

**Dean Cosman, CPA, CA**

Senior Vice-President, Insurance and Risk Assessment  
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July 4, 2018

## Re: Royal Assent of Budget Implementation Act, 2018, No. 1

Dear CDIC member,

On June 21, 2018, the Budget Implementation Act, 2018, No. 1 (BIA 1), "*An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures*" received Royal Assent. The Act includes a number of important changes to the *Canada Deposit Insurance Corporation (CDIC) Act*, which modernize and enhance the Canadian deposit insurance framework. The amendments to the CDIC Act include:

- Extending coverage to deposits held in foreign currencies;
- Extending coverage to deposits with terms greater than 5 years;
- Providing separate coverage up to \$100,000 for deposits held in Registered Education Savings Plans (RESPs) and Registered Disability Savings Plans (RDSPs);
- Removing separate coverage for deposits held in mortgage tax accounts;
- Eliminating coverage for travellers' cheques; and
- Clarifying how deposit insurance is provided for different deposits held in trust (trust deposits) at CDIC's member institutions (e.g., deposits held in trust by nominee brokers and by professional trustees) and the disclosure requirements that must be met by trustees in order for trust deposits to receive coverage under the framework.

The date of the coming into force of the changes to the CDIC Act is not yet known and will be determined by order of the Governor in Council. CDIC will update member institutions and other stakeholders as soon as information becomes available, likely later this year.

The amendments to the CDIC Act will necessitate changes to CDIC's by-laws and other requirements that apply to member institutions and have implications for other key stakeholders, including brokers and other trustees. Over the coming months, CDIC will engage with members and other affected stakeholders to:

- Provide information (i.e. via letters and/or email) on the coming into force of the new legislative provisions, and key implementation milestones;
- Consult on proposed changes to the *Joint and Trust Account Disclosure By-law* and the *Data and System Requirements*; and
- Inform members and stakeholders of CDIC's expectations during the transition period, including ongoing compliance with CDIC requirements, premiums calculations and broker guidance.

Given the scope of the amendments to the CDIC Act, we recognize the need for open discussion with the membership to ensure the proposed changes are implemented as efficiently as possible.

Since the amendments are not yet in force, members are expected to complete the Return of Insured Deposits and the related attestations as per normal. Any questions on by-law matters and the filing of CDIC returns may be forwarded to [members@cdic.ca](mailto:members@cdic.ca). Questions regarding CDIC's approach to implementing the required changes can be directed to [questions@cdic.ca](mailto:questions@cdic.ca).

Please note that, in order to promote transparency and ensure that all members and stakeholders are aware of the above-noted information, CDIC will be publishing a version of this letter on our website.

Yours truly,

A handwritten signature in black ink, appearing to be a stylized name, possibly "D. D.", written in a cursive style.

Attachment: A summary of the coverage changes to the Canada deposit insurance framework.

## Summary of Changes to the Deposit Insurance Coverage Framework

CDIC insures eligible deposits at each member institution up to a maximum of \$100,000 (principal and interest combined) per depositor per insurance category. This means that by holding eligible deposits in more than one category, depositors may be able to access coverage in excess of \$100,000 at the same member institution.

BIA 1 introduces two new insurance categories and removes the category related to deposits for realty taxes on mortgaged property (i.e. deposits in mortgage tax accounts). Amounts in accounts held for the payment of realty taxes on mortgages would remain eligible for deposit insurance but would no longer have a separate insurance category and coverage limit. This would bring the number of distinct insurance categories to eight as outlined in **Table 1**.

Table 1: New Insurance Categories	
1) Deposits held in one name (individual)	5) Deposits held in Registered Retirement Income Funds (RRIFs)
2) Deposits held in more than one name (co-owned deposits <sup>1</sup> , previously referred to as “joint” deposits)	6) Deposits held in Tax-free Savings Accounts (TFSA)
3) Deposits held in trust for another person (trust deposits)	7) Deposits held in Registered Education Savings Plans (RESPs) <i>[New]</i>
4) Deposits held in Registered Retirement Savings Plans (RRSPs)	8) Deposits held in Registered Disability Saving Plans (RDSPs) <i>[New]</i>

BIA 1 also amends which deposits are eligible for deposit insurance. Deposits with terms over 5 years and deposits held in foreign currencies would be eligible for insurance. However, travellers’ cheques would no longer be deposits eligible for insurance, as member institutions no longer issue them.

<sup>1</sup> The new legislation uses the term “co-owned” to refer to a “joint” deposit. This change in terminology does not impact the substance of holding of the property (i.e. each joint or co-owner owns individually an equal and undivided interest in the funds as a whole).

The **Table 2** shows examples of eligible and non-eligible deposits.

<b>Table 2 : New Eligible and Non-Eligible Deposits</b>	
<b>Eligible Deposits</b>	<b>Non-eligible Deposits</b>
<p>Deposits eligible for deposit insurance coverage must be payable in Canada, and include funds held in all currencies <i>[New]</i> in the following:</p> <ul style="list-style-type: none"><li>Savings accounts</li><li>Chequing accounts</li><li>Term deposits (such as GICs)</li><li>Debentures issued to evidence deposits by CDIC member institutions (other than banks)</li><li>Money orders and bank drafts issued by CDIC member institutions</li><li>Cheques certified by CDIC member institutions</li></ul>	<p>Deposits not eligible for deposit insurance coverage include:</p> <ul style="list-style-type: none"><li>Deposits payable outside of Canada</li><li>Deposits payable to the Government of Canada</li><li>Travellers' cheques <i>[New]</i></li><li>Stocks, mutual funds and bonds</li></ul>