



Annual Report

CANADA DEPOSIT INSURANCE CORPORATION

Year Ending December 31
1968



Annual Report

CANADA DEPOSIT INSURANCE CORPORATION

Year Ending December 31,
1968

CANADA DEPOSIT INSURANCE CORPORATION

Honourable EDGAR J. BENSON, P.C., M.P.,
Minister of Finance,
House of Commons,
Ottawa, Ontario.

Dear Mr. Benson:

I have the honour to submit to you the Annual Report of the Canada
Deposit Insurance Corporation for the fiscal year ended December 31, 1968.

Yours very truly,

ANTONIO RAINVILLE,
Chairman

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. An Act to amend the Canada Deposit Insurance Corporation Act received Royal Assent on March 27th, 1968.

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. Two further amendments to the By-Law were approved by Governor in Council on February 1st and February 15th, 1968 and were published in Part II of the Canada Gazette on February 14th and February 28th, 1968 respectively.

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 undernoted:

“ ‘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.”

When the Canada Deposit Insurance Corporation Act was amended on March 27, 1968, one of the provisions of the amending Act specified that the power of the Board of Directors' to define the expression 'deposit', as set out in Section 12 of the Act, would terminate one year from the date the amending Act came into force. Accordingly that power terminates on March 27, 1969 and any change in the definition of 'deposit' after that date can be made only by Legislation.

LEGISLATION

The principal provisions of the Canada Deposit Insurance Corporation Act and the Act to amend the Canada Deposit Insurance Corporation Act, and 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 therefore 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.
13. (1a) Where a person has deposits with two or more member institutions that amalgamate and continue in operation as one member institution, a deposit of that person with an amalgamating institution on the day the amalgamated institution is formed, less any withdrawals from such deposit, shall, for the purpose of deposit insurance with the Corporation, be deemed to be and continue to be separate from any deposit of such person on that day with the other amalgamating institution or institutions that become part of the amalgamated institution.
 - (1b) For the purpose of deposit insurance with the Corporation, where a member institution, pursuant to a plan or arrangement acquires the undertakings and assets of another member institution, those member institutions shall be deemed to be amalgamating institutions and subsection (1a) shall apply where a person has deposits with both such institutions.
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) "Premium year" means, in relation to the calculation and payment of premiums pursuant to the Act, the period beginning the first day of May in one year and ending on and including the 30th day of April in the next year.
 - (2) 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.
 - (3) The premium payable by a member institution in respect of the premium year in which it becomes a member institution shall be the same proportion of the greater of
 - (a) five hundred dollars, or
 - (b) one-thirtieth of one percent of the total amount of such deposits with that member institution and insured by the Corporation, as of the end of the month in which it becomes a member institution as the number of days in which any of the deposits with that member institution are insured by the Corporation in that premium year is of 365.
- 30.A(1) Where under the law of any province the government of that province or an agent of the government of that province guarantees or insures any of the deposits with a provincial institution operating within that province, the Corporation, subject to any agreement entered into under subsection (2) may, in respect of that provincial institution,
 - (a) insure some or all of the deposits with the provincial institution, or
 - (b) alter an existing policy of deposit insurance issued by the Corporation to the provincial institution, to exclude from the policy of deposit insurance any of the deposits with the provincial institution.
 - (2) The Corporation may, with the approval of the Governor in Council, enter into an agreement with the government of a province or an agent of the government of a province referred to in subsection (1), to provide for reciprocal arrangements relating to the administration or operation of the law of that province and of this Act.
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

For the year ended December 31, 1968, total interest income of the Corporation was \$1,922,239 and the total of interest payments and other operating expenses was \$1,107,294 as shown in the attached financial statements. The amount of \$814,945 was therefore credited to the Accumulated Net Earnings account during the year.

The Deposit Insurance Fund increased from \$5,691,280 to \$12,220,336 during the year. The Deposit Insurance Fund and Accumulated Net Earnings totaled \$13,407,000 or an increase of \$7,344,000 over the previous year.

Advances from the Government of Canada, under Section 34 of the Act amounted to \$15,673,000 at the end of 1967. During the year 1968, additional advances amounting to \$7,100,000 were received from the Government and repayments totalling \$14,273,000 were made. The balance outstanding at year end was \$8,500,000.

At the year end deposits with member institutions totalling in excess of \$19.5 billion, comprised of \$18.1 billion in federal institutions and \$1.4 billion in provincial institutions, were being insured by the Corporation. Premiums payable by member institutions for the year totalled approximately \$6.5 million. Premiums received, together with the initial capital of the Corporation in the amount of \$10 million and interest income, have been invested in securities of the Government of Canada and in loans to member institutions or used to acquire assets from member institutions.

Under the terms of the Act the Superintendent of Insurance examines, on behalf of the Corporation, the affairs of Federally incorporated Trust Companies 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 designed by the Corporation for that purpose.

Of the seventy-one (71) member institutions at December 31, 1968, thirty (30) 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 and, all institutions were examined during the year.

There were no terminations of deposit insurance during the year.

In addition to a small staff located in Ottawa, the Corporation is operating with the assistance of staff and facilities provided by the Department of Insurance and the Department of Finance. Mr. T. J. Davis, presently the Executive Director of the Municipal Development and Loan Board is also acting as the Secretary of the Corporation.

MEMBER INSTITUTIONS – FEDERAL

The deposits with federal institutions that were carrying on business at the time the Act came into force on April 17th, 1967 were insured from that date. Deposits with federal institutions that commence business after April 17th, 1967 are insured from the date the institution commences business.

As at December 31, 1967 twenty-eight (28) federal institutions were members of the Corporation. This total was comprised of ten (10) Banks and eighteen (18) federally incorporated Loan and Trust Companies. On March 29, 1968 the League Savings and Mortgage Company, and on July 18th the Bank of British Columbia, commenced business and therefore, each automatically became members at these respective dates. The thirty (30) members institutions at December 31, 1968 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
Bank of British Columbia

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
League Savings and Mortgage Company
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 December 31, 1967, there were forty-one (41) provincial incorporated Loan Companies and Trust Companies that were members of the Corporation. During the year 1968, one new Company, Heritage Savings and Trust Company, Edmonton, Alberta, was accepted as a member but the number of member institutions remained at forty-one (41), at the December 31, 1968 year end, because of the amalgamation of The Metropolitan Trust Company and York Trust and Savings Corporation.

Prior to coming into force of the Canada Deposit Insurance Corporation Act, the Province of Ontario had instituted a deposit insurance plan of its own

covering all the Loan Companies and Trust Companies in the Province. This plan was very similar to the plan instituted by the Canada Deposit Insurance Corporation Act and came into effect on February 10, 1967. After the Canada Deposit Insurance Corporation Act came into effect, the Ontario plan was suspended and all the Ontario companies concerned applied for deposit insurance under the terms of the Canada Deposit Insurance Corporation Act. The applications were accepted by the Corporation with effect from April 29, 1967 without prior examination of these companies subject to an agreement between the Corporation and the Government of Ontario whereby Ontario would re-imburse the Corporation for any loss suffered prior to the time the Corporation could have the institutions examined. During the year 1968 all companies concerned were examined and were accepted as members of the Corporation.

Similarly, applications received from seven (7) institutions incorporated in the Province of Alberta were accepted with effect from April 17th, 1967 without prior examination, subject to an indemnity agreement between the Corporation and the Government of Alberta which is still in effect.

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 Government of Quebec 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. 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.
3. 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.
4. 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.

In order to implement the above understanding the required amendments to the Canada Deposit Insurance Corporation Act came into effect on March 27,

1968, and on December 23, 1968 an Agreement between the Corporation and the Quebec Deposit Insurance Board was executed. At the year end there were no companies incorporated in Quebec which were members of the Corporation but Policies of Deposit Insurance to take effect from January 30, 1969 were subsequently issued to the Credit Foncier Franco-Canadien, Montreal Trust Company, Royal Trust Company and Royal Trust Company Mortgage Corporation.

At December 31, 1968 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, 1968 are:

Loan and Trust Companies

✓ The Acadia Trust Company	Heritage Savings and Trust Company
✓ The Alberta Fidelity Trust Company	The Industrial Mortgage and Trust Company
✓ Atlantic Trust Company	✓ Inland Trust and Savings Corporation
✓ Canadian First Mortgage Corporation	Limited
✓ The Canborough Corporation	✓ Kent Trust and Savings Company
Central Ontario Trust and Savings Corporation	✓ The Lambton Loan and Investment Company
✓ The Central Trust Company of Canada	Landmark Savings and Loan Association
City Savings and Trust Company	The Lincoln Trust and Savings Company
Commonwealth Savings and Loan Corporation	The Metropolitan Trust Company
Commonwealth Trust Company	National Trust Company Limited
County Savings and Loan Corporation	Nipissing Mortgage Corporation
Crown Trust Company	Northland Trust Company
District Trust Company	North West Trust Company
The Dominion Trust Company	The Nova Scotia Trust Company
Farmers and Merchants Trust Company Limited	The Ontario Loan and Debenture Company
Federal Savings and Loan Corporation	Principal Savings and Trust Company
✓ The Fidelity Trust Company	Rideau Trust Company
✓ Fort Garry Trust Company	The Security Trust Company Limited
Halton and Peel Trust and Savings Company	Trans-Canada Savings and Trust Corporation
Hamilton Trust and Savings Corporation	Victoria and Grey Trust Company
	Waterloo Trust and Savings Corporation
	Yorkshire Trust Company

AUDITOR GENERAL OF CANADA

THE HONOURABLE E. J. BENSON,
Minister of Finance,
Ottawa.

Sir,

I have examined the accounts and financial statements of Canada Deposit Insurance Corporation for the year ended December 31, 1968. 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 financial year; 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 financial year; 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 24, 1969.

CANADA DEPOSIT INSURANCE CORPORATION

(Established by the Canada Deposit Insurance Corporation Act)

Balance Sheet as at December 31, 1968

(with comparative figures as at December 31, 1967)

ASSETS	1968	1967	LIABILITIES	1968	1967
Cash.....	\$ 234,490	\$ 1,559,212	Accounts payable.....	\$ 27,337	\$ 89,069
Premiums and other receivables.....	2,252,742	1,797,230	Advances from Canada.....	8,500,000	15,673,738
Investment in Canada bonds, at amortized cost (par value, \$11,025,000; market value, \$10,675,613).....	11,071,463	13,119,113	Capital Stock: Authorized, issued and fully paid – Ten shares of \$1,000,000 each.....	10,000,000	10,000,000
Loans to member institutions – Secured...	14,625,391	15,350,000	Deposit Insurance Fund and Accumulated Net Earnings.....	13,406,749	6,062,748
Proprietary interest, in certain bonds and mortgages, acquired under agreements with a member institution...	3,750,000	—			
	<u>\$31,934,086</u>	<u>\$31,825,555</u>		<u>\$31,934,086</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

W. E. SCOTT

Director

I have examined the above Balance Sheet and the related Statement of Income and Expense and have reported thereon under date of March 24, 1969 to the Minister of Finance.

A. M. HENDERSON

Auditor General of Canada

NOTES TO FINANCIAL STATEMENTS

1. Loans to member institutions bear interest at $6\frac{1}{2}\%$ per annum and are repayable on or before December 1, 1977.
2. The proprietary interest of \$3,750,000 at December 31, 1968 comprised bonds valued at \$3,500,000 and mortgages at \$250,000; rights of the member institution to repurchase under the terms of the agreements with the Corporation expire on or before March 31, 1969.
3. Deposits insured by the Corporation, based on returns made by member institutions during 1968, totalled \$19.5 billion, comprising deposits of \$18.1 billion in federal institutions and \$1.4 billion in provincial institutions. Of the deposits insured in provincial institutions, \$122.8 million was covered by a temporary indemnity agreement with the province concerned.
4. 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, 1968 as the Governor in Council has granted remission under section 22 of the Financial Administration Act of any income tax payable by the Corporation.

CANADA DEPOSIT INSURANCE CORPORATION

Statement of Income and Expense for the year ended December 31, 1968

(with comparative figures for the period ended December 31, 1967)

	1968	April 17 to December 31, 1967
INCOME:		
Interest on investments.....	\$ 796,145	\$ 413,552
Interest on loans to member institutions.....	1,126,094	396,366
	<u>1,922,239</u>	<u>809,918</u>
EXPENSE:		
Interest on advances from Canada.....	927,403	323,738
Inspection fees and expenses		
Department of Insurance.....	\$104,206	73,435
Other.....	3,650	8,600
	<u>107,856</u>	
Salaries and employee benefits (including remuneration of the Chairman, \$15,000).....	45,902	19,904
Information brochures and displays.....	15,048	6,162
Rent.....	4,250	2,125
Printing, stationery and postage.....	2,023	1,664
Travel.....	1,961	999
Telephone and telegraph.....	1,223	406
Office equipment.....	1,102	1,181
Miscellaneous.....	526	236
	<u>1,107,294</u>	<u>438,450</u>
Net income (Note 4).....	<u>\$ 814,945</u>	<u>\$ 371,468</u>

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

CANADA DEPOSIT INSURANCE CORPORATION

Statement of Deposit Insurance Fund and Accumulated Net Earnings
for the year ended December 31, 1968

DEPOSIT INSURANCE FUND:

Balance as at January 1.....	\$ 5,691,280	
Add:		
Premium adjustments for prior year.....	14,849	
Premiums assessed for 1968.....	6,514,207	
Balance as at December 31.....		\$12,220,336

ACCUMULATED NET EARNINGS:

Balance as at January 1.....	371,468	
Add:		
Net income for the year per Statement of Income and Expense.....	814,945	
Balance as at December 31.....		1,186,413
		<u>\$13,406,749</u>