

CDIC protection application

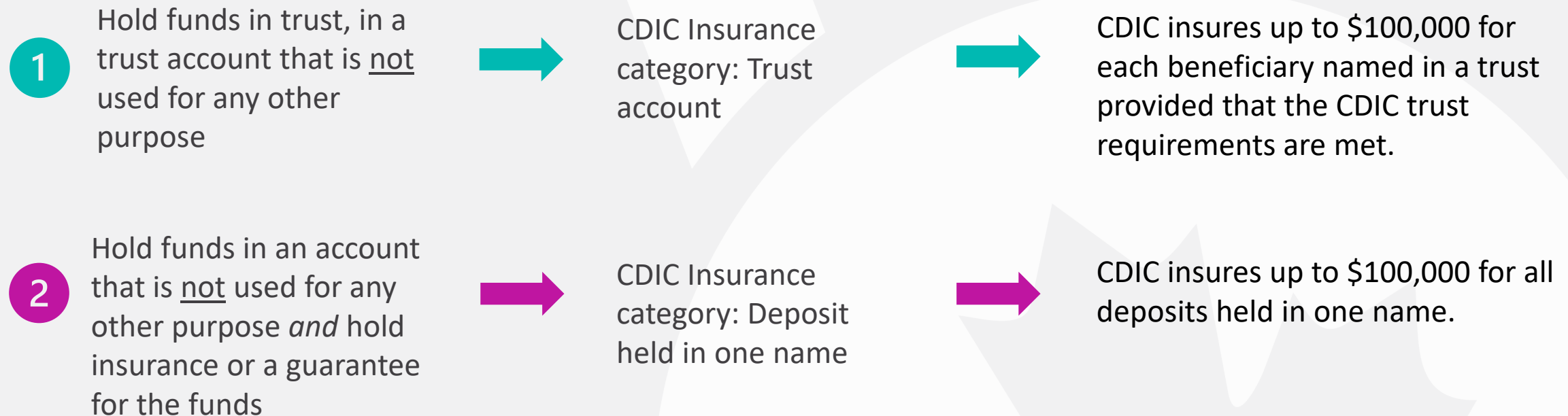
Based on payment service providers' choice of fund safeguarding

Payment Service Providers (PSPs) holding funds on behalf of end-users under the *Retail Payment Activities Act* (RPAA)

- Paragraph 20(1) of the RPAA requires a payment service provider that performs a retail payment activity that is holding end-user funds until they are withdrawn by the end-user or transferred to another individual or entity, to hold the funds in one of 2 ways:
 - 1) Hold end-user funds in trust in a trust account that is not used for any other purpose
 - 2) Hold end-user funds in an account that is not used for any other purpose and hold insurance or a guarantee in respect of the funds that is an amount equal to or greater than the amount held in the account
- The option chosen will have an implication on availability of CDIC deposit insurance (against failure of the CDIC member) if the payment service provider places the funds with a CDIC member.
- **Please note:** CDIC provides deposit insurance for the funds held at its member institutions if one of those member institutions were to fail. CDIC deposit insurance does not protect end-user funds if the payment service provider fails.

Impact of RPAA safeguarding options on CDIC protection

If you hold funds with one of our member institutions, protection will apply in the following ways:



Option 1: PSP has a trust account at CDIC member

CDIC category : Trust account

Will deposit insurance apply to each end-user?

Yes, if:

- ✓ The funds are held **in trust by a trustee for the benefit of the end-users (beneficiaries)**
- ✓ The member identifies the account as a **trust account**
- ✓ The **name and address of the trustee or co-trustees** are on the member's records
- ✓ The **name and address of each end-user** (even if there is only one) is on the records of the member
- ✓ The **amount or percentage of each end-user's interest** in the trust account is on the records of the member

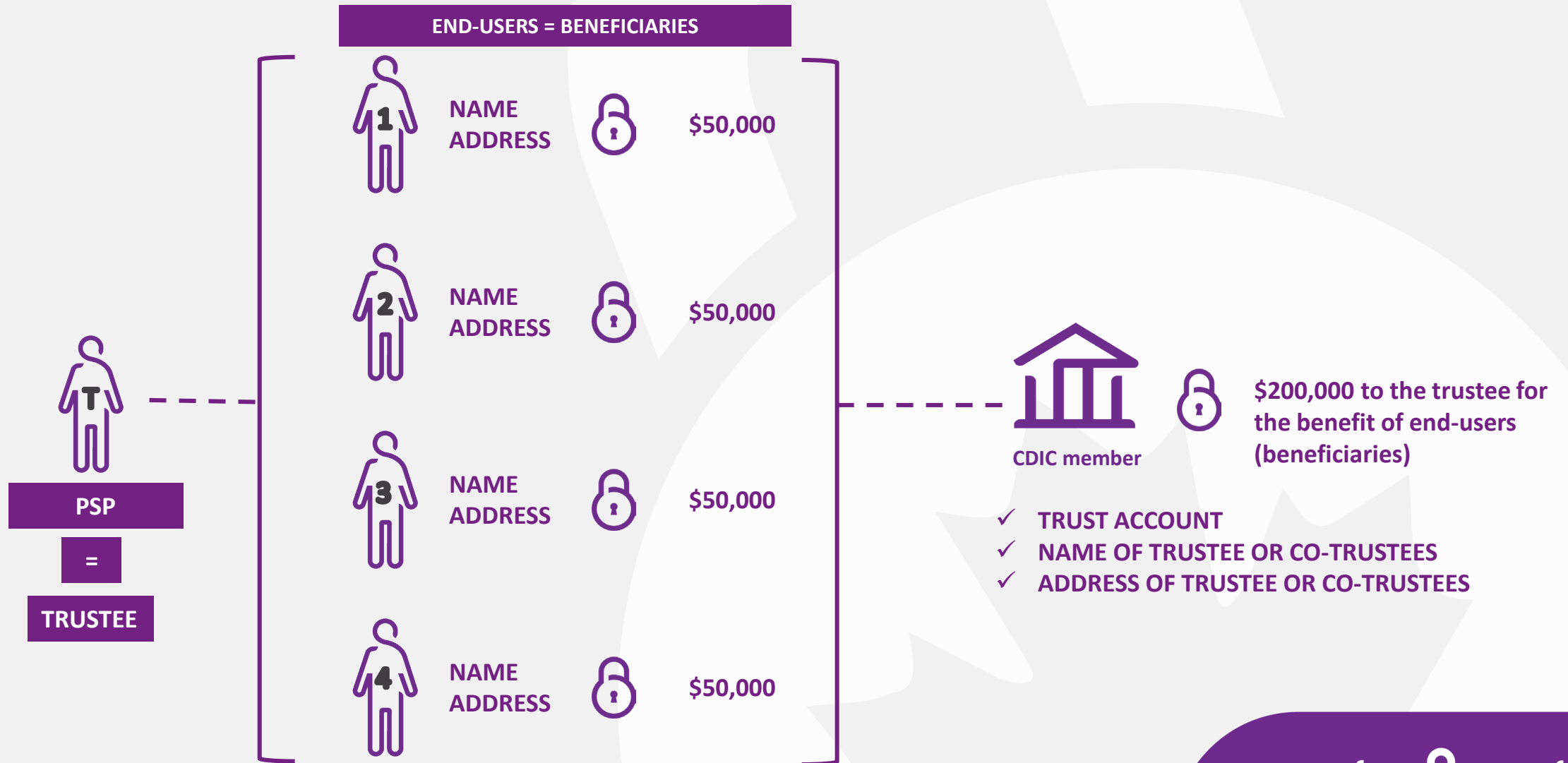
How will deposit insurance apply?

- ✓ CDIC will insure each end-user's interest in the trust up to \$100,000

How will CDIC pay?

- ✓ In the event of a member's failure, CDIC would make payment to the trustee (the trustee may decide to open a trust account with another financial institution and deposit the funds received or reimburse the end-users)

Illustration of option 1



Option 1: key takeaways

Required information on the members' records:

- Indication that the **deposits are held in trust**
- Name and address of the person(s) **acting as trustee**.
- Name and address of **each beneficiary**
- **Amount or percentage of interest** of each beneficiary

The trustee must keep the information about their beneficiaries **up to date on the member's records**.

If the information is not there, then coverage can be limited to \$100,000 in the name of the trustee.



PROFESSIONAL TRUSTEE FRAMEWORK

- Registered payment service providers acting as trustees for the safeguarding of their end-users' funds will be eligible for the professional trustee framework under the amended *CDIC Act*. This will allow for lighter beneficiary reporting requirements.
- The amendment to the Act will come into force on September 8, 2025.
- Registered payment service providers wishing to designate their trust accounts as professional trustee accounts can start preparations before September 8, 2025, but CDIC members cannot flag them as such until then.
- For more information about the professional trustee framework and related requirements, please visit: <https://www.cdic.ca/financial-community/for-trustees/>

Option 2: PSP has an account at CDIC member that is not used for any other purpose

CDIC category: Deposit held in one name

Will deposit insurance apply to each end-user?

No

- ✓ Even if the funds are in a segregated account at a CDIC member
- ✓ The funds will be aggregated with any other funds that the PSP has with the CDIC member in the same insurance category

How will deposit insurance apply?

- ✓ CDIC will insure the PSP up to \$100,000 for all deposits in the same insurance category

How will CDIC pay?

- ✓ In the event of the member's failure, CDIC would make payment to the PSP

Illustration of option 2

