



Canada
Deposit Insurance
Corporation

Société
d'assurance-dépôts
du Canada

Changes to CDIC's Deposit Insurance Framework Professional Trustees & Trust Accounts

September 2020



Who Is CDIC?

- Federal Crown Corporation established in 1967 to protect savings of Canadians, and contribute to financial stability by safeguarding over \$800 billion in deposits at more than 80 Member Institutions (MIs)
- Responsible for handling failure of any of our members, from smallest to largest
- Our MIs include banks, federally regulated credit unions as well as loan and trust companies and associations governed by Cooperative Credit Associations Act that take deposits
- CDIC has resolved 43 MI failures affecting some two million Canadians; to date, no one has lost a dollar of deposits protected by CDIC

Protection of Deposits Held in Trust

- CDIC insures eligible deposits (e.g., chequing & savings accounts, GICs, term deposits, etc.) held at each MI up to a maximum of \$100,000 per depositor per insurance category (i.e., deposits in one name, jointly held deposits, deposits held in trust, deposits in RRSPs, RRIFs, TFSA, etc.)
 - CDIC protects deposits subject to the CDIC Act & By-laws
- Deposits held **“in trust” (trust deposit)** by one party (the trustee) for the benefit of another (the beneficiary) **receive separate protection** if the trustee discloses to the MI at which the deposit is held, key info about the deposit & beneficiaries
- If the trust deposit has more than one beneficiary, **each** beneficiary can receive separate coverage up to \$100,000, provided each beneficiary is identified on the MI records along with the portion of the deposit belonging to each beneficiary

Important CDIC Act Changes

- On **April 30, 2022**, new CDIC Act and By-law requirements for trust accounts come into effect
- The new framework includes changes that impact certain trustees who hold deposits in trust for clients in a professional capacity (***Professional Trustees (PTs)***)
- Under the new framework, eligible PTs can choose to designate certain accounts as ***professional trustee accounts (PTAs)***, which will be treated differently from other (general) trust accounts
- For accounts designated as PTAs, PTs will be subject to streamlined reporting of beneficiary information to MIs, and will be permitted to provide this information to CDIC directly when required
 - Streamlined reporting is subject to PT meeting annual attestation requirements

[Note: A summary of the new PT requirements is found in Annex 1]

Who Qualifies as a Professional Trustee?

The CDIC Act defines a *Professional Trustee* is defined as follows:

- a public trustee of a province or a similar public official whose duties involve holding moneys in trust for others
- a federal, provincial or municipal government, or a department or agency of such a government
- a lawyer or partnership of lawyers, a law corporation, or a notary or partnership of notaries in the province of Quebec, when they act in that capacity as a trustee of moneys for others
- a person who is acting as a trustee of moneys for others in the course of business and is required by or under a statute to hold the deposit in trust
- a person who is acting as a trustee of moneys for others in the course of business and is subject to the rules of a securities commission, stock exchange or other regulatory or self-regulating organization that audits compliance with those rules
- a regulated federal or provincial trust company acting in capacity of a depositor

Why is CDIC Reaching Out?

- Confirm that identified PT groups' members can qualify as *Professional Trustees*
 - Under what circumstances do they hold monies in trust for others?
 - Where does the requirements to hold monies in trust stem from (legislation, professional rules, etc.)?
 - Impact on PT members' obligations/activities where they hold monies in trust for others?
- Identify key contacts within confirmed PT groups
 - Assist CDIC to promote awareness of the new framework and requirements
 - Provide input as needed to PT-focused support tools/resources
 - Recommend any other appropriate communication/outreach activities
 - Liaise with CDIC through the implementation period

Thank You for Your Assistance

Annex 1: New PT Framework

- Eligible PTs can be exempt from disclosure of required beneficiary info to MIs
 - Must “opt-in” to benefit from exemption
 - Designate their accounts to be flagged as PTAs
 - Maintain own up-to-date beneficiary records capturing all info required by CDIC
 - Attest annually to MI regarding continued eligibility as PT and to confirm their accounts to be treated as PTAs
 - Provide/update prescribed contact info to the MI
 - Notify CDIC MI if PT status changes (i.e. no longer qualify as PT)
 - Deliver PT beneficiary records for PTAs to CDIC upon request
- MIs must identify PT designated PTAs on their records, annually notify PTs of attestation requirements and report full monies in PTAs to CDIC for premium calculation purposes
 - Must remove PTA flag if no PT attestation is received, PT notifies of status change, or PT requests removal of PTA flag
 - Notify PT of PTA flag removal within 5 days of removal, including process to reinstate account as PTA
- PT failure to meet new obligations results in PT deposits being treated as general trust accounts:
 - Requires beneficiary names, addresses and interests in the trust deposit to be accurately reflected on MI records
 - Trustees must apprise MI of any changes to their beneficiary information to ensure MI records remain up-to-date
 - CDIC will rely on latest info on MI records to determine deposit insurance coverage for a general trust account
 - Trustees’ failure to provide/update required beneficiary information to the MI, may result in a loss or reduction of insurance coverage available for their clients/beneficiaries for whom they hold deposits