



**CDIC**  
Canada Deposit  
Insurance Corporation

**SADC**  
Société d'assurance-dépôts  
du Canada

50 O'Connor Street, 17<sup>th</sup> Floor, P.O. Box 2340  
Station D, Ottawa, Ontario K1P 5W5  
Telephone: 613-996-2081  
1-800-461-CDIC (1-800-461-2342)  
Fax: 613-996-6095  
www.cdic.ca

50, rue O'Connor, 17<sup>e</sup> étage, C.P. 2340  
Succursale D, Ottawa (Ontario) K1P 5W5  
Téléphone : 613-996-2081  
1 800 461-SADC (1 800 461-7232)  
Télécopieur : 613-996-6095  
www.sadc.ca

January 20, 2012

**Reminder**  
**Requirement to disclose information about trust accounts to**  
**CDIC member institutions**  
**Joint and Trust Account Disclosure By-law**

This letter is to ask that you remind your members that if they have a trust account at a bank or trust company in Canada which is a member of the Canada Deposit Insurance Corporation (CDIC), the bank or trust company will be sending them a reminder during the month of April about they have certain disclosure requirements to meet under the CDIC *Joint and Trust Account Disclosure By-law*.

The disclosure obligations have been in place since 1996. The new element introduced last year was that CDIC member institutions are now required to annually remind trustee depositors of their disclosure requirements. Since 1996, for a trust deposit to enjoy additional insurance coverage, trustees must disclose certain information on the records of the member institution. Trust deposits are entitled to deposit insurance coverage separate from that being provided to the trustee in its personal capacity.

The most common question posed by members of law societies last year related to the disclosure of confidential information. Maintaining confidentiality of client information has been addressed in the following manner. As a lawyer or notary, under Section 7(1)(c) of the By-law, you are entitled to substitute for the name and address of each beneficiary of a trust account an alpha numeric or other code that would refer back to records maintained at the lawyer or notary's office.

The amount that is insured at the time of a failure is dependent on a number of factors. Basically, CDIC insures eligible deposits at each CDIC member institution up to a maximum of \$100,000 (principal and interest combined) per depositor. In addition, with respect to the savings held in trust for another person, a trustee depositor is entitled to additional separate coverage up to \$100,000 per beneficiary if certain information is provided to their bank. Without this

... 2

information, if the bank failed, there would be no way for CDIC to distinguish this account from other accounts of the trustee depositor in its personal capacity, or to distinguish one trust arrangement from another, or to determine the extent of coverage. CDIC therefore requires that trustees disclose to the bank that the deposit is an “in trust” account, and provide the name and address of the trustee depositor. The bank also needs to be able to distinguish between trust deposits – if the trustee is the same but the beneficiaries are different – so that the deposits are treated separately for coverage purposes. As a result, the bank needs to be made aware of the name and address of each of the beneficiaries of the trust. [Lawyer X in trust for client Y would be treated separately from Lawyer X in trust for customers 12, 13, and 14)].

The last element to be disclosed to the bank is to enable the calculation of how much of the deposit is insured. In the case of a failure, the trustee would be paid up to \$100,000 per beneficiary. If there is only one beneficiary of the trust, no additional disclosure is required. However, if there is more than one beneficiary, it is necessary to determine how much of the deposit is for the benefit of each beneficiary in order to benefit from coverage up to \$100,000 per beneficiary. Since the beneficiaries could change and the percentage allocation among the beneficiaries could also change, this information is to be updated annually.

Therefore, the information that is to be provided to the institution annually could be lawyer X in trust for Beneficiaries 1234, 1235, 1236, etc. and the respective interests in the total deposit of each of the beneficiaries is \$XX re 1234 (or XX% of the total), etc.

In the event of a failure of the institution, trustee depositors will be provided with 20 business days to update the information to the date of failure (see Section 8.1 of the by-law).

For more information on CDIC and deposit insurance, you may wish to visit CDIC’s Web site at [www.cdic.ca](http://www.cdic.ca) , or call CDIC’s toll-free information line at 1-800-461-2342.

Sincerely,

Sandra Chisholm  
Director, Insurance

