

**REVIEW OF
DEPOSIT INSURANCE INFORMATION
BY-LAW
CONSULTATION
March 2006**

Comment period extended to May 31, 2006

TABLE OF CONTENTS

| | Page |
|---|-------------|
| INTRODUCTION | ii |
| BACKGROUND | ii |
| REVIEW PROCESS – 2003 to 2005 | iii |
| REVIEW | iv |
| PROPOSED AMENDMENTS | 1 |
| I. FLEXIBILITY OF REPRESENTATIONS: Sections 3 and 8(2) | 1 |
| II. MEMBERSHIP REFERENCE IN ADVERTISING: Section 4 | 2 |
| III. SIGNAGE REQUIREMENTS: Section 5 and Schedule I | 4 |
| IV. DEPOSIT REGISTER, BROCHURE, CLEARANCE PROCESS: Sections 6, 7 and 8 | 6 |
| V. NEGATIVE INDICATIONS OF INSURABILITY (“NEGATIVE STAMPING”) – Sections 9 and 9.1 | 8 |
| CONCLUSION | 10 |
| Appendix – draft Amending By-law | A |

INTRODUCTION

The Canada Deposit Insurance Corporation (CDIC) introduced the *Deposit Insurance Information By-law* (By-law) in 1996 to permit member institutions to make statements about what deposits are eligible for deposit insurance as well as about the member's status as a CDIC member institution.

A general review of the By-law is important to ensure that it is up-to-date, allows effective and accurate delivery of information on deposit insurance to the public, and does not impose undue regulatory burden on member institutions.

CDIC continues to be of the view that an informed public serves the interests of consumers and the financial system as a whole. While consumers bear some responsibility to become reasonably informed about deposit insurance, they have indicated an interest in receiving the information from the financial institution with which they have a relationship. Member institutions therefore have a role to play in providing the information.

BACKGROUND

The focus of the By-law is to ensure that depositors receive accurate and timely information about deposit insurance where they conduct the majority of their banking activities. At the time of the By-law's implementation this was at the branch of the member institution. The By-law relieved members of some previously imposed restrictions while maintaining some control over the content of the information provided to depositors. A clearance process to confirm with CDIC whether deposit products were eligible for deposit insurance was established that included development of deposit registers¹.

The By-law:

- addresses what representations can be made about what is, or is not, a deposit eligible for deposit insurance, and who is a member institution. The overriding consideration for any representation about deposit insurance is that it not be misleading;
- permits member institutions to provide limited information to depositors about CDIC and CDIC insurance coverage. For example, it regulates the use by member institutions of the words "Member of Canada Deposit Insurance Corporation" and the use of the CDIC membership sign;
- in specific circumstances, requires members to disclose when a deposit is not insured by CDIC (negative stamping);
- requires member institutions to maintain deposit registers that include the text of the CDIC brochure *Protecting Your Deposits*² at each of their places of business or points of service and to make them available to clients on request; and

¹A deposit register is a list of each deposit type offered by the member institution and confirmed as eligible for deposit insurance by CDIC.

² Schedule II to the By-law contains the text of the brochure *Protecting Your Deposits*

- prescribes the form of the CDIC membership sign (decal) in Schedule I to the By-law.

The full text of the current By-law is available at www.cdic.ca/bin/by-laws/CDIC-Deposit-Insurance-Information.pdf.

REVIEW PROCESS – 2003 to 2005

In 2003, CDIC completed a preliminary review of the By-law as it had been in effect for over five years and issued a consultation paper to which comments were requested. The goal of the paper was to determine whether the By-law needed to be updated and whether the deposit register and its related clearance process were effective. It was recognized at that time that many changes and/or developments had occurred in the financial services industry that needed to be reflected in the by-law. For example, at the time of making the By-law, innovations were already under way with respect to channels of distribution³ for deposit products. As well, comments received suggested the deposit register regime was not effective in enhancing depositor awareness of deposit insurance – the primary goal of the By-law.

A working group had also been established and has met on numerous occasions⁴ over the course of the review. It is made up of a representative cross-section of CDIC member institutions and the Canadian Bankers Association. The role of the working group is advisory and is not a substitute for the general consultative process. Recent meetings discussed various aspects of the By-law and its related clearance process to gather views as to how CDIC and its members could increase deposit insurance awareness. CDIC appreciates the efforts of the working group in providing valuable input to the CDIC process.

CDIC has also sought input directly from depositors to understand the effectiveness of its public awareness tools – the CDIC sign, the brochure, negative stamping and the deposit register being those referenced in the By-law. Comments were received to the consultation paper and through annual surveys of public awareness as well as through focus groups conducted in 2003 and 2005. Surveys and focus groups confirmed that there continues to be confusion within a large segment of the public about what products are eligible for deposit insurance, with much of the confusion continuing to be focused on mutual funds and foreign currency deposits as well as on coverage limits. They have also confirmed the ineffectiveness of the deposit register regime.

In the context of the recent review by the Minister of Finance regarding ways to improve the efficiency and effectiveness of the delivery of financial services regulation, in the early part of 2004 the Chairman of the Board of Directors of CDIC together with its

³ Electronic delivery of products; product delivery under a brand name; the sharing of locations (both physically and electronically) by member institutions with other members and/or with non-members; the marketing of products of member institutions with the products of non-member institutions; and, the marketing of member products by non-members.

⁴ As early as December 2001 and as late as September 2005

Chief Operating Officer met with the chief executive officer of a number of member institutions to obtain their views. CDIC committed to provide a paper describing changes to the by-law to address industry concerns including those with respect to the deposit register.

REVIEW

The comments received to the consultation conducted are reflected in this paper and have been taken into consideration in formulating the proposed changes.

The CDIC goal is to ensure that appropriate and accurate information is in the hands of depositors in order that they may make informed investment decisions. CDIC is seeking to achieve a balance between providing the information itself to depositors through public awareness campaigns and requiring that its members provide information to depositors.

The highlights of the proposed changes are: elimination of the deposit register regime; more flexibility in representations members may make; basic negative stamping regime retained, but extended to sales communications about money-market mutual funds; CDIC membership signage on web sites; and, members permitted to initiate deposit insurance discussion with depositors.

Included in this material is a draft amending by-law. After receipt of comments, further work will take place with the Department of Justice Regulations Section to finalize the amending by-law, which will then undergo further consultation through publication for comment in the Canada Gazette.

CDIC anticipates finalization of the amending by-law in the fall of 2006.

Comments should be forwarded by April 30, 2006 to:

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PROPOSED AMENDMENTS

Each element of the By-law that is considered for amendment is addressed in the order in which it appears in the current By-law. The proposals for change are prefaced with some background information and comments received on the issue surrounding that aspect of the By-law. The CDIC proposal is followed by a short summary. A draft Amending By-law that reflects the proposals under consideration is included as Appendix I.

I. FLEXIBILITY OF REPRESENTATIONS: Sections 3 and 8(2)

Background

Member institutions are constrained as to what they can, or cannot, discuss about CDIC and CDIC coverage. Written statements are restricted to a membership statement, the deposit register and negative stamping. Furthermore, only if requested by a depositor can a member discuss the subject matter contained in the CDIC brochure *Protecting Your Deposits*. This was initially included at the request of industry to address the concern that without the limitation there would be too much potential for misrepresentation, albeit unintentional.

Comment

Some members have requested that the constraint on representations be lifted. A number of situations have occurred, and may in future occur, where additional information to depositors is necessary to avoid confusion. For example, in situations where one member assumes the deposit liabilities of another member institution, it could be useful for the member to initiate communication with depositors. Such initiation is not currently permitted. Another example would be where a member institution offers its products through a variety of retailers under a number of brands. Depositors need to be made aware, at the opening of any of these branded accounts, that the deposits are aggregated with any deposits they may have made into other branded accounts with the same member institution.

Members have also suggested that the restriction as to subject matter remain in place. While most members concur that initiating discussion of deposit insurance should be unrestricted, a preference has been expressed for continuing the subject matter limitation. This provides CDIC with some comfort regarding the accuracy of the representations. For example, the subject matters open for discussion with depositors could continue to be limited to those in the CDIC brochure *Protecting Your Deposits*.

Depositors have expressed the view that information should be forthcoming from their financial institution – not only at their request.

Proposal

CDIC would permit members to make any representations about CDIC and CDIC coverage provided they are not misleading and the subject matter is referenced in the CDIC brochure. Members would be permitted to initiate the discussion with customers. These proposals should enhance depositor awareness of deposit insurance, as well as its limitations.

SUMMARY

Current: Member institutions are constrained as to what they can, or cannot, discuss with depositors, or write, about CDIC and CDIC coverage. If requested, member institutions may discuss with depositors only those subject matters contained in the CDIC brochure *Protecting Your Deposits*. (By-law Section 8(2))

Comments: Request that the constraint on initiation of discussion about CDIC insurance be lifted but there continue to be a limit as to the subject matter open for discussion. Situations occur where additional information to depositors is necessary to avoid confusion.

Proposal: CDIC would permit members to make representations about CDIC and CDIC coverage provided they are not misleading and the subject matter is referenced in the CDIC brochure. Members would be permitted to initiate the discussion with customers. (Amending By-law Sections 2 and 5)

II. MEMBERSHIP REFERENCE IN ADVERTISING: Section 4

Background

The purpose of membership references is to alert the public to the distinction between CDIC members and non-members. The rationale for controlling such references, particularly in advertising, is to reduce the possibility of having membership status used in ways that may mislead consumers. Consultation with industry at the time of drafting the original By-law suggested that the industry was satisfied with the existing restrictions, that they worked reasonably well and that no changes were needed.

Currently, member institutions may refer to their status as members of CDIC in advertising exclusively concerning insurable deposits. The reference must appear immediately following the full name of the member institution and read: “Member of Canada Deposit Insurance Corporation”. There is no requirement for a member to make the status representation.

Comments

Member institutions have commented that the process has generally worked well. However, from time to time member institutions have requested permission to reference membership in other ways. For example, to use a different statement from that permitted or to make the membership reference in an advertisement that names the member but doesn't refer to a specific product.

The necessity to tie the membership statement to the full name of the member institution has also been raised as an issue. Members that use marketing names, or are members of a group that use a common reference name and logo (e.g., TD Canada Trust, RBC Financial Group, ING Direct), where the member institution is only one of a number of related entities under the same banner, may wish to indicate that within the group CDIC insurance is available. Unfortunately, only deposits at the member institution are eligible for insurance. While CDIC would like to accommodate its members, the possibility of misleading or confusing customers cannot be discounted.

Member institutions have also, from time to time, requested permission to use a shorter reference to Canada Deposit Insurance Corporation such as "Member CDIC". CDIC focus groups have indicated that "CDIC" is not a recognized brand with the public and confusion with the acronym CIBC (for the Canadian Imperial Bank of Commerce) or non-financial services organizations such as the Canadian Dairy Information Centre, or Cardio Dynamics International Corporation (a publicly traded company) could ensue.

Proposal

More flexibility of language, together with more opportunity to use the membership status statement, will lead to enhanced awareness among depositors of CDIC. CDIC has considered requiring members to make a membership status statement in certain circumstances. CDIC proposes to permit:

- a number of variations of its name, and of the membership statement, to accommodate contextual and space considerations;
- the membership reference to appear other than immediately following the name of the member, where
 - only member institutions are referenced in the advertising materials; and
 - there is no reference to a product (insured or non-insured) in advertising by a member institution;
- membership reference immediately after the member's name
 - in advertising that is by both a member and non-member; and
 - in advertising that deals with both products eligible for insurance and uninsured products, with the uninsured products also being negatively stamped.

CDIC will maintain administratively a process through which members may confirm that the statements they intend to make do not fall outside of the spirit and intent of the by-law.

SUMMARY

Current: Reference to membership status in advertising dealing exclusively with deposit product may (not must) be made by stating: “Member of Canada Deposit Insurance Corporation” immediately following the member’s name. (By-law Section 4)

Comment: Members would like more variety in membership status statement but focus groups raised “CDIC” as not sufficiently branded to stand alone. Members want more latitude in positioning the membership reference and want to reference CDIC membership in ads by related entities that may not be members.

Proposal: CDIC proposes to permit: a number of variations of its name and of the membership status statement; and, flexibility in the placement of the membership status statement if the advertisement is solely by a member and remaining immediately after the member’s name in other cases. (Amending By-law Section 3)

III. SIGNAGE REQUIREMENTS: Section 5 and Schedule I

Background

The primary tool used by CDIC to alert the public to the distinction between members and non-members is the membership decal – membership sign – in the form of a stylised Canadian flag with the name of the member institution and confirmation of its membership in CDIC appearing in the centre. Each member institution is required to display the sign prominently during hours of operation at each of its places of business⁵. The usual location is on doors or windows. If more than one member does business in that location, all names appear on the sign.

Comments

Members have suggested that the CDIC sign can create confusion particularly in circumstances where members and non-members operate from the same location, or operate under a trade or brand name, or in the case of branchless banks or unmanned locations. With the increase in electronic or telephone banking, attendance at a branch or other place of business of the member is declining. On occasion members have requested permission to display the CDIC sign in additional locations such as on their web site. A suggestion to place the CDIC sign on the outside of Automated Teller Machines (ATM) was rejected on the basis that it would appear as

⁵ Defined as a location where you can make a deposit with the assistance of a member’s representative

one of numerous stickers most of which reference card company accessibility (e.g., Interac, VISA, etc.). Members have confirmed that the sign should continue in generally the same form.

Depositors that can identify CDIC without prompting are usually familiar with the sign. Use of the stylised Canadian flag signifies government involvement to the depositor.

The Federal Deposit Insurance Corporation (FDIC) requires its sign to be displayed “at each station or window where insured deposits are usually and normally received in its principal place of business and in all its branches...” Members of FDIC are also permitted to display the sign more broadly but “...if there are any non-insured institutions which share in the remote service facility, any insured bank which displays the official bank sign must clearly show that the sign refers only to a designated insured bank or banks”. It is not required on Automated Teller Machines. (See Part 328, 32 Fed. Reg. 10189, U.S.A., as amended).

Proposal

CDIC has developed a visual identifier and may want to incorporate it into a version of the sign. CDIC intends not to reproduce the sign in the By-law, but rather supply the sign that will present at a minimum membership information and information about CDIC. This will allow CDIC to alter the sign from time to time without necessitating by-law amendments. The minimum information would be: stylised Canadian flag, name of CDIC, phone number and other contact information for CDIC, full name of member institution, confirmation of membership statement. As long as the sign displayed has this information, the member is in compliance with the By-law. This is important in that, while CDIC will be able to alter slightly from time to time the look of the sign (perhaps by the addition of the identifier), a member will not be required to change the sign.

CDIC is of the view that more broadly displaying the sign would increase awareness of deposit insurance. Further, as more and more people are dealing with their financial institution electronically, usually over the internet, the influence of a member’s web site can be significant. With the decrease in visits to the branch, CDIC would like to extend its presence onto a member’s web site. CDIC proposes to:

- maintain the current requirement to display the sign prominently at each place of business of the member;
- require the sign to be displayed on a member’s web site either on the home page if the member’s site or on the site at a location where a member’s deposit products that are eligible for deposit insurance are discussed, particularly if the site is shared with non-members. This would not apply if a member does not have a web site, or if its products are not marketed at an identifiable location on a web site;
- permit the display of the sign more broadly, in a similar manner to that adopted by the FDIC, for example, at points of service; and
- require removal of the CDIC sign when a member vacates premises.

Before display at other than a place of business, the member should confirm with CDIC that the proposed display is not misleading, particularly in shared remote space with non-members (whether electronic or other).

SUMMARY

Current: Member institutions must prominently display a CDIC membership sign during hours of operation at each of its places of business. (By-law Section 5 and Schedule I)

Comments: Use signage more effectively to increase awareness and avoid confusion, particularly when: member institutions and non-member institutions operate from the same location or under a brand name, the bank is branchless or there are unmanned locations. Consider the fact that attendance at branches is declining. The FDIC both requires and permits their signage to be displayed more broadly. Maintain the stylised Canadian flag.

Proposal: Require display of the sign prominently at each place of business and on a member's web site; permit the display of the sign more broadly, e.g. at points of service; and require removal of the sign when a member vacates premises. (Amending By-law Section 4)

IV. DEPOSIT REGISTER, BROCHURE, CLEARANCE PROCESS: Sections 6, 7 and 8

Background

Due to misconceptions in the late 1980s and early 1990s, CDIC sought to enhance depositor awareness about what was insured. CDIC looked at a number of tools to achieve this goal including extending the requirements for a negative indication of insurability (negative stamp) to non-deposit products such as mutual funds, or requiring a positive indication on an eligible deposit, or a deposit register.

CDIC opted for a deposit register, which is a list of eligible deposit products maintained by each member institution. The register also contains the text of the CDIC brochure *Protecting Your Deposits* which outlines the extent and limitations of coverage. In order to ensure a register's accuracy, CDIC established an administrative clearance process by which CDIC confirms with the member the eligibility of its deposit product for coverage before the product is included on the member's deposit register.

Currently, member institutions are required to maintain and make available an up-to-date deposit register, to display the deposit register prominently at each of its places of business or points of service, and to provide it to customers on request.

Comments

Depositors have made it fairly clear that they want information about deposit insurance, and that the information should be coming primarily from the member institution. Focus groups and annual surveys support use of a brochure, without the necessity for the depositor to request it.

Knowledge of the existence of deposit registers by both depositors and member institution branch staff is severely lacking. Thus the goal to use the deposit registers as a tool to enhance the awareness of the public about deposit insurance has not been met. The usefulness of the tool has been seriously questioned. Focus groups conducted by CDIC indicated that the deposit register, as designed, is not an effective stand-alone tool. Involvement by personnel of member institutions would be required to ensure depositors receive, and understand, the deposit register. This would put a significant burden on financial institutions.

Some member institutions have suggested that the clearance process should continue to be made available as it is a useful process through which member institutions can confirm whether their products are eligible for deposit insurance and can rely on this assurance in the materials associated with the product. The process has also kept CDIC up-to-date about new or innovative products offered by its members assisting CDIC in responding to questions by depositors. Prior to this process, CDIC responded about eligibility generically by stating what constitutes an eligible deposit and the depositor then applied the general rules to the specific product.

Proposal

CDIC is proposing to eliminate the deposit register. Members would no longer be required to maintain, display or deliver the register nor would they be required to certify adherence with the clearance process in their annual Return of Insured Deposits.

CDIC must consider, however, that depositors have expressed a preference to have information about deposit insurance available at their financial institution and for the institution to provide it without being asked. CDIC therefore proposes to continue to supply the brochure *Protecting Your Deposits* and to require member institutions to make it available (display). The brochure may also be referenced or displayed on the member's web site, by hyperlink to the CDIC site or otherwise. Members will be permitted to volunteer the brochure, or the information in the brochure, to depositors.

CDIC will no longer require, but will continue to make available, a process whereby member institutions can confirm a product's eligibility for deposit insurance (clearance process). This will continue to be an administrative process and will not be referenced in the by-law. Members that advertise the eligibility for deposit insurance of a product, whether by reference to CDIC membership or otherwise, should first consider confirming the eligibility of the product for insurance with CDIC.

SUMMARY

Current: Member institutions are required to maintain and display an up-to-date deposit register and deliver it on request to a depositor. (By-law Sections 6, 7 and 8)

Comments: Deposit register is an ineffective tool. Information about CDIC needs to be available. CDIC is seeking to lighten member institution regulatory burden.

Proposal: Eliminate deposit register requirement. Require CDIC brochure *Protecting Your Deposits* to be displayed and available at branches and may also be posted to member's web site. Administrative process to confirm eligibility for insurance will remain available to members, but will not form part of the by-law. (Amending By-law Section 5)

**V. NEGATIVE INDICATIONS OF INSURABILITY
("NEGATIVE STAMPING") – Sections 9 and 9.1****Background**

Since the late 1980's, CDIC has required that all instruments evidencing a deposit that was not eligible for deposit insurance (such as a foreign currency deposit) bear an indication that it is not eligible for deposit insurance (negative stamping). Negative stamping was supported by the members as an alternative to positive stamping. Some flexibility has been introduced with respect to the range of statements that may be made.

The negative statements continue to be useful to confirm ineligibility and member institutions are familiar with them. Their systems automatically generate the negative stamp, causing minor expense. As the range of near-deposit investment products offered expands the need for negative stamping increases.

In the late 1980's and early 1990's a significant proportion of depositors believed that virtually all deposits and many non-deposit products were CDIC-insured. Based on more recent survey results, there has been improvement but the conclusion remains the same. For example, more than one-third of those surveyed believe that mutual funds are insured by CDIC. And the confusion particularly with respect to mutual funds is not abating. CDIC has never required its members, or any person, to include a negative indication of insurability on mutual fund materials, whether advertising or other.

Comments

Negative stamping occurs after-the-fact. A member need not provide the information until after the depositor has made the decision and receives the evidence of the investment. This evidence

could be delivered concurrently with, or shortly after, the conclusion of the deposit transaction, or well after, for example as an entry on a consolidated client statement. It has been suggested that there is little usefulness to such “after-the-fact” statements if the intent is to impact investment decisions.

Member institutions have indicated that negative stamping is working well, and should be continued. Positive stamping should be avoided. One member institution supported the requirement that negative stamping take place on mutual fund disclosure materials.

Depositors have indicated that they would appreciate an indication of whether their deposits are insured, and that their member institution should be advising them of this status on a regular basis.

Proposal

Without positive stamping, CDIC would be hesitant to consider eliminating negative stamping. Expanding the permitted uses of negative stamping beyond ineligible deposit products as well as increasing the flexibility of the stamp’s wording, may add clarity and potentially reach a depositor prior to the decision to choose a particular product. The negative stamp would continue to be required on ineligible deposit products.

In the context of expanding the uses of negative stamping and enhancing disclosure, the statements should be permitted on any type of written materials dealing with the product including the instrument evidencing the deposit transaction. Irrespective of the document that contains the negative stamp, provided the institution can confirm that the customer receives it, the negative stamping requirement would be satisfied.

With respect to the content of the negative stamp, to allow for contextual changes CDIC is suggesting a number of variations, and provided it is in substantially the same words, the stamp would meet CDIC’s exigencies.

CDIC has also considered extending negative stamping requirements beyond member institutions, for example, to non-member affiliated companies, such as the securities arm of a member institution. Given the consistent results of surveys and focus groups, CDIC would be remiss if it did not address the confusion of depositors with respect to mutual funds. Further, with member institutions more and more marketing their products with those of non-member institutions, this confusion can be fuelled. CDIC is proposing to require negative stamping in sales materials of money market mutual funds. For members that offer mutual funds in Ontario, they are currently subject to the regulations under the Ontario Securities Act. Part 15, section 15.4 of National Instrument 81-102 titled Mutual Funds made pursuant to that Act stipulates that written sales communications of a money market fund must include a disclosure statement that, inter alia, the fund is not covered by CDIC. CDIC would like to extend this requirement to all member institutions and their subsidiaries or affiliates, whether members or not.

SUMMARY

Current: Member institutions must provide for a negative stamp on instruments or documents evidencing ineligible deposits (By-law Sections 9 and 9.1). There is no requirement to negatively stamp non-deposit products.

Comments: Members and depositors support maintaining negative stamping. Members do not want positive stamping, whereas depositors would appreciate it. Permitting expanded use of the statements – on deposit-like product as well as ineligible deposits. Provide more flexibility as to wording. Anyone should be permitted to negatively stamp. Negatively stamp materials on mutual funds. Confusion prevalent among depositors that think mutual funds are covered by CDIC insurance.

Proposal: Maintain negative stamping on written evidence of deposit. Allow non-member institutions to negatively stamp. Permit flexibility of language depending on context. Require members, their subsidiaries or affiliates, to include a negative indication of insurability in all money market fund sales communications (Amending By-law Section 6)

CONCLUSION

CDIC is confident that the proposals put forward in this paper will help it to achieve its goal of enhancing depositor awareness of CDIC and its coverage limitations without unduly increasing (rather by decreasing) the burden on its member institutions. We look forward to your comments.

APPENDIX
TO
DEPOSIT INSURANCE INFORMATION BY-LAW
MARCH 2006
CONSULTATION PAPER

DRAFT AMENDING BY-LAW

BY-LAW AMENDING THE CANADA DEPOSIT INSURANCE CORPORATION DEPOSIT
INSURANCE INFORMATION BY-LAW

AMENDMENTS

1. (1) The definition "Return of Insured Deposits" in section 1 of the *Canada Deposit Insurance Corporation Deposit Insurance Information By-law*^a is repealed.

(2) Section 1 of the By-law is amended by adding the following in alphabetical order:

"CDIC" means the Canada Deposit Insurance Corporation. (SADC)

2. The portion of section 2 of the By-law before paragraph (a) is replaced by the following:

2. No person shall make any false, misleading or deceptive representation with respect to

3. Section 4 of the By-law is replaced by the following:

4. (1) Subject to subsection (2), a member institution may, in its advertising, make any of the following representations, or representations in substantially the same words as any of the following representations, with respect to its status as a member institution:

(a) "Member of the Canada Deposit Insurance Corporation" (or "A Canada Deposit Insurance Corporation member");

(b) "Member of CDIC" (or "A CDIC member");

(c) "(name of the member institution) is a member of the Canada Deposit Insurance Corporation"; or

(d) "(name of the member institution) is a member of CDIC".

(2) The representations may appear

(a) anywhere in advertising that deals exclusively with

(i) the member institution, without mentioning any deposit or other financial product, or

(ii) deposits insured by the Corporation; and

^a SOR/96-542

(b) immediately following, or in close proximity to, the name of the member institution in advertising that

(i) deals exclusively with deposits insured by the Corporation and refers to both the member institution and a person other than a member institution, using their name or a brand name or other identifier, or

(ii) does not deal exclusively with deposits insured by the Corporation, if the statement set out in subsection 9.1(1) appears in close proximity to the representations respecting the deposits that are not insured by the Corporation.

4. (1) Subsections 5(1) and (2) of the By-law are replaced by the following:

5. (1) A member institution shall display a membership sign provided by the Corporation prominently at each entrance to each of its places of business in such a manner that the sign is clearly visible during business hours.

(2) The membership sign, representing a stylized Canadian flag, must contain, at a minimum, the name of the Corporation, contact information for the Corporation and the name of the member institution or member institutions doing business at the location where the sign is to be displayed.

(2.1) A member institution that has its own web site or shares a web site with another member institution shall display the membership sign, provided in electronic form by the Corporation, prominently on that web site, either on the home page of the member institution or at a location on the web site where the member institution makes representations respecting its deposits that are insured by the Corporation.

(2.2) A member institution that shares a web site with a person other than a member institution shall display the membership sign, provided in electronic form by the Corporation, on that web site in close proximity to the representations by the member institution respecting its deposits that are insured by the Corporation.

(2.3) A member institution may display a membership sign at any of its points of service.

(2) Section 5 of the By-law is amended by adding the following after subsection (3):

(4) When a member institution vacates a place of business or point of service, it shall remove all membership signs from the vacated premises.

5. Sections 6 to 8 of the By-law are replaced by the following:

6. The Corporation shall supply to each member institution a copy of a brochure that includes the following:

- (a) general information about the Corporation;
- (b) contact information for the Corporation;
- (c) the Corporation's logo or other identifiers;
- (d) information as to what constitutes a deposit that is insured by the Corporation;
- (e) information as to what constitutes a deposit that is not insured by the Corporation;
- (f) the maximum amount of deposit insurance coverage provided by the Corporation; and
- (g) information as to what a depositor needs to know when the Corporation is obliged to make an insurance payment.

7. (1) A member institution shall display the brochure prominently at each of its places of business and points of service and shall make copies of the brochure available to depositors or any other persons.

(2) A member institution that has a web site may display the brochure on the web site or provide access to it on the web site by means of a hyperlink to the brochure on the web site of the Corporation.

(3) A member institution that shares a web site with a person other than a member institution may display the brochure on the web site or provide access to it on the web site by means of a hyperlink to the brochure on the web site of the Corporation and, if it does so, must display the brochure or the hyperlink at a location that is in close proximity to the location where the membership sign referred to in subsection 5(2.2) is displayed.

8. A member institution may make representations with respect to anything contained in the brochure.

6. Subsections 9(1) and (2) of the By-law are replaced by the following:

9. (1) In this section, "instrument" means a document evidencing that a member institution has received or is holding money from or on behalf of a person

(a) that does not constitute a deposit that is insured by the Corporation; and

(b) in respect of which the Corporation does not collect a premium in accordance with section 21 of the Act.

(2) A member institution shall not issue an instrument to any person in writing or by electronic or other means unless the instrument bears a warning statement on its face, in the following location, if any is specified, and in substantially the same words as the following:

(a) if the instrument evidences only that the member institution has received or is holding money that does not constitute a deposit that is insured by the Corporation, the statement

(i) "Not insured by CDIC",

(ii) "Not insured by the Canada Deposit Insurance Corporation", or

(iii) "The deposit evidenced by this instrument does not constitute a deposit that is insured under the *Canada Deposit Insurance Corporation Act.*"; and

(b) if, in addition to the information referred to in paragraph (a), the instrument also evidences that the member institution has received or is holding money that constitutes a deposit that is insured by the Corporation

(i) the statement "Only deposits held in Canadian currency, having a term of five years or less and payable in Canada are insurable under the *Canada Deposit Insurance Corporation Act.*",

(ii) the statement "The following deposits evidenced by this instrument do not constitute deposits that are insured under the *Canada Deposit Insurance Corporation Act.*",

(iii) the statement "Not insured by CDIC" beside the reference to each deposit that is not insured, or

(iv) the statement "Not insured by CDIC" in a footnote the reference mark for which is located beside the reference to each deposit that is not insured.

7. Section 9.1 of the By-law is replaced by the following:

9.1 (1) A member institution may affix to any document relating to a deposit that is not insured by the Corporation a statement in substantially the same words as the following:

"Only deposits held in Canadian currency, having a term of five years or less and payable in Canada are insurable under the *Canada Deposit Insurance Corporation Act*."

(2) A member institution may affix any of the statements set out in subparagraphs 9(2)(a)(i) to (iii) to any instrument evidencing that the member institution has received or is holding money that does not constitute a deposit that is insured by the Corporation.

9.2 (1) The following definitions apply in this section.

"advertisement" means a sales communication in written form that is published in or designed for use on a public medium, other than radio or television. (*texte publicitaire*)

"sales communication" means a communication, relating to a mutual fund, that is made to any person in order to induce them to purchase securities of the mutual fund and that is not contained in any of the following documents of the mutual fund:

(a) a preliminary prospectus or a pro forma prospectus;

(b) a simplified prospectus or a simplified pro forma prospectus;

(c) an annual information form or a preliminary or pro forma annual information form;

(d) financial statements, including the notes to the financial statements and the auditor's report on the financial statements;

(e) a trade confirmation; or

(f) a statement of account. (*communication à des fins de vente*)

"subsidiary" has the same meaning as in section 2 of the *Bank Act*. (*filiale*)

(2) A member institution shall include in its advertisements about money market mutual funds, or have included in the advertisements of any of its subsidiaries or affiliates about money market mutual funds, a warning statement in substantially the same words as the following:

"Mutual fund securities are not covered by the Canada Deposit Insurance Corporation."

8. Schedules I and II to the By-law are repealed.

COMING INTO FORCE

9. This By-law comes into force on the day on which it is registered.