

BDAG – UCI Industry Best Practices Appendix A - Frequently Asked Questions (FAQ)

Introduction

1) What is a Unique Client ID (UCI)?

A Unique Client ID is an alphanumeric code that brokers will be required to assign to each client or group of clients for whom they place deposits in nominee name at CDIC member institutions.

2) Why do I need to assign UCI for my clients?

The UCI lets CDIC know that there is an actual client underlying a nominee brokered deposit held at a CDIC member institution. It effectively replaces the names and addresses of beneficiaries that would normally have to be provided to a CDIC member institution for a deposit held in trust.

The UCI is a critical piece of information that CDIC relies on to calculate the deposit insurance coverage for a broker client and helps ensure a timely and accurate reimbursement in the event of a member institution's liquidation.

3) Why has the industry developed the UCI Industry Best Practices document?

The UCI Industry Best Practices document establishes key parameters that nominee brokers must follow to ensure a consistent industry approach is applied to develop UCIs and to assign these UCIs for different types of deposits.

These parameters provide the basis for nominee brokers, CDIC member institutions and all intermediaries involved in the brokered deposit process to implement system and procedural changes required to support the proper transmission and retention of these UCIs and facilitate broker disclosure of these UCIs to CDIC when required.

4) Will CDIC co-ordinate with the service providers to ensure that they will accept this new data element?

Service providers are part of the Brokered Deposit Advisory Group (BDAG) and were represented on the working group that developed the UCI Industry Best Practices. It will be up to the service providers, individual nominee brokers and CDIC member institutions to ensure the new data elements can be created, passed from system to system and relayed to CDIC when required.



Assigning UCIs to Clients

5) How is a UCI assigned?

A UCI must be generated and assigned by the nominee broker for each client that holds deposits at a CDIC member institution.

The UCI Industry Best Practices sets out the following criteria for brokers to follow when assigning a UCI:

- i. Maximum length is 20 characters
- ii. Is made up of alphanumeric characters (all alpha or all numeric are also acceptable)
- iii. Cannot include symbols and special language/accented characters (i.e. @, #, \$, %, &, *, +, Á, ô, é, ñ, ö, ß, Å, ç, etc.)
- iv. Punctuation symbols (i.e. dashes, underscores, periods, asterisks, etc.) are acceptable, but should be avoided
- v. Alpha characters must be UPPER CASE
- vi. For UCIs less than 20 characters in length must not be filled with “null” characters - such as zeros to reach the maximum length

6) If we already have unique client identifiers on our system, but it is only 10 alphanumeric characters, can it be used?

Yes, the UCI Industry Best Practices does not establish a minimum UCI length. If a nominee broker has an identifier they use for their clients, they can use it as a UCI so long as it is between 1 and 20 characters and meet all other parameters set out in the UCI Industry Best Practices document. The broker must also ensure that the identifier is unique to a single client and that each client only has a single identifier.

7) Can we use the client's Social Insurance Number (SIN) as the UCI?

No. The UCI Industry Best Practices discourage the use of SINs, as they can only be used for specific purposes according as set out by the Government of Canada.

(<https://www.canada.ca/en/employment-social-development/services/sin/reports/code-of-practice/annex-2.html>).

8) Can brokers reuse/recycle UCIs that are no longer assigned to a client?

Yes, but not before the UCI being recycled has no associated deposits at a CDIC member institution. That said, by having a 20-character alpha-numeric identifier there should be no need for a Nominee Broker to recycle or reuse previously assigned UCIs.



9) How should I use the UCI I assign to my clients? How will others use it?

Nominee brokers are required to transmit the UCI to CDIC member institutions at the time the deposit is made for the client and each time a change is made to the deposit. The UCI allows CDIC to quickly calculate the insured deposits per client and start the payment process in the case of a member institution's failure.

CDIC member institutions are required to provide CDIC with the UCIs that are on their records for nominee brokered deposits held at their institution through CDIC's Data and System Requirements. CDIC relies on this information to determine deposit insurance coverage and the amount that will be reimbursed to the broker if a member institution were liquidated.

Brokers must also provide CDIC with the UCIs they have assigned and key information about the underlying client when requested by CDIC to do so. CDIC will cross reference the information from the brokers with that received from the member institution to ensure coverage is calculated correctly.

10) Can a client have more than one UCI?

The UCI is meant to be unique to a client or group of clients for co-owned deposits and should be used for all deposits made for that client at a specific CDIC member institution, irrespective of the number of accounts a client might hold.

The recommended practice as set in the UCI Industry Best Practices document is to assign a single UCI to a single nominee broker client across all CDIC deposit insurance categories (trust deposits, RRSP deposits, RRIF deposits, deposits in TFSAs, RESP deposits and RDSP deposits) and report it to all member institutions where deposits are placed.

11) What happens if I assign the same UCI to different clients or assign clients multiple UCIs?

It is the responsibility of the nominee broker to assign UCIs correctly. Your systems should be configured to not allow duplicate UCIs to be assigned to different clients. By not assigning UCIs correctly insurance coverage may be negatively impacted.

Through testing, CDIC does have checks in place that look to identify mis-assigned UCIs prior to a member institution's failure and to work with nominee brokers to rectify UCI issues. However, in the event of a failure, CDIC must consider UCIs as they appear on the records of the member institution.



Providing UCIs for Deposits

12) For what types of deposits are nominee brokers to provide UCIs?

Brokers must provide a UCI for any deposits eligible for CDIC coverage that they place for their clients in nominee name at a CDIC member institution. These deposits typically include term deposits, GICs, chequing accounts, savings accounts, etc.

This requirement also applies to eligible deposits held under registered plans, such as RRSPs, RRIFs, TFSAs, RESPs, and RDSPs. For more information on deposits eligible for CDIC protection please visit: <https://www.cdic.ca/financial-community/for-brokers-and-other-financial-professionals/>

13) Do I need to provide the UCI for other types of investments I place for my clients?

The requirement to provide UCIs only applies to eligible deposits as defined in the CDIC Act. Whether UCIs are assigned for other investments that are not eligible for CDIC protection would be a business decision of the Nominee Broker.

14) Do I need to provide a UCI for deposits I may place in the name of my client (i.e., in client-name)?

No. Deposits that are made by Nominee Brokers in client name do not require a UCI, as the name and address of the client would already be on the records of the CDIC member institution.

15) Since the new UCI requirement only takes effect on April 30, 2022, do we send UCIs only for new deposits, or do we need to send UCIs for both new and existing deposits?

Any existing deposit position held by a Nominee Broker at a CDIC member institution must be assigned a UCI prior to April 30, 2022. Any deposit made on April 30th or later must have a UCI assigned. The MI's must also be in a position to accept this new data element come April 30, 2022.

16) When can we start sending UCIs?

The timeframes for when UCIs can be provided to CDIC member institutions is currently being developed. This document will be updated with the relevant date as soon as it is available.



17) How many beneficiary UCI's can be sent to the MI, for example with an Investment Club?

For deposit insurance protection to be extended to beneficiaries under a deposit, a UCI must be provided for each client/beneficiary for recording on the records of the member institution. For an investment club, this would mean that a UCI would need to be transmitted for each club member that owns a portion of a deposit.

You may wish to contact the member institutions and/or the service providers (i.e. FundSERV, Cannex) you work with to determine if there are any systems limitations regarding the number of UCIs they can accept for a single deposit.

18) What happens if we are not ready to provide UCIs come April 30, 2022?

Failure to ensure that UCI are assigned to deposits and transmitted correctly to CDIC member institutions could result in a reduction or loss of deposit insurance coverage.

To reduce the risk of such a situation, CDIC has developed a compliance and testing approach applicable to nominee brokers that will allow for such instances of non-adherence to the new requirements to be identified and addressed in timely manner. More information on CDIC's nominee broker compliance approach will be published on CDIC's web site in the coming months.

19) If a client transfers from one Nominee Broker to another Nominee Broker, does their UCI need to be sent?

No, each Nominee Broker will have their own UCI methodology. If a client leaves one Nominee Broker for another, the transfer out transaction should flatten the account on the relinquishing broker's books and as a result the books of CDIC member institutions. When the transfer-in is processed on the receiving brokers system, they would assign a new UCI and report this to the appropriate CDIC member institutions.

20) If a change of beneficial ownership occurs but the Nominee Broker does not change, do their UCI(s) need to be sent to the MI?

Yes, although the Nominee Broker remains the same at the MI, the UCI associated with the new owner(s) or client(s) has changed and must be updated at the MI.



21) How should a UCI be assigned if the beneficiary(ies) to a deposit is an undefined group of people (i.e. a condo association) or a specific purpose (i.e., funds to build a community centre)?

In cases where specific individual beneficiaries cannot be identified, the UCI would be assigned to the specific group or purpose generally. It is to note that in these situations, the maximum deposit insurance protection that could be extended to that group or purpose by CDIC is \$100,000.

Providing UCIs in Special Deposit Situations

Co-Owned (jointly held) Deposits

22) What is the difference between a joint account and co-owned account?

For the purposes of the CDIC Act, these two terms can be used interchangeably.

23) How is a Unique Client ID assigned for a co-owned (i.e. jointly owned) account?

The CDIC Act allows Nominee Brokers to treat a co-ownership cohort (i.e. the group of individuals that co-own/jointly-own the deposit) as a separate client. As such, the co-ownership cohort will be assigned its' own UCI, even if one, two or all co-owners already have a UCI for a non-joint account with the same broker nominee. The Nominee Broker must continue to ensure that the same UCI is provided for all deposits made by the same co-ownership cohort at a CDIC member institution.

Where an individual is a joint owner under multiple co-owned accounts, then they would be assigned a different UCI when the secondary or tertiary joint owner is different from the other joint accounts.

24) How is a Unique Client ID assigned for an account with multiple client beneficiaries?

In the case of an account with multiple client beneficiaries, where each beneficiary has a specific defined interest in the deposited amount, the Nominee Broker must assign a UCI to each beneficiary under the account. The Nominee Broker must also transmit to the CDIC member institution each beneficiary's interest in the deposited amount, expressed either as a percentage or a dollar amount.

25) If I am a co-owner of an account, but the other co-owner lives outside of Canada, are we both covered?

Coverage is based on where the deposit sits, not on where the client lives, so, if the deposit was made into an account held at a CDIC member institution in Canada, the deposit would be eligible for deposit insurance coverage as long as all requirements are met be covered.



Nested Trust Deposits

26) What is a nested trust deposit?

For CDIC purposes, a nested trust is a “trust-within-a-trust” or “back-to-back trust”. A nested trust deposit is a deposit held in trust for a client (Trust No. 1), who in turn holds their beneficial interest in trust for another client (Trust No. 2). For nested trusts, only the first trust relationship can be considered for deposit insurance purposes, regardless of the number of beneficial owners in the second trust.

27) To whom should the UCI be assigned when a deposit is held by a Nominee Broker for a trust?

When a deposit is held by a Nominee Broker for a trust, there are two trust relationships: 1) between Nominee Broker and its client (i.e. the trust) (Trust No. 1), and 2) between the client and the beneficiary(ies) of the trust (Trust No. 2). This is an example of a nested trust.

Therefore, for purposes of assigning the UCI, Nominee Brokers must determine who is the beneficiary of Trust No. 1. The beneficiary will generally be the client in whose name the Nominee Broker has opened the account. For example, if Nominee Broker XYZ holds a deposit issued by Bank ABC in an account for “The Smith Family Trust”, the Nominee Broker would assign the UCI to ‘The Smith Family Trust’.

The Smith Family Trust beneficiaries (under Trust No. 2) are not assigned a UCI as they do not receive separate deposit insurance coverage as this is a nested trust.

28) How should a UCI be assigned for an ‘In Trust For’ (ITF) deposit held by a Nominee Broker?

ITF accounts are sometimes referred to as informal or oral trusts. If the Nominee Broker set up a deposit where the ITF trust is the beneficiary, it is acceptable for the Nominee Broker to assign the UCI to the ITF trust.

For example, Nominee Broker XYZ opens an account for ‘Chloé L ITF Louis L’ which holds a deposit issued by Bank ABC. ‘Chloé L ITF Louis L’ can be assigned a UCI, distinct from any UCI assigned to Chloé L in her personal capacity, or under different ITF trust deposit (e.g., ‘Chloé L ITF Richard L’).



29) How should a UCI be assigned if the nominee brokered deposit is set up in the name of the trustee(s)?

If the account being held by Nominee Broker XYZ is in the trustee's name e.g. 'Chloé L, Trustee' or simply, 'Chloé L', with a note on the account that it is being held in trust, the client/ beneficiary in the Nominee Broker's records is 'Chloé L'. If the account holds a deposit issued by Bank ABC, the same UCI as the one for Chloé L's personal accounts would be assigned to 'Chloé L, Trustee'.

Special Income Arrangements

30) What is a special income arrangement?

Special Income Arrangements (SIAs) are set out in the *Income Tax Act*. The CDIC Act refers to five specific SIAs: RRSP, RRIF, TFSA, RESP and RDSP. These are typically referred to as registered plans or accounts.

31) Are LIRAs and LIFs covered by CDIC as separate income arrangements?

No. For the purposes of deposit insurance, deposits in LIRAs and LIFs are considered to be RRSP and/or RRIF deposits.

32) Why does CDIC require brokers to provide different/multiple UCIs for deposits held under these Special Income Arrangements?

The CDIC Act allow CDIC to extend coverage to the individual or individuals who benefit from one of the five Special Income Arrangements set out in the CDIC Act (RRSP, RRIF, TFSA, RESP, RDSP). This means that even if the deposit was established through multiple trusteeships (i.e. a nested trust), CDIC would be able to consider these individuals when calculating coverage.

The most common example of this situation is a nominee brokered deposit held under an RESP for multiple children. In this case the Nominee Broker would hold the deposit in trust for the subscriber (i.e. a parent) who in turn holds the deposit in trust for the children. The ability to consider the children (i.e. the individuals who benefit from the plan) allows CDIC to extend coverage to each child up to the \$100,000 coverage limit.



33) Does a Nominee Broker also need to provide the interest of each individual who benefits from the plan when providing their UCI?

Nominee Brokers can provide the ownership interest of each individual who benefits from the plan, but this is not a requirement. If provided, CDIC will respect the interests reported when determining coverage. If this information is not provided, CDIC will determine coverage based on an equal interest for each individual benefitting from the plan.

It is to note that this is the only situation when the provision of beneficial interest in a deposit with multiple beneficiaries is optional. In all other situation, this is a requirement of deposit insurance coverage.

34) How is deposit insurance coverage affected if a broker does not/cannot provide UCIs for the individual(s) who benefit from the plan?

If the Nominee Broker cannot provide UCIs for the individuals who benefit from the plan, then CDIC could only extend coverage up to \$100,000 to the annuitant or subscriber of the plan.

35) Does a spousal RRSP receive separate coverage by CDIC?

No. A deposit in a spousal RRSP would be treated as a RRSP deposit for the annuitant (i.e. the owner of the spousal RRSP) along with any other non-spousal RRSP deposits held for that individual.

Operational Questions

36) How will CDIC Premiums be calculated with the introduction of the Unique Client ID (UCI)?

For information on how CDIC member institutions must calculate premiums, please refer to: <https://www.cdic.ca/financial-community/for-cdic-members/premiums/return-of-insured-deposits-rid-form/#rid>

37) Will CDIC require member institutions to report UCIs through the Data and System Requirements (DSR)?

Yes. the requirements regarding how member institutions are to provide UCIs to CDIC are set out in the DSR 3.0. For additional information regarding these requirements please visit: https://www.cdic.ca/wp-content/uploads/Data_System_RequirementsV3_0.pdf



38) What is the difference between a UCI and the beneficiary identifier required in the Data and System Requirements (DSR)?

In general, the UCI and the beneficiary identifier are the same. When nominee brokers provide UCI data to CDIC member institutions, member institutions should capture this data and include it in DSR (version 3) Table 153: NB Beneficiary Data, in the Field (Data Element): Beneficiary ID. The description for this field is: “Beneficiary identifier (alphanumeric code) representing the beneficiary that is associated to the Nominee Broker”. This field would also be appropriate for UCIs related to “Individuals” of a special income arrangement (registered plan), and separate groups of co-owners (joint owners) of a deposit.

Miscellaneous Questions

39) How many member institution failures has CDIC had to be engaged for? When was the last failure?

For information on the history of CDIC member institution failures, please visit:
<https://www.cdic.ca/about-us/our-history/history-of-failures/>

40) What is the difference between a deposit and an account?

For the purpose of deposit insurance coverage, CDIC draws a distinction between accounts and deposits. CDIC insures deposits, not accounts. While a deposit is placed in an account with a Member Institution, an account is not the same as a deposit.

An ‘account’ refers to a business arrangement that a Member Institution has with a depositor where the depositor can submit and remove money, with the Member Institution keeping a record of transactions.

A ‘deposit’ refers to the legal obligation that a Member Institution has to repay a depositor for funds that have been placed with it.

Funds placed by the same depositor in different accounts do not automatically create different deposits.

41) Why does CDIC aggregate the funds that I place for my clients at a CDIC member institution?

To calculate deposit insurance, CDIC considers deposits and not accounts. For nominee brokered deposits, this means that, regardless of the number of accounts your client might have, CDIC must add together the deposits owned by that client in the same insurance category at the same member institution and provide coverage up to the \$100,000 limit.



42) Is an account the same thing as a client?

Generally an account can represent a client. However, for the purpose assigning UCIs, the UCI must be unique to a particular client. The same UCI must be transmitted for the same client, irrespective of the number of accounts that a client might hold at a CDIC MI. As such, account numbers are not considered acceptable UCIs, as a client can have multiple accounts with different account numbers.

43) CDIC has recently expanded coverage for deposits held in foreign currencies, deposits with terms >5 years and separate coverage for deposits in RESPs and RDSPs. Does the expansion of coverage mean more cost to the broker?

It is difficult to determine what the exact cost impacts will be and how they will affect brokers and other depositors. However, the proposed changes to the CDIC Act look to balance the additional protection provided to depositors with the additional costs and complexities that would result by implementing these changes to the CDIC deposit protection framework.