

Guidance for CDIC Coverage of Brokered Deposits

INFORMATION BULLETIN

May 7, 2018



For the purposes of this Information Bulletin, reference to brokers includes financial advisors, securities dealers, investment dealers, broker-dealers, and others who purchase deposits from financial institutions that are members of CDIC in the name of their clients or hold deposits on behalf of their customers at CDIC member institutions.

Disclaimer

This document does not replace legal advice that member institutions and brokerage firms should seek in the course of carrying out business, or before making any decision or taking any action. CDIC does not provide legal advice to third parties and does not issue rulings on the interpretation or application of the Canada Deposit Insurance Corporation Act or CDIC's By-laws, as these are legal matters for which only courts can provide decisive answers.

Guidance for CDIC coverage of brokered deposits

The Canada Deposit Insurance Corporation (CDIC) recognizes that brokers and other financial advisors are an important source of information for Canadians.

This Information Bulletin is specifically for brokers and financial advisors. It reflects feedback from consultations held with brokers and CDIC member institutions (Member Institutions) as part of the Department of Finance Canada’s Deposit Insurance Review.¹ The Information Bulletin covers the following areas:

1. How CDIC’s coverage rules for trusts apply to deposits made by brokers;
2. What disclosure is required to ensure clients’ deposits are protected by CDIC;
3. How to ensure Member Institutions receive your client information; and,
4. How CDIC aggregates eligible deposits in a failure.

Definition of key terms

Key terms in this bulletin emphasized by ⁱ are linked to the [glossary of definitions](#) at the end of the document.

In this document

Coverage framework	4
Coverage limit.....	4
Insured categories	4
Eligible deposits	5
Deposits vs Accounts	7
Aggregation.....	7
Coverage for brokered deposits	7
Trust deposits	10
Trust disclosure information.....	10
Jointly held deposits	11
Registered deposits	12
Frequently Asked Questions	13

¹ This Information Bulletin is subject to change if the proposed amendments to the Canada Deposit Insurance Corporation Act set out in Bill C-74, “An Act to implement certain provisions of the budget tabled in Parliament on February 27, 2018 and other measures” are passed and become law.

Coverage framework

CDIC's deposit insurance coverage framework (the Framework) consists of three main elements:

- the coverage limit;
- the seven insured categories; and,
- the scope of eligible deposits.

The Framework applies equally to personal and corporate deposits.

Coverage limit

CDIC protects eligible deposits to a coverage maximum of CAD \$100,000 for deposits held:

- by the same [depositor](#);¹
- at the same Member Institution; and,
- in each of the seven insured categories.

This means that by holding deposits in more than one category, and with more than one Member Institution, a depositor is able to access coverage above \$100,000.

Insured categories

There are seven distinct insurance **categories**:

1. Deposits held in one name (**individual**)
2. Deposits held in more than one name (**joint**)
3. Deposits held in trust for another person (**trusts**)
4. Deposits held in registered retirement savings plans (**RRSPs**)
5. Deposits held in registered retirement income funds (**RRIFs**)
6. Deposits held in tax-free savings accounts (**TFSAs**)
7. Deposits held for paying **realty taxes on mortgaged properties**

The simplest way to determine whether a deposit is included within the 'individual' insured category is to eliminate it from the other six categories.

Eligible deposits

Only eligible deposit products – e.g. deposits made in savings accounts, chequing accounts, term deposits (such as GICs) that are repayable no later than 5 years from the date of deposit, debentures issued to evidence deposits by Member Institutions (other than banks), money orders issued by Member Institutions, and cheques certified by Member Institutions – in each of the seven categories are insured by CDIC.

To be eligible for deposit insurance, deposits must be payable in Canada and in Canadian currency. A deposit is considered payable in Canada if it is held at a branch or office of a Member Institution in Canada. CDIC does not cover foreign currency deposits or deposits held at financial institutions that are not Member Institutions.

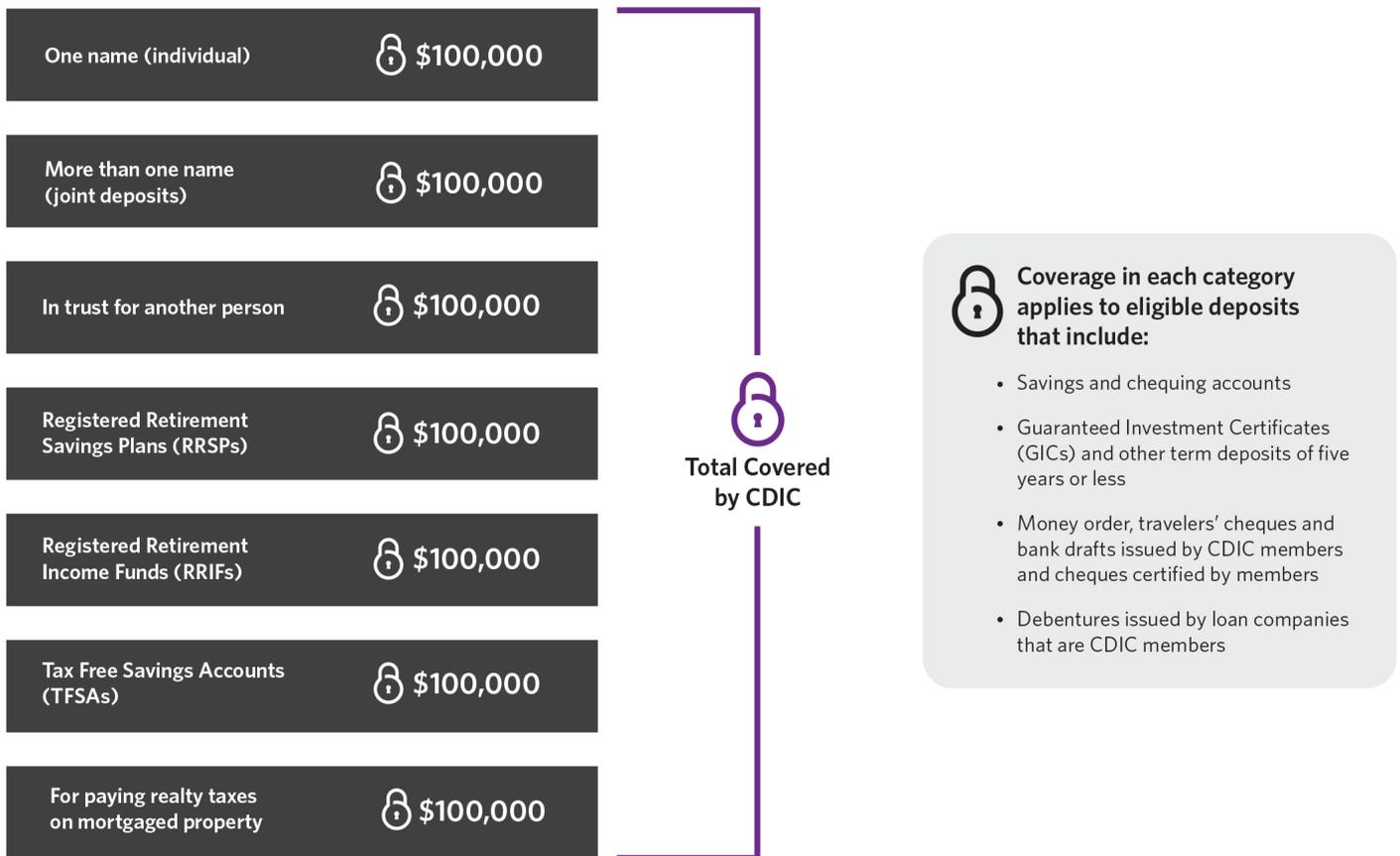
The Framework has three broad classes of deposits, not all of which are protected by deposit insurance:

- **Eligible deposits under the limit**
Deposits that are eligible for protection under the Framework, in amounts not exceeding the \$100,000 deposit insurance limit. These are fully insured under the Framework.
- **Eligible deposits over the limit**
Deposits that are eligible for protection under the Framework, but in amounts greater than the \$100,000 deposit insurance limit. Amounts of the deposit above the limit are not insured under the Framework.
- **Ineligible deposits**
Deposits that are not eligible for insurance coverage by CDIC – e.g. stocks, mutual funds and bonds. Certain other deposits held by a CDIC Member Institution are also ineligible for insurance, such as deposits that:
 - are payable in a foreign currency;
 - are payable outside Canada;
 - are payable to the Government of Canada; and/or,
 - have a term of more than five years.

(For the remainder of this bulletin, we will assume that any deposit referred to is eligible for CDIC insurance.)

Figure 1: Deposit insurance coverage framework

CDIC coverage* limit maximum of \$100,000 extends to eligible deposits held in CDIC Member Institutions (MI) in **each** of the following seven insured categories.



Financial products that are not included are:

- Mutual funds
- Stocks and bonds
- Term deposits, such as GICs, with original terms to maturity greater than five years
- Foreign currency deposits
- Treasury bills and bankers' acceptances
- Principal protected notes that are traded
- Debentures issued by banks, governments or corporations
- Deposits with receipts payable to bearer (rather than to a named person)
- Deposits held at financial institutions that are not CDIC members.

*To be eligible, deposits must be payable in Canada and in Canadian currency

Deposits vs. accounts

For the purpose of deposit insurance coverage, CDIC draws a distinction between accounts and deposits. CDIC insures deposits, not accounts. While a deposit is placed in an account with a Member Institution, an account is not the same as a deposit.

An **'account'** refers to a business arrangement that a Member Institution has with a depositor where the depositor can submit and remove money, with the Member Institution keeping a record of transactions.

A **'deposit'** refers to the legal obligation that a Member Institution has to repay a depositor for funds that have been placed with it.

Funds placed by the same depositor in different accounts do not automatically create different deposits.

Aggregation

To calculate deposit insurance, CDIC considers deposits and not accounts. Regardless of the number of accounts, CDIC adds together the deposits owned by the same depositor in the same insurance category at the same Member Institution, and provides coverage up to the \$100,000 limit. CDIC refers to this process as the 'aggregation' of deposits within the same insured category held at the same Member Institution. Aggregation means that a depositor's deposits in a given insured category, held at a particular Member Institution, are consolidated together for the purpose of CDIC deposit insurance coverage. It is important to understand that aggregation occurs within each insured category and not across categories.

Coverage of brokered deposits

A deposit broker receives funds from an investor and, acting as an intermediary, conveys these funds to a deposit-taking institution for investment.

Three ways deposit brokers can deposit funds:

- In their personal name (i.e. the broker is the depositor)
- Directly in the client's name (i.e. broker is acting as an agent for the client, who is deemed to be the depositor)
- "In trust for"ⁱ a client (i.e. broker is acting as a trustee depositor, and the client is a beneficiary)

Brokered deposits receive coverage differently depending on the approach the broker chooses.

Deposit made in broker's name

If the broker deposits funds in their own name, the deposit will be aggregated with the other deposits owned by the broker under their name in the same insurance category, with coverage capped at \$100,000 per insured category.

Deposit made in client's name

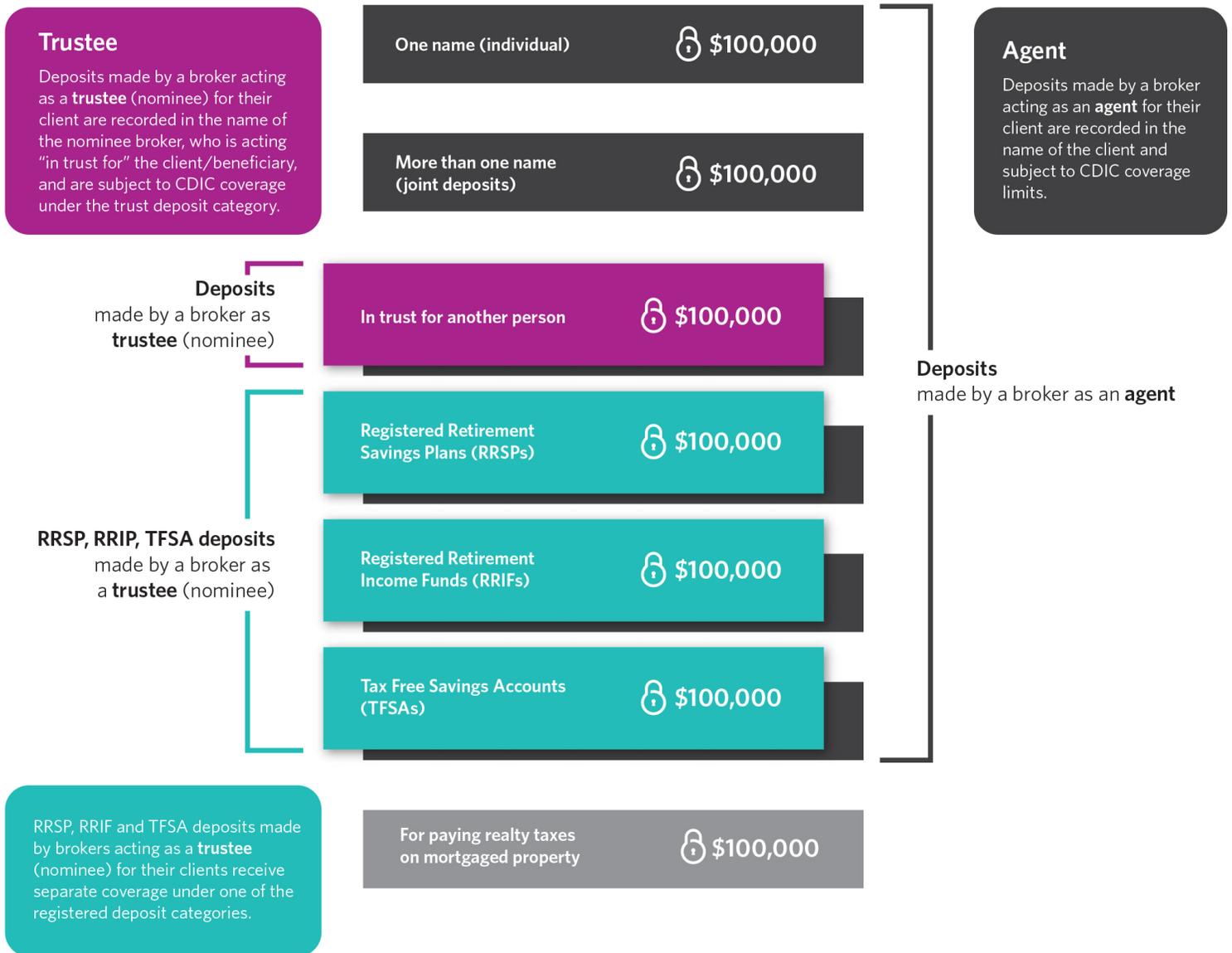
If the broker deposits funds directly in the name of the client, the broker is acting as an agent for the depositor and the amount is considered part of the client's \$100,000 limit in that insured category.

Deposit made "in trust for" client

If the deposit broker deposits funds "in trust for" a client, the broker is acting as a trustee (i.e. as a nominee), and the amount is considered to be held in trust for the client (as the beneficiary) and would be insured separately as a trust – i.e. in the 'trusts' insured category – provided the trust disclosure requirements are met.

Figure 2: How brokered deposits receive coverage under the deposit insurance coverage framework

This figure highlights how brokered deposits receive coverage depending on whether the broker sets up the deposit in the client's name (e.g. as an agent) or in the broker's name "in trust for" the client (e.g. as a trustee/nominee).



*To be eligible, deposits must be payable in Canada and in Canadian Currency

Trust deposits

A trust is a relationship whereby property is held in trust by one party (trustee depositor) for the benefit of another (beneficiary). Trusts are complex and can take a variety of forms. Some examples of trusts may include certain registered plans, professional trust accounts (i.e., accounts held by lawyers and real estate brokers in trust for their clients), brokered deposits, and charitable trusts. Trusts vary from having a prescribed form, (e.g. registered plans), to having no prescribed form (e.g. charitable trusts).

The fact that a deposit is held in trust, including the information prescribed under CDIC's *Joint and Trust Account Disclosure By-law* (discussed further below), must be disclosed on the records of the Member Institution for the deposit to receive separate coverage under the 'trusts' insured category – i.e. separately from the personal deposits of the beneficiary and those of the trustee depositor.

As each trust is treated separately for the purposes of coverage, a beneficiary of multiple trusts (i.e. trusts with different trustees and beneficiaries) may receive total coverage over \$100,000 within the 'trusts' insured category – i.e. up to \$100,000 for each distinct trust – if the disclosure requirements are met. Likewise, if a trust has more than one beneficiary, and the disclosure requirements are also met, each beneficiary will receive separate coverage of up to \$100,000.

Required trust disclosure information

As required by CDIC's *Joint and Trust Account Disclosure By-law*, in order for trust beneficiaries to each receive separate coverage, trustee depositors are required, before the date that a Member Institution fails, to disclose the following information for inclusion in the Member Institution's records:

1. that the account is a trust;
2. the name and address of the trustee/co-trustee depositors;
3. whether the trust account is held for more than one beneficiary;
4. the name and address of the beneficiary/beneficiaries; and,
5. in the case of more than one beneficiary, the amount or percentage of beneficial interest of each beneficiary as of April 30 each year.²

If the information that has previously been reported on the records of the Member Institution changes in 2, 4 or 5 (above), the trustee has to provide updated information within 20 days after the Member Institution fails. This means that, after a Member Institution fails, a trustee depositor cannot disclose new information, but can only update information that was already disclosed prior to the failure. For instance, a trustee depositor cannot add any new beneficiaries at this point.

² Pursuant to section 6 of CDIC's *Joint and Trust Account Disclosure By-law*, the particulars of the amount or percentage of each beneficial interest as of April 30 is to be submitted by May 30 each year; however a depositor may remedy a failure to disclose such information by May 30, provided such information is disclosed prior to the Member Institution's failure.

CDIC's *Joint and Trust Account Disclosure By-law* also allows certain listed professionals to provide a single unique [alphanumeric ID](#)ⁱ for each beneficiary in lieu of providing beneficiary name and address information, provided that the alphanumeric ID corresponds to an up-to-date record held by the trustee containing the same beneficiary information required by the by-laws. Examples of professionals to whom the exemption is available are lawyers; public trustees; federal, provincial, or municipal governments; a broker who is acting as a trustee of money and is subject to the rules of a securities commission or self-regulated organization, and; regulated federal or provincial trust companies.

Member Institutions are required to provide to CDIC the following information with regard to trusts:

- proof that the deposit is a trust deposit;
- the identity of the trustee depositor; and,
- whether the trust deposit is held for a single or multiple beneficiaries.

The Member Institution does not report to CDIC on beneficiary information such as names and addresses. CDIC only obtains access to beneficiary information when a Member Institution fails.

In order for CDIC to be able to quickly and accurately pay out deposit insurance, it needs to have ready access to up-to-date and accurate information on the records of the Member Institution. Insufficient or incorrect information may result in a reduction in coverage available to beneficiaries.

For professional trustees who provide alphanumeric IDs in lieu of providing beneficiary information, CDIC may request access to the professional trustee's records to obtain up-to-date records of beneficiary information in the event of a Member Institution failure.

Jointly held deposits

For coverage purposes, for a deposit to fall under the 'joint' insured category the following information must be shown on the records of the Member Institution prior to the Member Institution's failure:

- a statement that the deposit is owned jointly by the joint owners – e.g. 'A and B', 'A of B', 'A jointly with B', 'A, B and C as joint tenants', or 'A and/or B jointly'; and,
- the name and address of each of the joint owner.

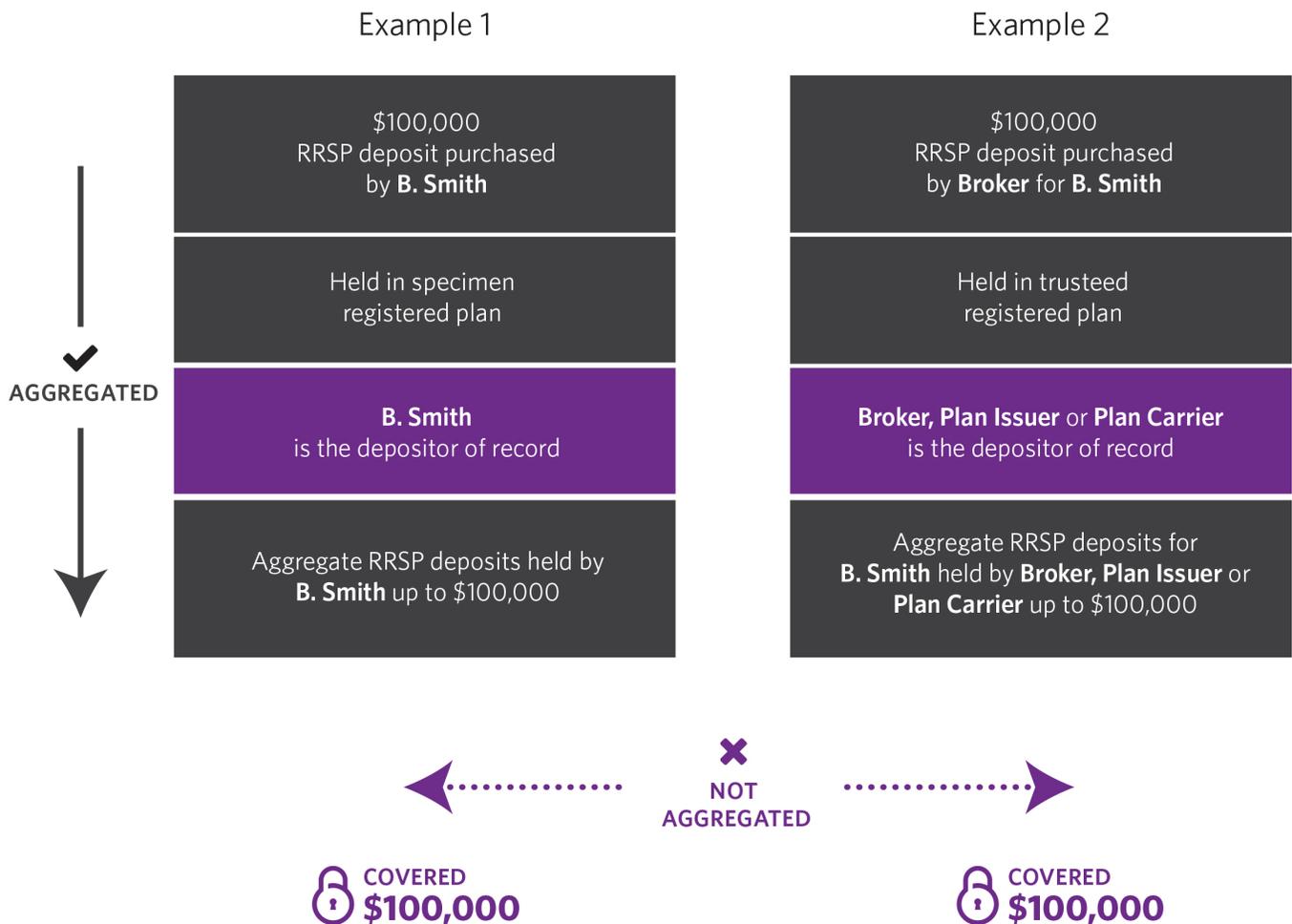
However, if the records of the Member Institution indicate that a broker has made a deposit "in trust for" multiple clients, the deposit will be deemed to be a trust deposit and not a jointly-owned deposit. In other words, where a broker registers a deposit as a nominee for clients that jointly own the deposit, the deposit will be considered a trust deposit with multiple beneficiaries, for the purpose of deposit insurance coverage, not a jointly owned deposit. As such, the deposit would be aggregated with any other trustee/brokered deposits held by the broker for the same clients/beneficiaries at the same Member Institution.

Registered Deposits

Not all deposits in registered products receive separate protection as distinct insured categories. Only deposits held in RRSPs, RRIFs and TFSAs receive separate coverage under the Framework. Deposits held in other types of registered plans – e.g. Registered Education Savings Plans (RESPs) and Registered Disability Savings Plans (RDSPs) – do not receive separate coverage and would be covered and aggregated under either the ‘individual’ insured category or the trusts category.

Figure 3: Deposits held in registered products

This figure shows that deposits held in RRSPs, RRIFs and TFSAs are aggregated based on the depositor of record at the Member Institution. In this case, B. Smith has \$100,000 in RRSPs held in his own name (Example 1), and \$100,000 held in a trusted RRSP (Example 2). Given that the depositor of record is different in these two cases, B. Smith will receive separate coverage for a total of \$200,000.



Frequently Asked Questions

Q1 Where do brokers fit under the CDIC deposit insurance coverage framework?

CDIC recognizes that client investments are often set up by brokers.

Since CDIC insures the depositor, it is very important that CDIC is able to identify the depositor of the funds held at the Member Institution, in order to properly calculate deposit insurance and to make a payment of deposit insurance when need be.

Brokers can set up deposits in three ways:

1. Directly in their own name
2. Directly in the name of the client (e.g. as an agent)
3. In trust (e.g. in the broker-nominee's name "in trust for" the client)

If the deposit is registered in your client's name, you would be acting as an agent for your client and not as a trustee/nominee broker. In that situation, the depositor is your client and any CDIC insurance payment would be made to your client directly. The deposit would be aggregated with any other deposits in the name of your client in the same insurance category at the same Member Institution.

If the deposit is held by the broker "in trust for" the client(s), it is considered a trust and is therefore covered separately under the 'trusts' insured category.

CDIC would rely on the deposit information contained in the records of the Member Institution to determine whether you are acting as a trustee or an agent.

CDIC would make a payment of deposit insurance to the depositor, i.e. the person for whom the deposit is recorded in the records of the Member Institution. If you are recorded on the records of the Member Institution as acting as trustee for one or more of your clients, CDIC would reimburse you as the trustee depositor and you would then be responsible for reimbursing your client or clients (the beneficiaries).

For more information, [click here](#).

Q2 What is the difference between acting as an agent and acting as a trustee?

Agent: Some arrangements, where one person is acting for or on behalf of another (or perhaps under a power of attorney), are not trusts. They are agency relationships. In those situation, the agent or attorney never owns the deposit and merely acts in the name of the owner, usually for specific purposes. For example, when a broker arranges for a GIC to be issued to a client, the broker acts as an agent. The deposit is recorded on the records of the Member Institution in the name of the client. There is no trust created. Any CDIC insurance payment would be made to the client and this deposit would be aggregated with any other deposits in the name of the client in the same insurance category at the same Member Institution.

Trustee: When a broker places a deposit “in trust for” a client or clients, the broker is considered to be acting as a trustee and the clients are the beneficiaries of the deposit.

In this situation, coverage would apply as follows:

- Deposits held in a trust for a single beneficiary are insured up to \$100,000 (per beneficiary) and separately from deposits held directly in the name of the client.
- For deposits held in trust for more than one beneficiary, coverage of up to \$100,000 can extend per beneficiary – i.e. each beneficiary is insured up to \$100,000.

For coverage to apply at the beneficiary level, a broker acting as a trustee must ensure that all the [necessary disclosure requirements](#) are met.

Coverage at the beneficiary level may not apply if CDIC believes that the deposits are set up for the primary purpose of obtaining or increasing coverage.

Q3 Why are the funds I place as a nominee for a client through different accounts not automatically covered separately?

Each deposit made by a nominee broker “in trust for” a particular beneficiary (or beneficiaries) is considered to be made under the same trust arrangement (i.e. a bare trust), regardless of when the deposit was made – i.e. all deposits made by that same broker for the same beneficiary(ies) will be aggregated, unless brokers provide evidence of distinct trust arrangements.

Using an ‘ITF’, ‘in trust’, ‘trust account’, ‘as nominee’ notation, when purchasing a financial product for the client/beneficiary, indicates that a given deposit is governed by a trust arrangement but is not sufficient to show that multiple deposits for the same client/beneficiary are subject to distinct trust arrangements.

Since CDIC does not have access to the information required to make a determination of whether or not a particular trust is subject to a distinct trust arrangement, brokers need to provide CDIC with appropriate trust documentation such as a declaration of trust, trust agreement or deed of settlement, and/or other information or documents regarding the nature of the trust. This would assist CDIC in determining that a given trust deposit is governed by distinct terms and conditions established by distinct trust documentation – i.e. a determination that such trust deposits should not be aggregated.

Q4 I currently hold many deposits as a nominee for the same clients at the same Member Institution. Are each of those covered?

A nominee broker acting as trustee can hold multiple deposits for the same client at the same Member Institution. Coverage however, is based on the aggregate (i.e. the total sum) of deposits in each insurable category, purchased by the same broker for the same client at the same Member Institution.

For instance, if one of your clients asks you to invest \$38,000 in a one-year GIC, and asks you three months later to invest \$54,000 in a three-year GIC at the same Member Institution, the \$92,000 in funds you are placing for your client would all be considered a single deposit.

CDIC aggregates deposits made by the same broker for the same client at the same Member Institution, regardless of whether they are held in separate accounts at the Member Institution or whether the client is a sole beneficiary or one of multiple beneficiaries to a deposit. To learn more about the difference between an account and a deposit, [click here](#).

Deposits held by the same broker for the same client but at different Member Institutions are not aggregated since they are not held at the same Member Institution.

To summarize, where a broker holds many deposits “in trust for” the same client(s) at the same Member Institution:

- The nominee broker is acting as a trustee.
- Coverage is provided on the basis that the deposit is a trust deposit.
- The nominee broker, as the trustee, is the depositor. The client is a beneficiary.
- The trust is eligible for coverage up to \$100,000 per beneficiary if the trust disclosure requirements are met (e.g. beneficiary’ name and address or unique alphanumeric ID, and beneficial interest).
- The deposit will be combined with any other trust deposits held by the broker “in trust for” the same client at the same Member Institution.³

³ Unless the deposit is an RRSP, RRIF or TFSA, in which case it would be insured under the relevant registered category.

Q5 What happens when different brokers hold deposits for the same client at a Member Institution?

Deposits held by different brokers for the same client at the same Member Institution are not aggregated since the depositor (i.e. the broker) for each deposit is different.

Q6 What about deposits that I make for my clients that are held jointly? Do they receive separate coverage?

Trusts deposits and joint deposits are separate insured categories. As such, trust deposits and joint deposits are eligible to receive separate coverage of up to \$100,000 each.

Brokers can make deposits for two or more clients who may jointly own the deposits. For example, a broker can purchase a GIC as a nominee for a wife and husband who jointly own the deposit.

However, when a broker registers a deposit “in trust for” multiple clients (i.e. as a nominee for clients that jointly hold the deposit), CDIC will deem the deposit to be a trust deposit with two or more beneficiaries for the purpose of deposit insurance coverage. Only if the broker, acting as an agent, registers the deposit directly in the name of the joint beneficiaries would a brokered deposit receive separate coverage in the joint deposit category.

To summarize, where a broker makes a deposit “in trust for” multiple clients:

- The nominee broker is acting as a trustee.
- Coverage is provided on the basis that the deposit is a trust deposit (and not a joint deposit).
- The nominee broker, as the trustee, is the depositor. Each joint owner is a beneficiary.
- The trust is eligible for coverage up to \$100,000 per beneficiary if the disclosure requirements are met (e.g. beneficiary’s name and address or unique client ID, and beneficial interest).
- The deposit will be combined with any other trust deposits held by the broker “in trust for” the same clients at the same Member Institution.⁴

⁴ Unless the deposit is an RRSP, RRIF or TFSA, in which case it would be aggregated with other RRSP, RRIF or TFSA deposits made by the broker for the same client at the same Member Institution.

Q7 I often place deposits for my client that are held in registered plans, such as RRSPs, RRIFs or TFSAs. Would they be combined with other non-registered deposits that I place for my client at the same Member Institution? How would coverage be determined for the deposits held in registered plans?

While RRSPs, RRIFs and TFSAs deposits may be structured as trusts, they are treated as separate insured categories. As such, deposits in RRSPs, RRIFs, or TFSAs each receive coverage up to \$100,000, separate from other deposits held at the same Member Institution in another deposit insurance category.

If CDIC identifies more than one registered deposit held at the Member Institution in the name of the same trustee/depositor for the same beneficiary, CDIC would aggregate these deposits to determine coverage. CDIC would not aggregate deposits with different depositors, even though the ultimate beneficiary of the deposits might be the same person.

Figure 4 below highlights how coverage would be applied to deposits held in registered products, depending on who is determined to be the depositor based on the records of the Member Institution.

Q8 What is a nested trust? How does this affect coverage of trust deposits?

This situation, sometimes called a “trust-within-a-trust” or “back-to-back trust”, can impact CDIC coverage.

If a depositor holds a deposit in trust for a client (Trust No. 1), who in turn holds their beneficial interest in trust for another client (Trust No. 2), the insurance coverage will be calculated only by reference to Trust No. 1.

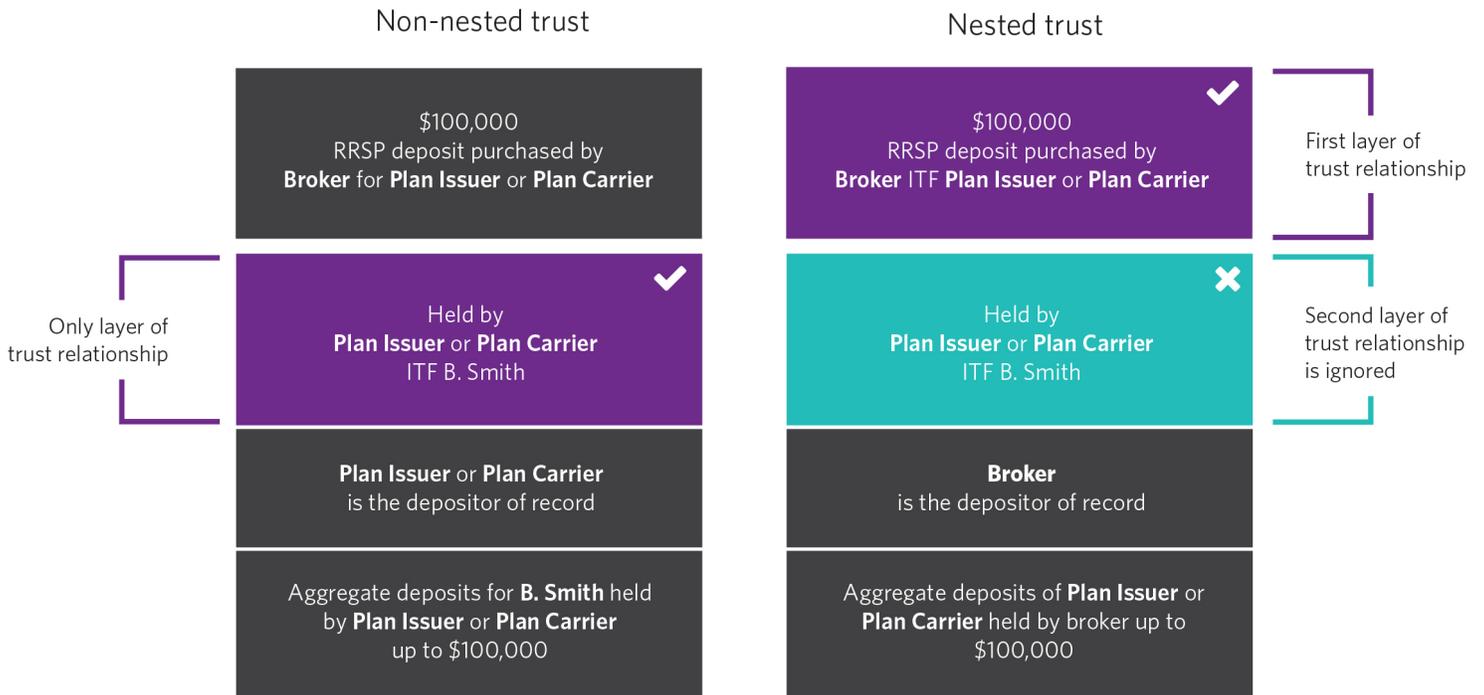
In other words, insurance coverage is determined at the first trusteeship layer and does not pass through to the second layer.

At law, CDIC is only permitted to consider the first trust relationship when determining coverage for deposits held in trust. This could have important coverage implications as CDIC would aggregate deposits based on the beneficiary of the deposits.

In order for the beneficiaries of Trust No. 2 to each receive separate coverage up to \$100,000, brokers should not structure the deposit as a nested trust. For this reason, consideration should be given to recording deposits directly in the name of Trust No. 2 or the beneficiaries.

Figure 4: Non-nested versus nested trusts

In the non-nested trust example, **B. Smith** is covered under a trustee RRSP. In the other example, a nested trust, the broker has purchased a deposit “in trust for a trust”.



Nested trust

When **Broker** is acting as a nominee for the **Plan Issuer** or **Plan Carrier** for the deposit at the MI, two layers of trusteeship are created.

Deposit insurance coverage is determined at the first trusteeship layer.

Q9 What about deposits that are in RESPs and RDSPs? Do they receive separate protection as well?

Registered Education Savings Plans (RESPs) and Registered Disability Savings Plans (RDSPs) are not CDIC deposit categories and do not receive separate coverage. However, deposits held in these plans may be entitled to coverage under the 'trusts' insured category.

A deposit made by a broker as nominee for a client in an RESP or RDSP is considered a deposit made in trust.

Brokers must meet the same disclosure requirements as for any other deposit they hold for their clients in trust to ensure separate coverage.

Coverage would be determined based on the same method of aggregation as applied for other trustee/brokered deposits.

In the case of a deposit made in RESPs or RDSPs by a broker as nominee for a client, CDIC only recognizes the first trust layer (i.e., the bare trust arrangement between the broker and the client).

In some situations, adopting a nominee (trust) model may limit coverage, similar to the situation for other registered deposits (RRSP, RRIFs, and TFSAs). For this reason, consideration should be given to recording deposits directly in the name of the client or the beneficiary of the RESP or RDSP.

Q10 What disclosure requirements do I need to meet to ensure that my client's deposits are protected?

Deposits made by brokers as nominees for their clients – i.e. trust deposits – are considered to be deposits held in trust between the broker and their client at the Member Institution. The client is considered a beneficiary.

In order to ensure client deposits are protected, a broker should provide certain information prior to the Member Institution failure. The information should be provided when the broker places a deposit.

For trusts with more than one beneficiary, the Member Institution sends an annual notice requesting that brokers submit the amount or percentage of each beneficial interest in the trust.

If this information has changed, or if you have failed to report the required information, you can transmit it at any point before the Member Institution failure.

To summarize, this includes:

1. The name and address of the trustee/co-trustee depositors;
2. The name and address of the beneficiary/beneficiaries (or unique alphanumeric ID, where permitted); and,
3. In the case of multiple beneficiaries, the amount or percentage of beneficial interest of each beneficiary as of April 30 each year.⁵

Brokers can also update the information that is already on the Member Institution's records 20 days after failure, but cannot add any new beneficiaries after a Member Institution has failed. Beneficiary information needs to be on the records of the Member Institution prior to failure of the Member Institution.

Brokers should provide information on clients/beneficiaries in an electronic format – such as a spreadsheet that can be easily processed – to assist with updating information.

Q11 What if the trust has more than one beneficiary?

For a trust with more than one beneficiary, brokers must provide Member Institutions with the same information as a trust with one beneficiary, with the following additional information:

1. an indicator that the trust has more than one beneficiary;
2. the name and address of each beneficiary (or unique alphanumeric ID for each, where permitted); and,
3. the amount/percentage of each beneficiary in the deposit. This allows CDIC to quantify the interest of each beneficiary to the trust.

The amount or percentage of each beneficiary interest can be provided as part of the annual reportingⁱ that Member Institutions request every year.

⁵ Pursuant to section 6 of CDIC's Joint and Trust Account Disclosure By-law, the particulars of the amount or percentage of each beneficial interest as of April 30 is to be submitted by May 30 each year; however a depositor may remedy a failure to disclose such information by May 30, provided such information is disclosed prior to the Member Institution's failure.

Q12 Can brokers use an alphanumeric ID instead of the name and address of a client to meet the disclosure requirements?

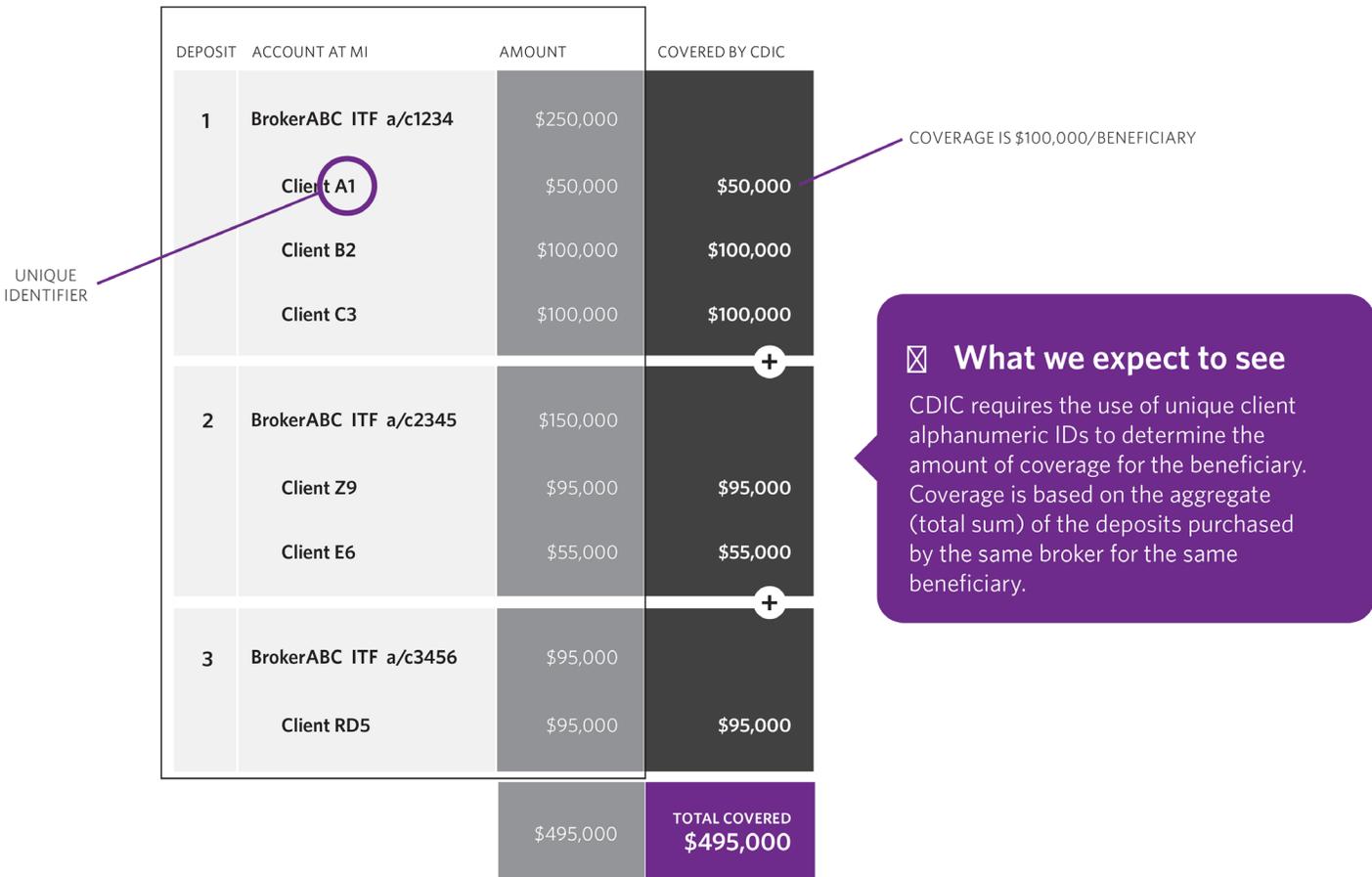
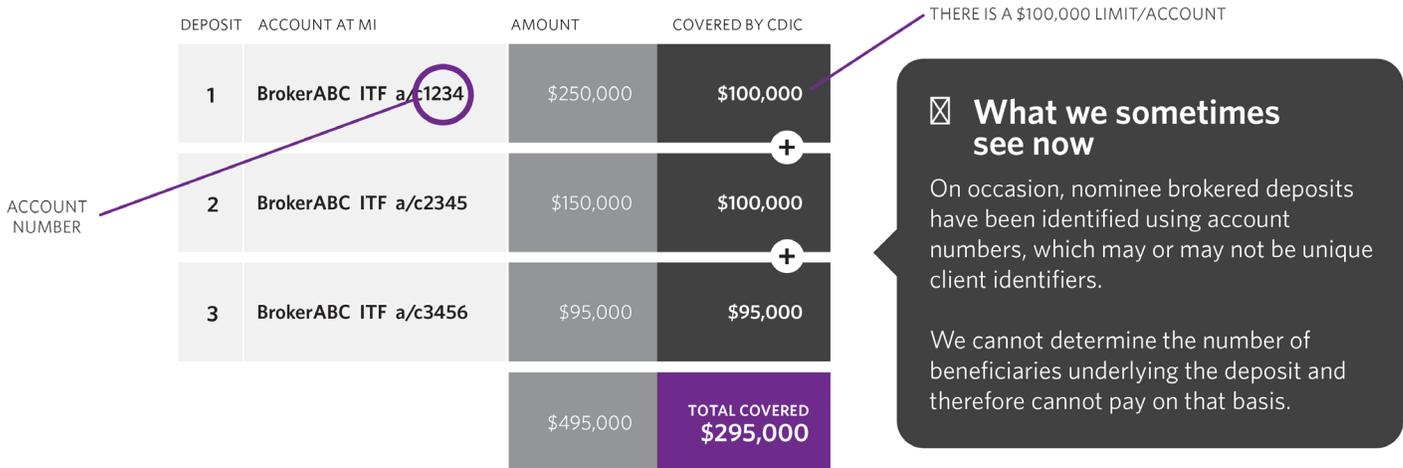
Brokers acting as nominees for their clients may provide alphanumeric IDs instead of beneficiary names and addresses.

The following criteria must be met in order to qualify as a valid alphanumeric ID:

1. there must be a unique alphanumeric ID in respect of each beneficiary;
2. each time the broker makes a deposit for the same beneficiary at the same Member Institution, the broker must use the same unique alphanumeric ID; and,
3. the broker must maintain in their records up-to-date beneficiary name and address associated with the alphanumeric IDs they provide to the Member Institution.

Figure 5: See how using Alphanumeric Identifiers can impact coverage significantly

If any or all of the information is missing from the records of an institution, a client’s deposits may not receive full coverage.



* In this example, all deposits are non-registered deposits.

MI: Member Institution ITF: In Trust For

Q13 I currently provide account numbers to Member Institutions when I make a deposit using platforms like Cannex and GICServ. Is this adequate ID for coverage?

This is adequate if the client only has one account number with their broker and no other client is associated with the account. For example, the client cannot have multiple account numbers with the broker.

Q14 What if I haven't submitted beneficiary information to the Member Institution?

For the purposes of CDIC coverage, beneficiary information should be submitted at the time the deposit is made. Brokers can however, submit or update the following beneficiary information at any time before the Member Institutions fail:

1. the name and address of the trustee/co-trustee depositors;
2. the name and address of the beneficiary/beneficiaries (or unique alphanumeric IDs, where permitted); and,
3. in the case of multiple beneficiaries, the amount or percentage of beneficial interest of each beneficiary as of April 30.⁶

Brokers can also update the information that is already on the Member Institution's records 20 days after failure, but cannot submit any new beneficiaries, nor report new information that was not previously reported, after a Member Institution has failed. Beneficiary information needs to be on the records of the Member Institution prior to failure of the Member Institution.

⁶ Pursuant to section 6 of CDIC's Joint and Trust Account Disclosure By-law, the particulars of the amount or percentage of each beneficial interest as of April 30 is to be submitted by May 30 each year; however a depositor may remedy a failure to disclose such information by May 30, provided such information is disclosed prior to the Member Institution's failure.

Q15 Don't I have 20 days after a failure to provide my client/beneficiary information to CDIC?

No – information about beneficiaries must be on the records of the Member Institution prior to failure of the Member Institution.

Brokers have 20 days following a failure of a Member Institution to update beneficiary information that is already on the Member Institution's records if the information has changed since it was previously disclosed. For example, brokers can change:

- the beneficiary's address;
- the beneficiary's name; and,
- the amount or percentage of beneficiary interest.

It is important to note that brokers **are not permitted to add new beneficiaries** to a deposit after a failure date. This rule applies to all deposits that are held in trusts.

Q16 I've submitted the necessary information to the Member Institution, how do I ensure that the Member Institution reports the information so my clients are protected?

CDIC relies on the records of the Member Institution. As long as the information has been provided to the Member Institution, the information is considered to be on the records of the Member Institution.

CDIC recommends that this information be provided to the Member Institution in electronic form such as in a database to facilitate the process for updating this information.

Q17 Would CDIC reimburse my client directly?

CDIC reimburses the depositor of record.ⁱ Where a nominee broker makes a deposit "in trust for" a beneficiary (client), CDIC would reimburse the nominee broker – i.e. the depositor trustee on behalf of the beneficiary.

For nominee brokered deposits, the reimbursement would be provided to the brokerage firm listed as the trustee on record of the failed institution. The broker would be responsible for reimbursing clients.

Q18 What do I need to do to ensure that I receive a quick reimbursement of my client's funds?

To facilitate quick reimbursement, you must provide the required information prior to failure and provide any permitted updates as soon as possible – within 20 days – following failure. You should also deliver the beneficiary information in an electronic spreadsheet format that can be processed easily. This includes:

1. The name and address of the trustee/co-trustee depositors;
2. The name and address of the beneficiary/beneficiaries (or unique alphanumeric ID, where permitted); and,
3. In the case of multiple beneficiaries, the amount or percentage of beneficial interest of each beneficiary as of April 30.

Brokers cannot submit any new beneficiaries after a Member Institution has failed. Beneficiary information needs to be on the records of the Member Institution prior to failure of the Member Institution.

Brokers should also ensure their firm's contact information with the Member Institution is kept current, as CDIC will use this information to contact your firm in the event of a Member Institution failure.

Q19 What is the difference between a 'carrying' broker and an 'introducing' broker?

When an introducing broker uses the services of a carrying broker to place funds, the carrying broker is typically reported as the depositor of record with the Member Institution.

To determine coverage, CDIC would examine the relationship between the carrying broker and the person reported on the records of the Member Institution as being the beneficiary. The name of the Introducing Broker typically does not appear on the records of the Member Institution.

In the following possible scenarios, coverage would be applied as follows:

- If the carrying broker holds the deposit **in trust for clients of the introducing broker**, then CDIC would assess coverage on the basis of the trust relationship between the carrying broker (as trustee) and the clients of the introducing broker (as the beneficiaries). If the disclosure requirements are met, each beneficiary (i.e. each client of the introducing broker listed as a beneficiary) will receive separate coverage.

- If the carrying broker holds the **deposit in trust for the introducing broker**, then CDIC would assess coverage on the basis of the trust relationship between the carrying broker (as trustee) and the introducing broker (as beneficiary). Given that the introducing broker is the beneficiary of the deposit, all the deposits of the introducing broker (as beneficiary) would be aggregated.

Q20 I am a Quebec-based broker. I understand that trusts are different under Quebec's Civil Law. Does coverage apply in the same way for the deposits I make for my clients?

If you are required under the laws that govern your professional activities in Quebec to keep funds on behalf of your clients 'in trust' and 'separate' from your own property, you are considered acting as a nominee and the funds that you hold on behalf of your clients when acting in that capacity are covered as trust deposits.

Q21 Where do I go for more information about coverage for brokers?

This document will be updated when necessary. We also recommend the following CDIC Information Bulletin, [Important Information for Broker-Trustees](#), which was updated in June 2017.

In addition, there is information on Joint and Trust Account Disclosure: the [By-Law](#) and [Information Bulletin on new requirements](#).

We encourage brokers to obtain accreditation through CDIC's [continuing education program](#). The training is free and self-directed, takes only one hour to complete, is accredited by the [Investment Industry Regulatory Organization of Canada](#) (IIROC), [Institut québécois de planification financière](#) (IQPF) and [Chambre de la sécurité financière](#) (CSF), and you receive a certificate upon completion.

Log on to <http://www.cdic.ca/en/financial-community/Pages/game.aspx> to find out more.

Glossary of definitionsⁱ

Alphanumeric ID

An alphanumeric identifier is a unique combination of letters and/or numbers that can be used to replace the name and address of a specific client (beneficiary), for confidentiality purposes, when a nominee broker (trustee) or other eligible professional trustees makes deposits “in trust for” their client. Only one unique alphanumeric ID should be allocated per client of the broker.

Annual reporting

The annual written disclosure that each depositor who is a trustee or joint depositor must make to Member Institutions disclosing the beneficiary and/or joint owner information required under CDIC’s *Joint and Trust Account Disclosure By-law*.

Depositor of record or depositor

The person in whose name the deposit is recorded on the records of the Member Institution and who has a right of reimbursement against the Member Institution.

“In trust for”

A notation on the records of the Member Institution – e.g. ‘ITF’, ‘in trust for’ or ‘trust account’ – indicating that the deposit is made by a trustee and held in trust for one or more beneficiaries.