

CDIC member information session Questions & Answers

Toronto - January 23, 2020 (Revision 2.1)

This document is a selection of questions and responses from CDIC's Member Institution information session, "Implementing Changes to the Deposit Insurance Framework", held in Toronto, Ontario, and webcast live on January 23, 2020. The questions have been divided into four sections, mirroring the session presentations.

Both the questions and answers have been edited for clarity and conciseness, and as such, may not perfectly align with the video. Certain questions may also have been moved to a more appropriate subject category, for easier reference and consistency. Readers should be aware that this Q&A document does not supersede provisions outlined in the *Canada Deposit Insurance Corporation Act* or any CDIC By-laws.

CDIC may have used certain acronyms in its responses. For your reference, the following table is a list of common acronyms used and the terms that they reference:

COTDB	Co-owned and Trust Disclosure By-law
DIIB	Deposit Insurance Information By-law
DSR	Data and System Requirements
NB	Nominee Broker (per CDIC definition)
MI	(CDIC) Member Institution
SIA	Special Income Arrangement

1. CDIC Act and COTDB Amendments

1.1 **Trust Deposit** – Would CDIC only apply Trust deposit coverage to an account that is in fact recorded on the books of the MI as a Trust account as either ITF, or in Trust or something like that?

In order for a deposit to receive separate trust deposit coverage, the trusteeship must be disclosed on the records of the MI in accordance with the By-Laws.

1.2 **Trust Deposit** – If a MI classifies a deposit as a trust deposit, does that mean the deposit is deemed a Trust by CDIC and all trust deposit requirements apply? For example, In the FINTEC world, a new category of quick flowing (e.g., a few hours or overnight) payments could be “held in trust”. Would these deposits qualify as CDIC Trust deposits?

The intent of the legislation is to provide separate deposit insurance coverage when a deposit is held in trust and meets certain requirements in the *CDIC Act* and By-Laws. In order to receive separate trust deposit coverage, the trusteeship must be disclosed on the records of the MI in accordance with the By-Laws. When a depositor indicates that the deposit is held in trust, the MI should have account opening procedures in place to support the identification of the account as being a trust account. The qualification of deposits as trusts deposits will depend on whether the requirements of the *CDIC Act* and By-Laws have been met. The period under which the deposit is held in trust does not necessarily have an impact on the qualification of the depositor as a trustee or professional trustee.

1.3 **Professional Trustee** – How can we advise clients wondering if they qualify as Professional Trustees? Are CDIC subject matter experts going to be available to respond to questions and is there going to be any material that MIs can provide to clients?

The term Professional Trustee is defined in Schedule 2 of the *CDIC Act*. In order to qualify as a Professional Trustee, the requirements found in the Act and By-Laws must be satisfied. CDIC will engage with its members to get an assessment of which of their clients they think are professional trustees. Once CDIC has a good idea of who would fall into that environment, then CDIC plans to reach out to those Professional Trustees, either through Professional Associations or other methods to ensure professional trustees understand the new requirements. Also, CDIC will work with MIs to see if MI communication methods can be leveraged to inform professional trustees.

1.4 **Professional Trustee** – Would clients with deposits as fluid as changing every few hours consider themselves a Professional Trustee or if not, would they then be required to update beneficiary information every few hours?

The term Professional Trustee is defined in Schedule 2 of the *CDIC Act*. In order to qualify as a Professional Trustee, the requirements found in the Act and By-Laws must be satisfied.

For example, clients must meet the definition of a professional trustee for them to have an account identified as a professional trustee account. A person may qualify if he/she is acting as a trustee of moneys for others in the course of business and he/she is required by a statute to hold the deposit in trust.

However, if a depositor of a trust deposit does not meet the definition of a professional trustee as per the *CDIC Act*, but is acting as a trustee for another person or beneficiary, then in order for the deposit to receive separate trust deposit coverage, the depositor must meet the requirements of the *CDIC Act* and By-Laws.

1.5 Professional Trustee – Since the identification of a trust as a professional trust is optional, what is the advantage of identifying a trust as a professional trust from the member institution (MI) perspective as it looks like the MI will have to pay a higher premium as soon as a trust is identified as a professional trust?

A MI must identify an account as being a professional trustee account if the depositor requests that the account be identified as such and attests to be a professional trustee (while meeting all other requirements of the *CDIC Act*).

1.6 Registered Plan Deposits – On the bank side, there are depository plans and there are trusted plans. However, some MIs register the deposits in the name of the individual (e.g., “Client Name RSP”, with no evidence of trust at all. Would that attract ordinary SIA coverage as opposed to Trusted SIA coverage?

Yes

1.7 Co-owned Deposits – It has been mentioned that 'joint' and 'co-owned' can be used interchangeably. With respect to UCI's, would an account that is joint be treated the same as co-owned (i.e., one joint UCI versus individual UCIs for co-owners)?

Co-ownership of deposits is discussed in Schedule 2 of the *CDIC Act*. When a deposit is co-owned or jointly held, only one unique client identifier (UCI) should be assigned to the owners as if they were one client. As such, the aggregate of all deposits made by the same joint owners/co-owners would be insured up to \$100,000.

However, if the deposit is held in trust for several clients where each client owns a specific amount or share in the deposit, then CDIC refers to this type of deposit as a trust deposit with multiple beneficiaries. For a trust deposit with multiple beneficiaries, each beneficiary's own unique client identifier would need to be transmitted to the member institution along with each beneficiary's share in the deposit. To determine the insured amount for those deposits, the portion of each beneficiary in the deposit would be aggregated/combined with other deposits the beneficiary may have at the same member institution made by the same nominee broker.

1.8 Payable in Canada – What exactly is meant by “payable in Canada”?

This is essentially where the records indicate that the deposit is made in a branch of account in Canada. Foreign deposits made at a foreign branch of one of your institutions (e.g., New York branch) would generally not be payable in Canada. The residency of a depositor is not relevant to determine whether a deposit is payable in Canada.

1.9 Days – Do you mean business days when you refer to “days”?

When CDIC means business days, that specific language would be used either in the legislation or the by-law. If the text only says days, then it means calendar days.

1.10 Re-registrations – If a MI has an existing nominee GIC being re-registered to a dealer the MI does not have a contract with, will the MI and dealer then need a contract in order to complete the re-registration/transfer?

Yes, a re-registration is considered a new deposit, which means that the depositor needs a contract with the MI.

1.11 Foreign Currency Deposits – What foreign exchange rates should be used?

For DSR purposes, CDIC will use the rate posted on the Bank of Canada’s website and if not posted there, CDIC would use the official rate of the MI.

Please note that there is a discrepancy between the source of the rates to be used for RID reporting versus DSR submissions.

1.12 Foreign Currency Deposits – In the event of a failure, is there a payment pecking order with regards to depositors with both Canadian dollar and foreign currency deposits?

No, coverage is applied to aggregated balances within an Insurance Determination Category.

1.13 Implementation – What will happen if a broker decides not to sign the revised contract with the new CDIC requirements?

The legislation requires that MIs enter into agreements/arrangements with nominee brokers regarding nominee broker deposits and the MI must ensure that certain provisions be included in the contract with the nominee broker. If an MI is no longer a party to an agreement with a nominee broker, the MI must notify CDIC as per the *CDIC Act* and the By-Laws.

1.14 Implementation – What will CDIC do if the brokers’ vendors are not ready, or do not leave enough time, to input the required data (e.g., UCIs), by the end April 2022?

Member institutions must ensure that all the trust accounts on their records meet the new requirements as of April 30, 2022. Failure to meet the associated deadlines may have an impact on coverage.

1.15 Implementation – What is CDIC’s expectation with regards to remediation of existing accounts and the identification of Professional Trustees by April 30, 2022? We are not going to send the communication to them until after April 30, 2022, for April 2023.

Member institutions must ensure that all the trust accounts on their records meet the new requirements as of April 30, 2022.

1.16 NB Beneficiary Information for CDIC – Regarding the beneficiary information to be sent by the NB to CDIC within three days following request, why is the percent share (beneficial interest) not required?

CDIC relies on the information on the records of the member institutions to determine the insured amount. For a nominee broker deposit, the information that enables CDIC to calculate such amount includes knowing the number of beneficiaries through the disclosure of the Unique Client Identifier (UCI) of each beneficiary along with the associated amount in the deposit or percentage of interest. The information CDIC is requesting the nominee broker to send to CDIC is needed only to ensure that the UCI was properly assigned by the broker and represents a beneficiary.

1.17 Coverage – What is the coverage amount for John & Jane, if for example, a nominee broker has two non-registered accounts with the same MI as follows: Account A for John Smith has \$80,000 and Account B for John Smith and Jane Smith has \$95,000?

If the disclosure requirements are met and the unique client identifiers were properly assigned by the nominee broker, the nominee broker would receive \$175,000, where \$80,000 is for John Smith and \$95,000 is for both John and Jane Smith.

2. DIIB Amendments and Premium Approach

2.1 **DSR Attestation via RID – Do MIs have to do the annual RID certification or to wait to be asked for on demand testing and provide the attestation within 30 days?**

There is a possibility of both. If you are asked for an extract, the extract will accompany a request for an attestation as to the accuracy of the extract. In addition, CDIC will maintain the attestation process to be a part of the RID for 2020 (for all MIs) in respect of compliance with all requirements of the Data and System Requirements By-law.

2.2 **DSR Attestation via RID – Does the April 2020 RID return include an attestation page?**

The latest RID excludes the attestation in respect of the DSRB.

2.3 **DSR Attestation via RID – Does the RID attestation go away after April 30, 2022 and if so, do you flip over to just having to certify within 30 days of being asked by CDIC to provide certification?**

CDIC has flexibility in the by-law, as it is written today, to deviate from the RID certification envelope or vehicle. So CDIC would make it known whether an institution is expected to certify or attest compliance with the DSRB, 30 days in advance of looking for that attestation.

2.4 **DSR Testing – If an institution decides to continue its annual April 30th testing regardless of the fact that it is now by demand, should CDIC ask to attest at some later time (e.g., July), can MIs use the April 30th test to attest in July, or does CDIC expect that MIs repeat the test procedure again?**

Cela dépend de la date à laquelle la SADC demande ses fichiers de données à l'IM. Si, par exemple, la SADC demande à recevoir des fichiers de données d'ici au 30 juin ou dans les deux dernières semaines de juin, l'attestation devra porter sur la période visée. L'attestation et les fichiers de données doivent donc porter sur la même période.

2.5 **DSR Testing – The DSR is more than just the file - it is holds testing, channel blocking, timing of the file run, etcetera. If MIs did all of that, including foreign branch deposits, in April, apart from the file submission, could MIs use that channel blocking and holds testing and everything that was done for April for a July attestation?**

I will take this back and see if there is a bifurcation possible in relation to the attestation. So, whether the attestation will pertain to the quality of file and not in relation to several of the other requirements under the DSRB.

2.6 **Foreign Currency Deposits – Will MIs be able to get views from CDIC regarding the eligibility of certain foreign currency deposit products?**

CDIC maintains a clearance process in which an institution can avail itself if ever there is uncertainty with respect to the ineligibility or eligibility of a deposit product. MIs can request that CDIC provide an eligibility confirmation to remove doubt and ensure that an institution, in full faith and confidence, can advertise a product as having CDIC protection.

2.7 Trade Names - If an MI has not changed Trade Names and is still selling deposits on that same name, does it need to produce a Nil report??

The requirement is that every year, the institution will have to provide CDIC with a list of Trade Names or divisions its uses in the course of its eligible deposit taking business. CDIC is not interested in any other type of Trade Names you might use (e.g., those for credit card purposes). If there is any change to Trade Names during the year, a notification process, set out in the Information By-law bulletin, requires an institution to give CDIC notice prior to using that Trade Name so that CDIC is aware and can inform the public.

2.8 Trade Names - If a MI does not use a Trade Name in selling deposits, does it still need to provide CDIC with an annual list of trade names?

Yes. The MI still needs to provide CDIC with an annual list of trade names, even if no trade names are used.

2.9 Trade Names - What is considered a Trade name?

The use of trade names or names of separate divisions by members has resulted in depositor confusion about CDIC membership, and the application of deposit insurance protection. For the purposes of the Deposit Insurance Information By-law, a tradename is a separate business name for a member institution to operate under in the context of its eligible deposit-taking activities. A trade name is not a separate legal entity and is rather more akin to a brand than a subsidiary.

2.10 Payments - Understanding that the Canadian dollar equivalent is used for premiums calculation, is there a "pecking order" for Canadian dollar versus foreign currency deposits for payments in the event of a failure?

There is no pecking order. CDIC converts all deposits to Canadian dollar equivalent before calculating insured amounts and payments are made only in Canadian dollars. In the case of the DSR, the Bank of Canada posted exchange rates are used to convert foreign currency deposits to Canadian dollar equivalent amounts.

2.11 Differential Premiums - Will there be any changes to the differential premium requirements which is the prerequisite to the RID?

There are no changes to the Differential Premiums Form.

3. DSR – Overview

3.1 Foreign Branches – Are DSR changes required for the deposits of foreign branches, even though they are not insurable?

Requirements for foreign branches are unchanged from DSR 2.0 to DSR 3.0 with respect to the sections and tables that would be provided to CDIC. Where there are new data elements introduced in DSR 3.0, MIs are expected to include these for foreign branches too.

3.2 Trust Deposits – If an MI does not have trust deposits, is it still required to make the DSR changes?

Yes, DSR 3.0 includes changes to improve the accuracy of the data that CDIC would use in the event of a MI failure.

3.3 Beneficiaries – Is there a maximum # of beneficiaries that can be linked to a Trust deposit?

CDIC does not impose a limit on the # of beneficiaries for a given deposit account.

3.4 Beneficiary ID/UCI – The Brokered Deposit Advisory Group (“BDAG”) just published a document around Unique Client Identifier (“UCIs”), however, DSR 3.0 has no reference to UCI. Does that mean MIs do not have to provide UCIs in the DSR?

In the DSR, “Beneficiary ID” in Table 0153 is the equivalent of “Unique Client Identifier” (UCI). DSR 3.0 was finalized prior to the Broker Deposit Advisory Group (BDAG) landing on the common name of Unique Client Identifier (UCI).

3.5 Responsible Party Flag – How does this relate to OSFI?

OSFI requires a similar listing of persons and entities through the RRS (Regulatory Reporting System). As per DSR 3.0: “Depositor who is a member of the board of directors, top-most senior manager reporting directly to the CEO/President, or an external auditor of: the MI, its parent, and/or its subsidiaries”.

3.6 Responsible Party Flag – If there is a Responsible Party that does not have a deposit (e.g., external auditor), and is not captured in existing systems, are MIs expected to include those persons in the DSR?

CDIC expects the MI to provide the data already recorded in its deposit liability systems. CDIC is not expecting MIs to create new depositor records in Table 0100 for persons who do not have deposits placed with the MI.

3.7 Employee Flag – DSR 2.0 includes a field to flag all employees. Is this still in DSR 3.0?

In DSR 3.0, Employee Flag is an optional data element. MIs must include the data element name in the column header row.

3.8 Ledger and Sub-Ledger Balances – Is Table 600 no longer required?

ITable 0600 data records are now optional. However, the file itself is still required, and may and may be comprised of only the header row.

3.9 Special Income Arrangement – Should SIAs be classified as Trusts or not?

A deposit from a Nominee Broker is a trust deposit (Trust Account Type Code “3” for the given deposit account in Table 0130). The Nominee Broker is acting as a trustee (single depositor record

in Table 0100) for the benefit of their client(s) (i.e., beneficiaries/individuals found in Table 0153). From CDIC's perspective, the Nominee Broker is the depositor to whom CDIC would make payment to, in the event of a MI failure. If the Nominee Broker had identified the deposit as a SIA (i.e., RRSP, RRIF, TFSA, RESP, or RDSP), then the MI is expected to identify the Insurance Determination Category Type Code, accordingly ("5" for RRSP, "6" for RRIF, "7" for TFSA, "9" for RESP, or "10" for RDSP).

For a RRSP or a RRIF from a Nominee Broker, typically the annuitant is the individual who benefits from the deposit (i.e. annuitant with SIA Individual Flag "Y"). For a TFSA from a Nominee Broker, typically the holder is the individual who benefits from the deposit (i.e. holder with SIA Individual Flag "Y").

For a RESP or RDSP from a Nominee Broker, typically the child(ren) are the individuals whom benefit from the deposit (i.e. each child with SIA Individual Flag "Y") and the subscriber/holder is not the individual who benefits from the deposit (i.e. subscriber/holder with SIA Individual Flag "N").

3.10 Data quality and completeness – With the new DSR 3.0 tables, what are CDIC's expectations with regards to file submissions (i.e., are MIs supposed to refresh all new data tables with determination day + 1 activities)?

DSR extracts should include all deposits and related information as at the "completion of end of day processing" (i.e., the time by which all the transactions made on any given day are processed and posted to the deposit liability records of the MI).

3.11 MI Holds – With regards to MI Holds (Table 0140 and 0241), what description details are you expecting? How would CDIC handle those types of deposits during insolvency?

MIs are expected to provide the same level of detail in the 'Description' as they would for any other 'Descriptions' for other reference code tables. CDIC may ask MIs for further explanation if the Description is unclear. In the event of a MI failure, CDIC may review the reason for the MI hold prior to making a payment.

3.12 MI Holds – Table 0241 for MI Deposit Hold Type description references MI Account Hold Type, please clarify DSR 3.0 wording differences for table 0140 and table 0241.

This typographical error should be corrected in the next published version of the DSR 3.0.

3.13 Foreign Currency – If a MI with foreign currency deposits should fail prior to the implementation of DSR 3.0 (April 30, 2022) and FC exchange rate Table 0242, what exchange rate will CDIC use?

CDIC would collect this information from the MI, separately from DSR 2.0.

3.14 External Accounts – There is concern that certain external accounts on file (e.g., interest payment transfers) may not be a similar account (e.g., joint account). We would not want CDIC to pay a joint account when the original account at the MI was an individual's account.

CDIC would take into consideration all information from the DSR data extract, including the external account data in Table 0121, prior to making any payments in the event of a MI failure. CDIC may also contact the depositor for confirmation prior to making any payments to an external account.

3.15 Address Fields – Standardizing the address fields to Canada Post guidelines is a big operational challenge. Is this mandatory, and if so, is there any grace period for implementation?

Cheque is currently the primary method of payment in the event of a MI failure. Address data must comply with Canada Post Address Guidelines/International Destination Listings for CDIC to make faster payments.

3.16 DSR DEP Testing – In January 2022, will CDIC’s DSR Data Example Processing testing will be based on DSR 3.0?

DEP testing (typically offered from October to March) is always in preparation for Compliance testing applicable to the following year (e.g., May 2022) – so yes, upcoming fall/winter DEP testing will be based on DSR 3.0. More details regarding CDIC’s DEP testing program and window will follow later this summer.

3.17 DSR DEP Testing – We do our testing between April 15th and April 30th each year. Since the DSR is not going to be affected until after April 30, 2022, do we need to continue to maintain DSR 2.0 and then do testing on that? If we are ready early, can we do testing on DSR 3.0?

MI’s must be able to produce a DSR 2.0 data extract before April 30, 2022. There’s an expectation to offer pre-testing to MI’s for DSR 3.0 prior to April 30, 2022 (further pre-testing details to follow).

Regarding attestations, the revised DSRB that came into effect in June has removed the link to the April 30th date and basically requires an institution to be able to attest compliance 30 days following CDIC request. For July 15, 2020, the RID excludes the attestation in respect of the DSRB.

3.18 DSR DEP Testing – Last year at the information session, DSR testing was discussed and some suggestions were made with respect to improving the testing process for MI’s. For example, providing a testing tool that the MI could use during development. Has this been investigated further?

CDIC is continuously evaluating how we can improve the data testing process. CDIC intends to provide more details on the DSR 3.0 testing schedule and related developments later this year.

4. Communications and Stakeholder Outreach

4.1 Information Brochures - Will there be an updated abbreviated brochure available?

Yes, there is an abbreviated brochure that is available on the CDIC website under the Brochures, signage and other requirements section (<https://www.cdic.ca/financial-community/for-cdic-members/brochures-signage-and-other-requirements/>).