



CDIC
Canada Deposit
Insurance Corporation

SADC
Société d'assurance-dépôts
du Canada

Due to amendments to the CDIC *Joint and Trust Account Disclosure By-law* on September 4, 2019, some sections of this guidance document *may* be outdated. Please refer to [Guidance for CDIC Coverage of Brokered Deposits – May 7, 2018](#) for up-to-date guidance.

UNCLASSIFIED

INFORMATION BULLETIN

IMPORTANT INFORMATION FOR BROKER-TRUSTEES

June 8, 2017

Canada



The Canada Deposit Insurance Corporation (CDIC) recognizes that brokers and other financial advisors are a trusted source of information for Canadians, including those who invest in deposit products such as Guaranteed Investment Certificates (GICs). In many cases, deposits are purchased directly in the name of the client. Client investment relationships are also often set up by brokers as trusts (*i.e. broker acts a nominee for their client-beneficiary*).

This document provides general information on CDIC's coverage rules with respect to brokered deposits¹.

What's covered?

We protect eligible deposits that are held in our CDIC member institutions, in Canadian currency. We protect eligible deposits SEPARATELY (up to \$100,000, including principal and interest) for each of the following seven categories:

1. Held in one name
2. Held in more than one name (joint)
3. Held in an RRSP
4. Held in a RRIF
5. Held in a TFSA
6. Held for paying taxes on mortgaged properties
7. **Held in trust** - CDIC insures up to \$100,000 for EACH beneficiary named in a trust, provided certain **disclosure rules** are met. Assuming proper disclosure, the legislation establishes that:
 - trust deposits are separate from personal deposits of the trustee,
 - the interest of a beneficiary in a trust deposit is separate from any other deposits of the beneficiary either in its personal capacity or as beneficiary in a different trust,
 - the interest of each beneficiary is deemed separate, and
 - CDIC can disallow separate coverage if the trusts were established primarily for the purpose of increasing deposit insurance.

¹ For the purposes of this Information Bulletin, reference to brokers includes financial advisors, securities dealers, investment dealers, broker-dealers, and others who purchase deposits in the name of their clients or hold investments on behalf of their customers. For further information, please see the CDIC Information Bulletins issued in March 2010 and January 2011. This Information Bulletin does not constitute legal advice. Only the courts can provide decisive answers on matters of legal interpretation.



Direct and nominee deposits made by brokers

Direct Deposits

CDIC protects deposits to a maximum of \$100,000 per deposit category when brokers act **as agents for their clients** and place directly the deposits in the name of their clients. For example, at the moment of purchasing the financial product, the broker provides the name and address of its client as if the client was purchasing the financial product directly at the financial institution. The deposit is recorded on the records of the member institution in the name of the clients. No trust is created.

Nominee Deposits

Deposits made by brokers as **nominee for their clients** are considered to be deposits held in trust and are insured up to \$100,000 per beneficiary, subject to compliance with requirements under the Canada Deposit Insurance Corporation Act and the CDIC Joint and Trust Account Disclosure By-Law. For example, the broker acting as a nominee for its client would use an 'ITF' notation when purchasing the financial products for its client.

For deposits held in trust, the amount of the eligible deposits depends on the beneficiaries and their respective interests in the trustee's deposit. If one or more deposits are held in the same trust for a single beneficiary, up to \$100,000 would be covered. If it is a multi-beneficiary trust, coverage is calculated on the basis of up to \$100,000 per beneficiary. The interest of a beneficiary must be quantified or quantifiable. If not, the interest of that beneficiary is ignored for the purpose of calculating deposit insurance.

Deposits made by brokers acting as nominee for their clients would not be entitled to separate coverage if CDIC has reason to believe that those deposits were set up for the primary purpose of obtaining or increasing deposit insurance.

Disclosure rules for deposits held in trust

In order to qualify for coverage under the trust category, a valid trust must exist, and the fact that a deposit is held in trust must be disclosed on the records of the member institution together with the name and address of the trustee and of each beneficiary. Where the depositor is acting as trustee for two or more beneficiaries, the amount or percentage of the deposit attributable to each beneficiary must also be disclosed. Disclosure can be made by delivering the written information to the member institution.

It is the responsibility of the trustee depositor to ensure that there is a trust and that all required disclosures are made in the records of the member institution.



Alpha-numeric identifiers

Our by-laws permit certain trust depositors, including 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 (e.g., broker-trustees), to replace the name and address of beneficiaries with an alpha-numeric code or other identifier, provided they maintain the beneficiary's information on their up-to-date records. The alpha-numeric code provided must be a separate code in respect of each beneficiary and only one code per beneficiary is permitted (for example, a single beneficiary with multiple trust deposits under the same trustee must be identified by a single alpha-numeric code).

How we protect depositors in a failure

In the event of a member failure, CDIC would reimburse the “depositor” and would rely on the records of the member institution to do so.

In cases where an eligible deposit is made in the client’s own name, CDIC would reimburse the client directly, to a limit of \$100,000 per deposit category.

In cases where an eligible deposit is made in trust, CDIC would reimburse the broker-trustee, as depositor, based on the beneficiary information at the member institution. Broker-trustees are responsible to reimburse their clients/beneficiaries.

CDIC would contact broker-trustees to inform them of its process to reimburse insured deposits. CDIC would remit payment to broker-trustees within seven business days of receiving wire transfer/payment information. Payment would be based on CDIC calculations and deposit information at the failed institution.

CDIC would directly contact these affected broker-trustees using the contact information (email/telephone) at the failed member institution to explain the necessary steps. Broker-trustees should ensure that their key contact and address information is kept up to date.

Annual disclosures by trustees

In April of each year, CDIC member institutions write to depositors that are acting as trustees of trusts with two or more beneficiaries to request that these depositors supply the CDIC member institution, by May 30 of that year, with particulars of the amount or percentage of each beneficial interest in the deposit that is subject to the trust as of April 30. This requirement ensures that the trusteeship is appropriately recorded in the records of the member institution. Trustees can ensure they meet the trust disclosure rules by providing the required information to their financial



institution any time before a failure. If this is not done, CDIC by-laws state that the trust deposits may not be eligible for separate CDIC coverage. *(Note that, after failure date, new beneficiary information cannot be added in the records of the member institution and there can only be updates to beneficiary information that already shows or exists in the records of the member institution).* For more information on these disclosure rules please visit [Annual disclosure by trustees](#).