

Deposit Insurance Information By-Law

# Information Bulletin for Fintechs

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## I. Introduction

**Note:** This Information Bulletin is for financial technology companies (fintechs) that offer banking-like or deposit-like products to their clients. Other intermediaries (e.g., brokers) could also use it to inform their own disclosure practice.

Fintechs are playing an increasingly important role in offering financial and payment products to individuals and businesses. Unlike banks, credit unions and trust companies, fintechs are not members of the Canada Deposit Insurance Corporation (CDIC) or a provincial equivalent. However, CDIC protection may apply to financial products fintechs manage or offer, depending on how and where their clients' money is kept.

Many fintechs reference CDIC deposit protection in their communications to inform clients. It is crucial that fintechs do not misrepresent this protection so that individuals and businesses can make informed financial decisions.

CDIC's [Deposit Insurance Information By-law \(DIIB\)](#) prohibits any person from making false, misleading, or deceptive claims about being a CDIC member institution or what is protected by CDIC. This Information Bulletin provides guidance to help fintechs understand and comply with the By-law's requirements. It should be read alongside the requirements in the By-law and the forthcoming updated Member Institution Information Bulletin. The updated Member Institution Information Bulletin, which is currently under consultation, clarifies CDIC's expectations for members in mitigating the risk of misinformation about CDIC deposit insurance when they are partnering with fintechs.

## II. Requirements of Section 2 of the DIIB

If a fintech makes representations about CDIC deposit insurance protection, it must ensure compliance with Section 2 of the DIIB, which states:

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

- (a) what constitutes, or does not constitute, a deposit;
- (b) what constitutes, or does not constitute, a deposit that is insured by the Corporation; or
- (c) who is a member institution."

This section outlines what CDIC considers to be false, misleading, or deceptive representations and provides guidance to help fintechs ensure their disclosures comply with the By-law's requirements.

To reduce the risk of contravening the DIIB requirements, fintechs should be aware of the principles of CDIC coverage so that when they make representations about CDIC, they accurately describe the protection.

## Conditions of CDIC Coverage

1. For money to be insured by CDIC, it needs to be held as **eligible deposits** at a **CDIC member institution**. For more information on eligible deposits, please visit [What's Covered](#) on [cdic.ca](#).
2. Eligible deposits are covered up to **\$100,000 per insurance category, per member institution**.
3. CDIC protection applies in the event of **the failure of the member institution holding the money** (i.e., the protection doesn't apply if the fintech fails).
4. If fintechs want their client money to be eligible for CDIC deposit insurance, the money must be placed in one of the following two ways:
  - A. **The account is opened in the client's name** at a CDIC member institution:
    - i. The CDIC member institution opens the account directly in the client's name and the client is listed as the depositor.
    - ii. CDIC protection applies to this account just as it would if the client had opened the account themselves. The eligible deposits held in this account will be combined with the client's other eligible deposits at the same CDIC member institution, in the same insurance category, and insured up to a maximum of \$100,000.
    - iii. The CDIC member institution is responsible for providing the CDIC [abbreviated brochure](#) (either digitally or in print) to the depositor (i.e., the fintech client), as required under Section 6 of the DIIB and explained in the Information Bulletin for Member Institutions. Fintechs should check with the CDIC member institution to understand how the brochure will be shared with clients and support that process, if needed. The member institution will provide the brochure to the depositors, so that any involvement by the fintech supports the institution's compliance with section 6.
  - B. Fintech deposits client money **in trust at a CDIC member institution and names clients as beneficiaries**.
    - i. The fintech acts as a trustee and deposits client money as eligible deposits in a trust account at a CDIC member institution. The clients are named as beneficiaries, and CDIC insures up to \$100,000 in eligible deposits for each beneficiary. These deposits are insured separately from deposits the trustee or beneficiary may hold in their own name.

If the member institution fails, CDIC would reimburse the fintech (the trustee), which would then decide the best way to reimburse the clients (beneficiaries).

- ii. To benefit from CDIC's protection of up to \$100,000 per beneficiary, the fintech must meet the following CDIC trust disclosure requirements:
  - Requesting the CDIC member institution to designate the account as a trust account and providing the trustee's (fintech's) name and address.
  - Providing the CDIC member institution with the name, address, and amount owed for each beneficiary (clients). For professional trustees, the same information must be provided directly to CDIC upon CDIC's request.

For more information about trust disclosure requirements, click [here](#).

5. If a fintech places client money in an account under its name (and not in a trust account), the money would be combined with any other eligible deposits the fintech holds in the same insurance category under its name, at the same CDIC member institution and insured up to \$100,000.
  - Because the fintech is listed as the depositor, CDIC would reimburse the fintech up to \$100,000 if the member institution fails. The fintech's clients would not be protected by CDIC.



### CDIC's Abbreviated Brochure

CDIC member institutions must provide the CDIC [abbreviated brochure](#) at account opening, based on how account opening documents are delivered:

- If account opening documents are provided in digital form, the institution must provide the digital version of the brochure.
- If account opening documents are provided in physical form, the institution must provide a printed version of the brochure.
- If account opening documents are provided in both digital and physical form, the institution may provide either the digital or printed version of the brochure.

## What CDIC Considers to be False, Misleading or Deceptive Representations

Without limiting the generality of what constitutes a false, misleading or deceptive representation under Section 2 of the DIIB, CDIC considers a disclosure to be non-compliant when fintechs:

- Imply that money is an eligible deposit when it is not. If you are unsure if the money qualifies as an eligible deposit, verify eligibility with the CDIC member institution you've partnered with.
- Give the impression that coverage exceeds \$100,000 per member institution, per insurance category.
- Make representations that products are "insured", "covered", or "guaranteed". Given that there are conditions to the CDIC protection, a fintech can say, for example, that "funds are eligible for CDIC protection", or "funds are eligible deposits".
- Suggest, whether directly or indirectly, that the fintech is "a member institution of CDIC" or "protected by CDIC", that money is protected in case of the fintech's failure, or that eligible deposits are held within the fintech. As noted above, CDIC only insures deposits held at its member institutions. As such, the use of the CDIC sign or digital symbol in fintech marketing materials is considered false, misleading, or deceptive.
- Omit to mention (on its website or other communication channels) that CDIC protection applies only in the event of a CDIC member institution's failure. By omitting this reference, fintech clients may wrongly assume that CDIC protection also applies in the case of the fintech's own failure.
- Advertise partnership with a financial institution that is a member of CDIC and using the CDIC name (e.g., "We partner with **CDIC member institutions**") on a page of a product that is not eligible for CDIC protection. This could give the impression that an ineligible product is insured and is considered false, misleading, or deceptive.
- Refer to a total coverage amount above \$100,000 without explaining how such coverage is achieved.

## Examples

*"Your deposits are safe with us and fully protected"* (false, misleading or deceptive because it could imply that money is protected in case of the fintech's failure and there are no conditions to the CDIC protection).

*"Your deposits with us are eligible for CDIC protection"* (false, misleading or deceptive because it implies that eligible deposits are held within the fintech and not the member institution).

"We are partnered with a CDIC member bank, so your money is protected" (false, misleading or deceptive because (i) the fintech should clarify that the money is eligible for protection and (ii) does not provide sufficient information about what constitutes this deposit as insured).

"Your money is insured by CDIC" (false, misleading or deceptive because the money is eligible for CDIC protection, but coverage is limited to \$100,000).

"We deposit your money into your own account at a CDIC member institution, so your funds are automatically protected" (false, misleading or deceptive because money is not automatically protected for deposit insurance because it needs to be held as eligible deposits).

"We provide higher CDIC protection on your funds." (false, misleading or deceptive because it may lead clients to incorrectly believe that CDIC protection is more than \$100,000 per member institution per insurance category, that the \$100,000 limit does not apply, or that CDIC protection is provided by the fintech itself.)

## What Fintechs Should Disclose to Clients to Avoid False, Misleading, or Deceptive Representations

Because protection can vary based on how client money is held, fintechs should disclose to their clients the applicable arrangement and what kind of protection applies.

### About money held in trust:

- If fintechs choose to make representations about CDIC protection, they should clearly disclose to clients that:
  - The money is held in trust with a CDIC member institution and is eligible for deposit insurance protection up to \$100,000 per beneficiary, provided that the trustee meets CDIC's trust disclosure requirements<sup>1</sup>; and
  - The protection only applies in the case of the member institution's failure.
- If client funds are held in trust across multiple CDIC member institutions, fintechs should clearly disclose that funds are held (in trust) at more than one CDIC member institution and that CDIC protection applies separately for each institution if they were to fail.

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<sup>1</sup> Refer to section [Conditions of CDIC Coverage](#) for the trust disclosure requirements.

- Fintechs that act as trustees may direct clients to CDIC's website if they want more information on CDIC's trust disclosure requirements (For more information, visit [www.cdic.ca/financial-professionals/trustees/](http://www.cdic.ca/financial-professionals/trustees/)).

#### About money held in the name of the client:

- If fintechs choose to make representations about CDIC protection, they should clearly disclose to clients that:
  - The money is held at a CDIC member institution under the name of the client;
  - The money is eligible for CDIC deposit insurance protection;
  - The money is combined with clients' other eligible deposits at the same member institution in the same insurance category and is insured for up to \$100,000; and
  - The protection only applies in the case of the member institution's failure.



CDIC considers it acceptable for a fintech to display the following statement on an eligible product landing page if space is limited, as long as the statement is accompanied by a link or a reference to another location on the fintech's site that provides full details about the applicable conditions and limits of CDIC protection as described above.

*"Your funds are held at a CDIC member institution and are eligible for CDIC deposit insurance if that institution were to fail."*





Although the absence of the following practices is not considered false, misleading, or deceptive, we encourage you to incorporate them to enhance transparency and help consumers better understand how deposit insurance applies.

- Clarify that the fintech is not a CDIC member institution.
- Repeat key information consistently across multiple resources, including the main page of the website, product page, in an account agreement, and any other customer support channel (e.g., call centres, FAQs, etc.).
- Include a link to CDIC's website ([fintech client page](#)) for more information.

Ensure disclosure is made in plain language to make it easily understood by consumers.

## Examples

Fintechs may use the following examples as written or adapt the wording to fit their communications, as long as the key messages remain clear and convey accurate information about CDIC deposit protection.

### Money placed in a trust account with one member institution

*"[Company Name] is not a CDIC member, but your money [or funds] is [are] held in trust at a CDIC member institution and you have been designated as a beneficiary. As such, if that member institution fails, your money [or funds] is [are] eligible for CDIC deposit protection up to \$100,000 when CDIC trust disclosure requirements are met. It is our responsibility to meet these disclosure requirements for your automatic protection. Learn more at [cdic.ca/depositors/whats-covered/fintechs/](#)."*

### Money placed in a trust account with multiple member institutions

*"[Company Name] is not a CDIC member, but your money [or funds] is [are] held in trust at one or more CDIC member institutions and you have been designated as a beneficiary. As such, if a member institution were to fail, your money [funds] at that institution is [are] eligible for CDIC deposit protection up to \$100,000 when CDIC trust disclosure requirements are met. It is our responsibility to meet these disclosure requirements for your automatic protection. Learn more at [cdic.ca/depositors/whats-covered/fintechs/](#)."*

### Money placed with member institution in an account in client's name

*"[Company Name] is not a CDIC member, but the balance on your card is held in your name at [member institution name], a CDIC member institution. As such, your money [or funds] is [are] eligible for CDIC deposit insurance up to \$100,000 per insurance category, if [member institution name] fails. Your card balance is combined with any other eligible deposits you have at [member institution name] in the same insurance category. Learn more at [cdic.ca/depositors/whats-covered/fintechs/](https://cdic.ca/depositors/whats-covered/fintechs/)."*

*"[Company Name] is not a CDIC member institution, but [fintech product name] is provided by [member institution name], a CDIC member institution. As such, your money [or funds] held in [fintech product name] is [are] eligible for CDIC deposit protection up to \$100,000 per insurance category, if [member institution name] fails. Your balance is combined with any other eligible deposits you have at [member institution name] in the same insurance category. Learn more at [cdic.ca/depositors/whats-covered/fintechs/](https://cdic.ca/depositors/whats-covered/fintechs/)."*

## III. Responsibilities of Member Institutions

Fintechs should also be aware that CDIC published an [Information Bulletin](#) in April 2020 to help CDIC member institutions understand and comply with DIIB requirements. An updated version of the bulletin, which is currently under [consultation](#), outlines CDIC's expectations for member institutions when partnering with fintechs. Fintechs should consult this latest version to understand those expectations.

## IV. Enforcement

It is important that no person makes false, misleading, or deceptive claims about being a CDIC member or what is protected by CDIC. CDIC regularly monitors compliance with Section 2 of the DIIB and asks clients of fintechs to contact us if they suspect that a fintech has or is making misrepresentations.

In cases where CDIC believes a fintech is not complying with Section 2 of the DIIB, we will contact the fintech directly to resolve the issue. If a resolution cannot be reached, CDIC will issue a cease-and-desist letter to the fintech, requiring it to cease contravening Section 2 of the DIIB.

## V. Questions and Answers

**Q: Do I have to disclose that my products are protected by CDIC, or can I choose not to say anything?**

**A:** You are not required to make representations about CDIC protection. However, if CDIC protection applies to your clients' money, we encourage you to let them know about the circumstances, conditions, and limitations of the protection. If you choose to do so, ensure that your disclosures are not false, misleading or deceptive.

**Q: Do I need to state that my products are *not* protected by CDIC?**

**A:** No. You are not required to state that a product is not protected by CDIC. However, if you choose to make representations about CDIC deposit insurance for any products or accounts you offer, you must ensure that your disclosures are not false, misleading or deceptive.

**Q: Can I describe my products as 'guaranteed' or 'insured'?**

**A:** No. CDIC considers the terms 'guaranteed' or 'insured' to be misleading, as deposit insurance is subject to coverage limits and conditions. Instead, you should state that the money is eligible for CDIC protection and clarify the conditions under which coverage applies.

**Q: Can I disclose information about CDIC protection in my FAQs or terms and conditions?**

**A:** Yes, you can include additional details about CDIC protection in FAQs or terms and conditions. We also encourage you to prominently display the information recommended in this bulletin where consumers would reasonably expect to find information about a product.

**Q: How can I help my clients understand CDIC protection?**

**A:** CDIC deposit protection can be complex – especially when deposits are placed through fintech platforms. To help your clients understand how CDIC protection applies, we recommend using the disclosure language and good practices set out in this guidance when communicating with them.

You need to be prepared to respond to the following questions so that your clients are well informed:

- Is my money held by a CDIC member?
- How is my money placed at the CDIC member?
- How much of my money is protected by CDIC?

We also encourage you to include a link to CDIC's [dedicated webpage for clients of fintechs](#), which explains how deposit insurance works when deposits are placed through a fintech.

**Q: Do I need to disclose where client money is held?**

**A:** If the client money is held in trust, it is not considered false, misleading or deceptive representation not to disclose which member institution holds your clients' money, but we encourage you to do so.

However, if client money is held in an account in the clients' own names at a CDIC member institution, that member institution is obligated to provide the CDIC abbreviated brochure as part of the account opening process, as required under Section 6 of the DIIB.

**Q: If I hold money in trust for the benefit of my clients, do I need to disclose to them whether I am meeting trust disclosure requirements?**

**A:** It is not considered false, misleading or deceptive if you do not disclose to your clients whether you are meeting trust disclosure requirements. However, we encourage fintechs to disclose to clients any procedures and processes they may have in place to ensure they are meeting these requirements.

**Q: How do the trust disclosure requirements differ for general trustees versus professional trustees?**

**A:** If you are a general trustee, you must provide the CDIC member institution with the name, address, and amount owed for each beneficiary. If your account is designated as a professional trustee account, this information must be provided directly to CDIC upon request. For more information about the complete trust disclosure requirements, click [here](#).

**Q: How should I disclose CDIC protection if money is held across multiple CDIC member institutions?**

**A:** You should disclose that money is held at more than one CDIC member institution and clarify that the \$100,000 coverage limit applies per member institution in case of their failure. You should not give the impression that the protection exceeds \$100,000 without explaining how protection above \$100,000 can be achieved.

**Q: How should I disclose protection if money is held in both a CDIC member institution and an institution covered by a provincial deposit insurer?**

**A:** Any disclosure or representation should clearly distinguish between coverage under the provincial deposit insurance regime and CDIC regime. Fintechs should avoid any language that could suggest the two are combined or interchangeable.

**Q: How should I disclose CDIC protection if all client money is held in one segregated account?**

**A:** If client money is held in a single segregated account, and the member institution were to fail, CDIC would reimburse the fintech up to \$100,000 because the fintech is listed as the depositor on the records of the member institution. The fintech's clients would not be protected by CDIC. You may choose to proactively disclose that client money is not eligible for CDIC protection or not make any representation.