



# *Annual Report*

## CANADA DEPOSIT INSURANCE CORPORATION

Year Ending December 31  
1967



CANADA

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**CANADA DEPOSIT INSURANCE CORPORATION**

Honourable MITCHELL SHARP, P.C., M.P.,  
House of Commons,  
Ottawa, Ontario.

Dear Mr. Sharp:

I have the honour to submit to you the Annual Report of the Canada Deposit Insurance Corporation for the fiscal year ended December 31, 1967.

Yours very truly,

ANTONIO RAINVILLE,  
*Chairman*

## FIRST ANNUAL REPORT

The Canada Deposit Insurance Corporation Act received Royal Assent on February 17th, 1967 and came into force by proclamation on April 17th, 1967.

The prime purpose of the Act is to provide, for the benefit of persons having deposits with member institutions, deposit insurance against the loss of part or all of such deposits.

The Act gives the Corporation power to adopt by-laws, subject to the approval of the Governor in Council, regulating the conduct and general affairs of the Corporation. By-Law No. 1 (General) was approved by the Governor in Council on March 30th, 1967 and published in Part II of the Canada Gazette on April 12th, 1967. An amendment to this By-Law was approved by Governor in Council on May 26th, 1967 and published in Part II of the Canada Gazette on June 14th, 1967.

### DEFINITION OF DEPOSIT

For the purpose of the Act and the By-Laws of the Corporation a deposit has been defined in Section 2 (1) (a) of By-Law No. 1 (General) as under-noted:

“ ‘deposit’ means the unpaid balance of the aggregate of moneys received or held by a federal or provincial institution within the meaning of the Act, from or on behalf of a person in the usual course of business, and for which the institution

(i) has given, or is obligated to give, credit to such person's account, or  
(ii) has issued, or is obligated to issue, a receipt, certificate, debenture other than a debenture issued by a chartered bank, transferable instrument, draft, certified draft or cheque, traveller's cheque, prepaid letter of credit, money order or other instrument in respect of which the institution is primarily liable, if the institution is obligated to repay the moneys

(iii) on a fixed date,

(iv) on demand by the depositor, or

(v) within a specified period of time following demand by the depositor,

and includes any interest accrued or payable to the person, but does not include moneys received or held by the institution where the date of deposit is on or after April 17, 1967 unless the institution is obligated or may by demand of the depositor become obligated, to repay the moneys within five years from such date of deposit or on a date five years after such date of deposit.”

## LEGISLATION

The principal provisions of the Canada Deposit Insurance Corporation Act to which reference is made in this report may be described as follows:

### Relevant Section

9. For the purpose of this Act, the following are federal institutions:
  - (a) a bank;
  - (b) a company incorporated by or pursuant to an Act of the Parliament of Canada that accepts deposits from the public and to which the Trust Companies Act or the Loan Companies Act applies.
10. For the purposes of this Act, a provincial institution is an incorporated company that carries on, under a provincial Act or a constating instrument under provincial jurisdiction, the business of a trust company within the meaning of the Trust Companies Act or the business of a loan company within the meaning of the Loan Companies Act, or both such businesses, and that accepts deposits from the public.
11. The Corporation may do all things necessary or incidental to the objects of the Corporation and in particular may acquire assets from a member institution, make loans or advances to a member institution and take security therefor and guarantee loans to or deposits with a member institution, for the purpose of reducing a risk to the Corporation or reducing or averting a threatened loss to the Corporation.
13. (1) The Corporation is required to insure each deposit with a member institution except;
  - (a) a deposit that is not payable in Canada or in Canadian currency;
  - (b) a deposit in respect of which Her Majesty in right of Canada would be a preferred claimant; and
  - (c) so much of any one deposit as exceeds twenty thousand dollars.
14. (1) The deposits with a federal institution that was carrying on business on the day that the Act came into force were insured by the Corporation from and after that day.
  - (2) The deposits with a federal institution that commences business after the Act came into force are insured from the day the institution commences business.
16. On application, the Corporation insures the deposits of a provincial institution if;
  - (a) the provincial institution is authorized by the province of its incorporation to apply for deposit insurance.
  - (b) the provincial institution agrees, in carrying on its business, not to exercise powers substantially different from the powers exercised by a trust company under the Trust Companies Act and a loan company under the Loan Companies Act.



- (c) the Corporation approves the provincial institution for a policy of deposit insurance.
- 19. (1) The Corporation is required to assess and collect from each member institution an annual premium equal to the greater of
  - (a) five hundred dollars: or
  - (b) one-thirtieth of one per cent of the total amount of such deposits as are deposited with the member institution as of the 30th day of April in that year and insured by the Corporation.
- 36. (1) The Corporation may employ such officers, agents and employees as are necessary for the purposes of the Corporation and is empowered, subject to the approval of the Minister of Finance, to make use of the personnel, facilities and services of the Department of Insurance and the Department of Finance.

### BOARD OF DIRECTORS

The terms of the Act provide that the Board shall consist of five (5) directors, one of whom is Chairman. The Chairman is appointed by Governor in Council and the other four members are to be the persons holding the respective offices of the Governor of the Bank of Canada, the Deputy Minister of Finance, the Superintendent of Insurance and the Inspector General of Banks.

Members of the Board are:

Messrs. A. Rainville, Chairman  
L. Rasminsky, Director  
R. B. Bryce, Director  
R. Humphrys, Director  
W. E. Scott, Director

### OPERATIONS AND ORGANIZATION

Between April 17, 1967 when the Corporation began operations and December 31, 1967 total interest income of the Corporation was \$809,918. and the total of interest payments and other operating expenses was \$438,450. as shown in the attached financial statements.

At the year end deposits with member institutions totalling in excess of \$17.1 billion dollars were being insured by the Corporation. Premiums payable by member institutions for the first year of operations totalled approximately \$5.7 million dollars. Premiums received, together with the initial capital of the Corporation in the amount of \$10 million dollars, have been invested in securities of the Government of Canada.

Under the terms of the Act the Superintendent of Insurance examines on behalf of the Corporation, the affairs of Federally incorporated Trust and Loan Companies and the Inspector General of Banks examines, on behalf of the Corporation, the affairs of each Bank. Provincial institutions are examined on behalf of the Corporation by persons designated by the Corporation for that

purpose. The Superintendent of Insurance is performing the initial examinations in connection with the approval of Provincial institutions as members.

Of the sixty-nine (69) member institutions at December 31, 1967 twenty-eight (28) are federally incorporated, and a further seven (7) are provincially incorporated but are supervised by the federal Superintendent of Insurance by agreement with the province concerned. All of these institutions are regularly examined by the Inspector General of Banks or the Superintendent of Insurance.

Of the remaining thirty-four (34) member institutions, the initial examinations of twenty-nine (29) had been completed by the year end. As respects the five (5) that had not been examined up to that time, the risk to the Corporation is covered by an indemnity agreement with the province of incorporation until the initial examinations are completed and acceptance of the risk agreed to by the Corporation. These initial examinations were completed early in 1968. Formal reports on all these examinations had either been received by the Corporation by the year end or will be received in the first part of 1968.

The Corporation is operating with the assistance of staff and facilities provided by the Department of Insurance and the Department of Finance, and is presently occupying space with, and sharing facilities and staff of, the Municipal Development and Loan Board at its Head Office in Ottawa. Mr. T. J. Davis, presently the Executive Director of the Municipal Development and Loan Board, is also acting temporarily as the Secretary of the Corporation.

## MEMBER INSTITUTIONS - FEDERAL

At the time the Act was proclaimed April 17, 1967, eighteen (18) Federally incorporated Loan and Trust Companies and ten (10) Banks automatically became Federal member institutions. During the year a former Provincially incorporated Company, The Co-Operative Trust Company in Saskatchewan, became Federally incorporated. However, the number of Federal member institutions remains at twenty-eight (28) at the year end, because of the amalgamation of the Eastern and Chartered Trust Company and the Canada Permanent Trust Company. The member institutions at December 13, 1967 are:

### Banks

Bank of Montreal  
The Bank of Nova Scotia  
The Toronto-Dominion Bank  
The Provincial Bank of Canada  
Canadian Imperial Bank of Commerce

The Royal Bank of Canada  
National Canadian Bank  
The Mercantile Bank of Canada  
The Montreal City and District Savings Bank  
The Quebec Savings Bank

### Loan and Trust Companies

Canada Permanent Mortgage Corporation  
Canada Permanent Trust Company  
The Canada Trust Company  
Co-Operative Trust Company Limited  
The Eastern Canada Savings and Loan Company  
Evangeline Savings and Mortgage Company  
Fidelity Mortgage & Savings Corporation  
General Mortgage Corporation of Canada  
Guaranty Trust Company of Canada

The Huron and Erie Mortgage Corporation  
International Savings and Mortgage Corporation  
Investors Trust Company  
Kinross Mortgage Corporation  
Nova Scotia Savings & Loan Company  
The Premier Trust Company  
Settlers Savings and Mortgage Corporation  
Standard Trust Company  
The Sterling Trust Corporation



## MEMBER INSTITUTIONS – PROVINCIAL

At the time the Act came into force, applications were received from sixteen (16) Provincially incorporated institutions. Seven (7) of these, incorporated in the Province of Nova Scotia, New Brunswick and Manitoba, had long been under the supervision of the Superintendent of Insurance. Sufficient knowledge was, therefore, readily available from the records of the Superintendent of Insurance to permit the Corporation to approve the applications and issue contracts of deposit insurance to such institutions with effect from April 17th, 1967, the commencement of the plan.

Applications received from seven (7) institutions incorporated in Alberta were accepted with effect from April 17th, 1967 without prior examination, pursuant to an agreement with the Government of Alberta whereby Alberta would reimburse the Corporation for any loss suffered prior to the time the Corporation could have the institutions examined. This agreement was reached in order to enable the applications to be accepted at the start of the plan.

Two (2) applications received from institutions in British Columbia and one (1) from an institution incorporated in Saskatchewan were accepted after examination on behalf of the Corporation.

Prior to the coming into force of the Canada Deposit Insurance Corporation Act, Ontario had instituted a deposit insurance plan of its own covering the twenty-five (25) Loan and Trust Companies in that Province. This plan was very similar to the plan instituted by the Canada Deposit Insurance Corporation Act and came into effect on February 10th, 1967. After the Canada Deposit Insurance Corporation Act came into effect, the Ontario plan was suspended and all the Ontario institutions applied for insurance under the Canada Deposit Insurance Corporation Act. The applications were accepted by the Corporation with effect from April 29th, 1967, without prior examination of these institutions, subject to an agreement between the Corporation and the Government of Ontario, similar to that described above between the Corporation and the Government of Alberta.

During 1967 Quebec adopted legislation to establish a plan of deposit insurance applicable to all institutions that accept deposits in that Province. The plan would insure not only deposits within the Province but also provide for the insuring of deposits accepted outside Quebec by institutions incorporated in Quebec. The possibility then existed that certain deposits in Quebec would be insured both by the Quebec Deposit Insurance Board and by the Canada Deposit Insurance Corporation. Deposits so affected would be deposits in Quebec accepted by Federally incorporated institutions or by institutions incorporated in Provinces other than Quebec. There were also questions raised concerning insurance of deposits accepted outside Quebec by institutions incorporated in Quebec. Some Provinces where such deposits were located expressed the desire that these deposits be insured by the Canada Deposit Insurance Corporation.

In order to avoid duplication of insurance and to meet the desires of Provinces where deposits are located, an understanding was reached between the Federal government and the Quebec government providing as follows:

1. The Canada Deposit Insurance Corporation would insure deposits outside Quebec accepted by institutions incorporated in Quebec.



2. The Quebec Deposit Insurance Board would insure deposits in Quebec accepted by institutions incorporated in Quebec or in other Provinces.
3. Where the Canada Deposit Insurance Corporation is insuring deposits accepted in Quebec by institutions incorporated in other Provinces, it would terminate its insurance of those deposits on application by the institution with the concurrence of the Province of incorporation.
4. The Canada Deposit Insurance Corporation would continue to insure deposits accepted by Federally incorporated institutions whether accepted in Quebec or elsewhere in Canada and Quebec would refrain from levying any charge for deposit insurance on such institutions.
5. The Canada Deposit Insurance Corporation would be empowered to make short term secured loans to the Quebec Deposit Insurance Board to enable it to meet emergency liquidity needs in connection with its insurance operations.

The implementation of this understanding required first that certain amendments be made to the Canada Deposit Insurance Corporation Act. These amendments were before Parliament at the year-end. The amended Act came into effect on March 27, 1968. At the year end the Canada Deposit Insurance Corporation had no member institutions incorporated in Quebec.

At December 31, 1967 there were no Companies incorporated in the Province of Newfoundland or Prince Edward Island that were member institutions.

The forty-one (41) Provincial member institutions as at December 31, 1967 are:

### Loan and Trust Companies

The Acadia Trust Company  
 The Alberta Fidelity Trust Company  
 Atlantic Trust Company  
 Canadian First Mortgage Corporation  
 The Canborough Corporation  
 Central Ontario Trust and Savings Corporation  
 The Central Trust Company of Canada  
 City Savings and Trust Company  
 Commonwealth Savings and Loan Corporation  
 Commonwealth Trust Company  
 County Savings and Loan Corporation  
 Crown Trust Company  
 District Trust Company  
 The Dominion Trust Company  
 Farmers and Merchants Trust Company Limited  
 Federal Savings and Loan Corporation  
 The Fidelity Trust Company  
 Fort Garry Trust Company  
 Halton and Peel Trust and Savings Company  
 Hamilton Trust and Savings Corporation

The Industrial Mortgage and Trust Company  
 Inland Trust and Savings Corporation Limited  
 Kent Trust and Savings Company  
 The Lambton Loan and Investment Company  
 Landmark Savings and Loan Association  
 The Lincoln Trust and Savings Company  
 The Metropolitan Trust Company  
 National Trust Company Limited  
 Nipissing Mortgage Corporation  
 Northland Trust Company  
 North West Trust Company  
 The Nova Scotia Trust Company  
 The Ontario Loan and Debenture Company  
 Principal Savings and Trust Company  
 Rideau Trust Company  
 The Security Trust Company Limited  
 Trans-Canada Savings and Trust Corporation  
 Victoria and Grey Trust Company  
 Waterloo Trust and Savings Corporation  
 York Trust and Savings Corporation  
 Yorkshire Trust Company

## AUDITOR GENERAL OF CANADA

THE HONOURABLE MITCHELL SHARP,  
Minister of Finance,  
Ottawa.

Sir,

I have examined the accounts and financial statements of Canada Deposit Insurance Corporation from the date of inception of the Corporation, April 17, 1967, to December 31, 1967. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Corporation
- (b) the financial statements of the Corporation
  - (i) are in agreement with the books of account
  - (ii) in the case of the balance sheet, give a true and fair view of the state of the Corporation's affairs as at the end of the period; and
  - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Corporation for the period; and
- (c) the transactions of the Corporation that have come under my notice have been within the powers of the Corporation under the Financial Administration Act and any other Act applicable to the Corporation.

Yours faithfully,

A. M. HENDERSON  
*Auditor General of Canada.*

OTTAWA, March 29, 1968.

# CANADA DEPOSIT INSURANCE CORPORATION

(Established by the Canada Deposit Insurance Corporation Act)

Balance Sheet as at December 31, 1967

ASSETS		LIABILITIES AND CAPITAL	
Cash.....	\$ 1,559,212	Accounts payable.....	\$ 89,069
Premiums and accrued interest receivable.....	1,797,230	Advances from Government of Canada under Section 34 of the Act.....	\$ 15,350,000
Investment in Canada bonds, at amortized cost (par value, \$13,025,000; market value \$12,658,513)...	13,119,113	Accrued interest.....	323,738
Loans under Section 11 of the Act - secured.....	15,350,000		15,673,738
		Capital Stock	
		Authorized, issued and fully paid - Ten shares of \$1,000,000 each.....	10,000,000
		Deposit Insurance Fund	
		Premiums assessed.....	5,691,280
		Add:	
		Accumulated net earning - Excess of income over expense for period ended December 31, 1967 per Statement of Income and Expense.....	371,468
			6,062,748
	<u>\$ 31,825,555</u>		<u>\$ 31,825,555</u>

The accompanying notes form an integral part of the financial statements

Certified Correct:

T. J. DAVIS  
*Secretary*

Approved on behalf of the Board of Directors

ANTONIO RAINVILLE  
*Chairman*

RICHARD HUMPHRYS  
*Director*

I have examined the above Balance Sheet and the related Statement of Income and Expense and have reported thereon under date of March 29, 1968 to the Minister of Finance.

A. M. HENDERSON  
*Auditor General of Canada*



## NOTES TO FINANCIAL STATEMENTS

1. Loans under Section 11 of the Act include a loan to a member institution of \$15,350,000 bearing interest at  $6\frac{1}{2}\%$  per annum repayable by December 1, 1977.
2. Deposits insured by the Corporation, based on returns made by member institutions during 1967, totalled \$17.1 billion, comprising deposits of \$15.9 billion in federal institutions and \$1.2 billion in provincial institutions. Of the deposits insured for provincial institutions, \$1.03 billion was covered by temporary indemnity agreements with the provinces concerned.
3. The Corporation is designated a "proprietary corporation" in the Financial Administration Act and accordingly is subject to income tax. However, no provision for income tax has been made in the accounts as at December 31, 1967 as the Governor in Council has granted remission under Section 22 of the Financial Administration Act of any income tax payable by the Corporation.
4. Salaries for the period include remuneration of the Chairman of the Board of Directors of \$9,511.

## CANADA DEPOSIT INSURANCE CORPORATION

Statement of Income and Expense  
for the period from the date of inception  
on April 17, 1967 to December 31, 1967

### INCOME:

Interest on investments.....	\$ 413,552
Interest on loans made under Section 11 of the Act.....	396,366
	<hr/> 809,918

### EXPENSE:

Interest on advances from Government of Canada.....	\$ 323,738	
Inspection fees and expenses		
Department of Insurance.....	\$ 73,435	
Other.....	8,600	
	<hr/>	82,035
Salaries and employee benefits.....		19,904
Advertising.....		6,162
Rent.....		2,125
Printing, stationery and postage.....		1,664
Office equipment.....		1,181
Travel.....		999
Telephone and telegraph.....		406
Miscellaneous.....		236
		<hr/> 438,450
Excess of income over expense (Note 3).....		<hr/> <hr/> \$ 371,468

The accompanying notes form an integral part of the financial statements.