alphanumeric code (UCI), if a nominee broker)
 - This means that when a deposit is held under a special income arrangement, **two** alphanumeric codes (UCI) at a minimum must be provided by the nominee broker: one for the beneficiary, one for the individual who benefits from the plan
 - No % of interest or amount needs to be reported for the individual benefitting from the SIA.

Individual who Benefits from the Plan

Type of Special Income Arrangement	Who is the individual who benefits from the plan ?
RRSP	Annuitant
RRIF	Annuitant
TFSA	Holder
RDSP	Disabled person
RESP	Eligible students

Calculating Coverage: All Types of Trust Deposits

Coverage calculation: Example 1



Different insurance category = no aggregation

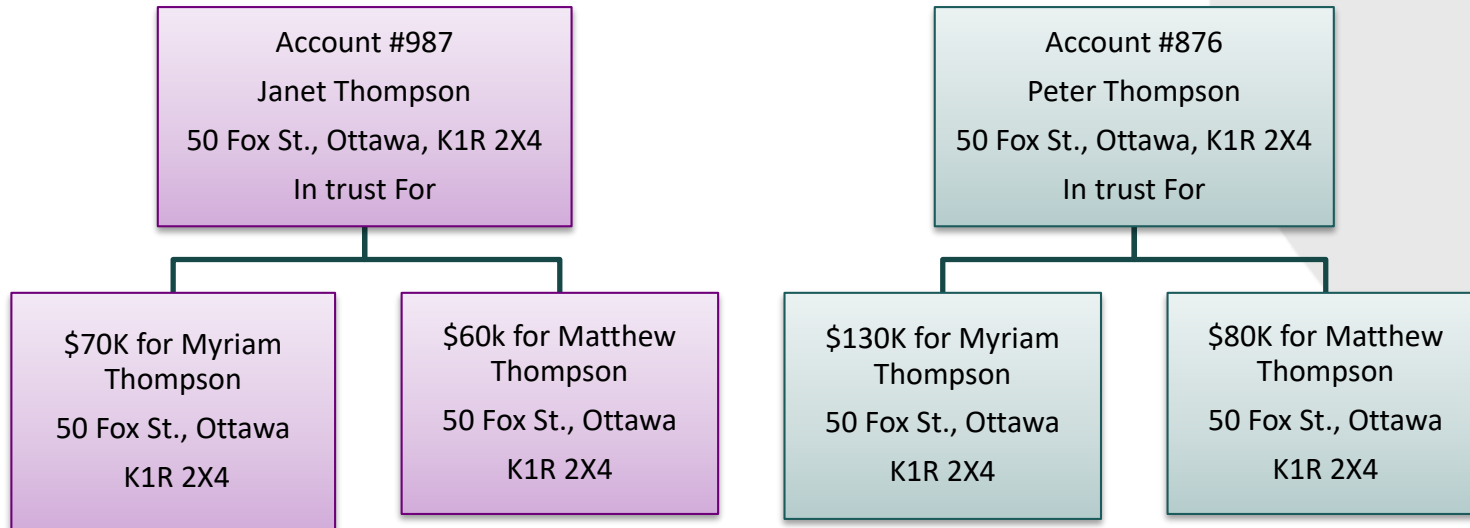
Upon failure of the bank, Janet Thompson would receive \$160K for:

✓ Myriam: \$80K

✓ Matthew: \$80K

Please note that if the trustee is a nominee broker, a UCI would be on the records of the MI instead of the name and address of the beneficiaries. For professional trustees, beneficiary information will be sent to CDIC after the failure and the same aggregation would occur.

Coverage calculation: Example 2

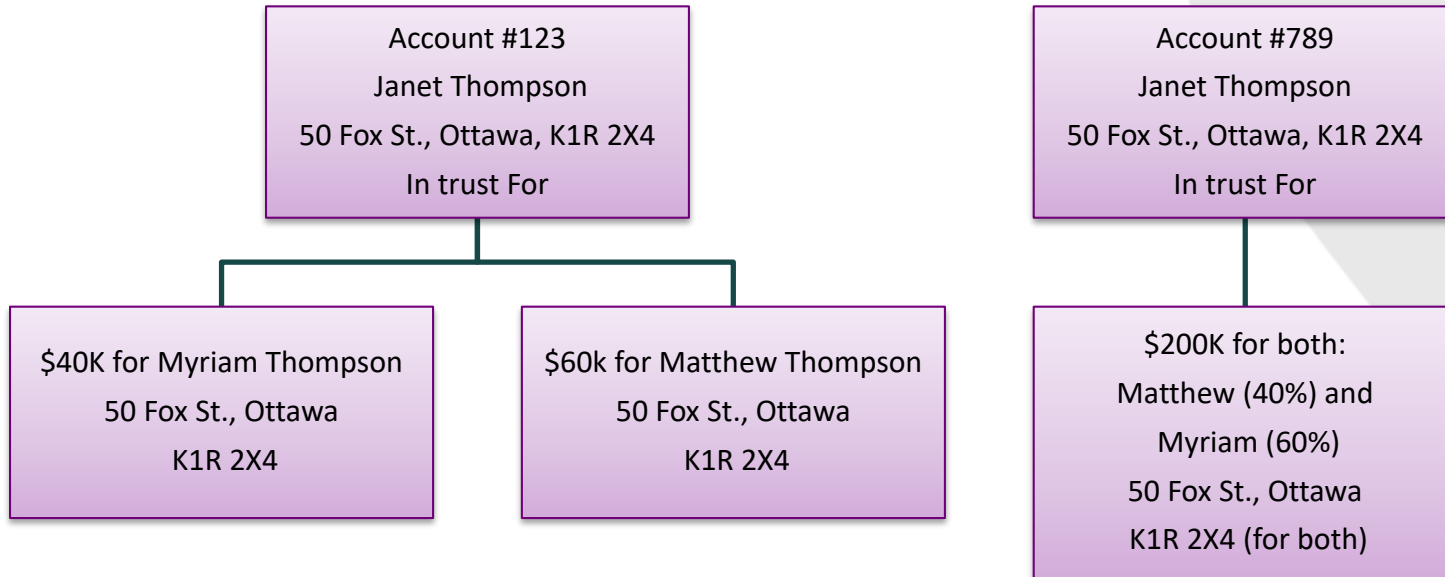


Different depositors = no aggregation

- ✓ Janet would receive \$130k as a trustee
- ✓ Peter would receive \$180k as a trustee

Please note that if the trustee is a nominee broker, a UCI would be on the records of the MI instead of the name and address of the beneficiaries. For professional trustees, beneficiary information will be sent to CDIC after the failure and the same aggregation would occur.

Coverage calculation: Example 3



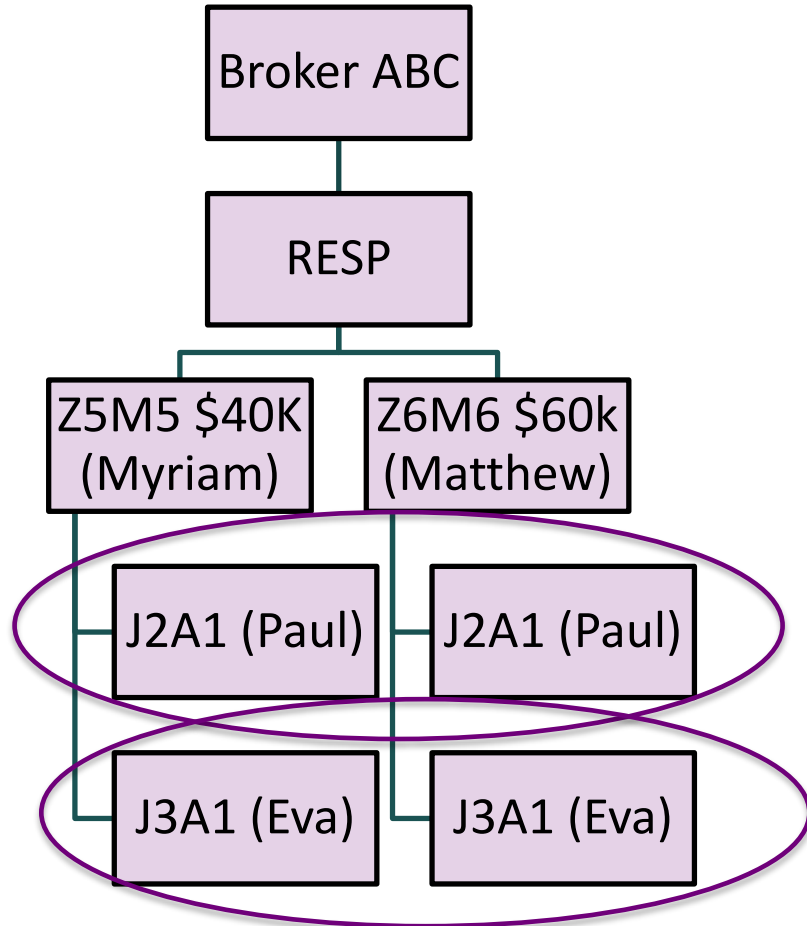
More than one deposit with same trustee and same beneficiary = aggregation

Janet would receive \$200K as a trustee:

- ✓ Total deposits held in trust for Myriam: \$160K of which \$100K is insured.
- ✓ Total deposits held in trust for Matthew: \$140K of which \$100K is insured.

Please note that if the trustee is a nominee broker, a UCI would be on the records of the MI instead of the name and address of the beneficiaries. For professional trustees, beneficiary information will be sent to CDIC after the failure and the same aggregation would occur.

Coverage calculation: Example 4



CDIC would aggregate the deposits of Paul (**J2A1**) and Eva (**J3A1**) since those are the same individuals in the same insurance category (RESP) made by the same depositor (Broker ABC) at the same MI. For the purpose of calculation, CDIC assumes an equal split between Paul and Eva. Broker ABC would receive a reimbursement of \$100k (Paul \$50k and Eva \$50k).