



CANADA

Annual Report

CANADA DEPOSIT INSURANCE CORPORATION

Year Ending December 31
1969



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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, 1969.

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.

A Bill has been introduced in Parliament to empower the Corporation to act as a lender of last resort for Canadian controlled Sales Finance Companies. This function would be entirely separate from those presently performed by the Corporation and the Corporation would not be insuring the notes or debentures of such companies. Such loans would be made only to enable a company to meet short term requirements for liquid funds arising from its operations. The source of funds to make the loans would be borrowings from the Consolidated Revenue Fund.

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 terminated 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 persons 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 the 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.
- (6) 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 sub-section (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, 1969, total interest income of the Corporation was \$2,481,163 and the total of interest payments and other operating expenses was \$1,031,201 as shown in the attached financial statements. The amount of \$1,449,962 was therefore credited to the Accumulated Net Earnings account during the year.

The Deposit Insurance Fund increased from \$12,220,336 to \$19,765,886 during the year. The Deposit Insurance Fund and Accumulated Net Earnings totalled \$22,402,000 representing an increase of \$8,996,000 over the previous year.

Advances from the Government of Canada, under Section 34 of the Act amounted to \$8,500,000 at the end of 1968. During the year 1969, additional advances amounting to \$5,000,000 were received from the Government and the balance outstanding at year end was \$13,500,000.

At the year end deposits with member institutions totalling in excess of \$22.5 billion, comprised of \$20.4 billion in federal institutions and \$2.1 billion in provincial institutions, were being insured by the Corporation. Premiums payable by member institutions for the year totalled approximately \$7.5 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 designated by the Corporation for that purpose.

Of the seventy-three (73) member institutions at December 31, 1969, thirty-one (31) 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 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, is 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, 1968 thirty (30) federal institutions were members of the Corporation. This total was comprised of eleven (11) Banks and nineteen (19) federally incorporated Loan and Trust Companies. On February 3, 1969 the City Home Mortgage and Savings Corporation became a member of the Corporation. On November 10, 1969 the Quebec Savings Bank became a chartered bank under the name of The People's Bank.

The thirty-one (31) member institutions at December 31, 1969 are

Banks

Bank of Montreal ^I
 The Bank of Nova Scotia ^I
 The Toronto-Dominion Bank ^I
 The People's Bank ^I
 The Provincial Bank of Canada ^I
 Canadian Imperial Bank of Commerce ^I

The Royal Bank of Canada ^I
 National Canadian Bank ^I
 The Mercantile Bank of Canada ^I
 The Montreal City and District Savings Bank ^I
 Bank of British Columbia ^I

Loan and Trust Companies

Canada Permanent Mortgage Corporation
 Canada Permanent Trust Company
 The Canada Trust Company
 City Home Mortgage and Savings Corporation
 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

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 of all companies were subsequently accepted by the Corporation with effect from April 29, 1967.

Applications received from seven (7) institutions incorporated in the Province of Alberta were accepted with effect from April 17th, 1967 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 guarantee not only deposits with 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 are 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 will insure deposits outside Quebec accepted by institutions incorporated in Quebec.
2. The Quebec Deposit Insurance Board will guarantee 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 will 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 will continue to insure deposits accepted by Federally incorporated institutions whether accepted in Quebec or elsewhere in Canada and Quebec will refrain from levying any charge for deposit insurance on such institutions.
4. The Canada Deposit Insurance Corporation is 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.

Policies of Deposit Insurance, to take effect from January 30, 1969, whereby the Corporation insures the deposits located outside the Province of Quebec were subsequently issued to the Credit Foncier Franco-Canadien, Montreal Trust Company, Royal Trust Company and Royal Trust Company Mortgage Corporation.

At December 31, 1969 there were no companies incorporated in the Province of Newfoundland or Prince Edward Island that were member institutions.

At previous year end of December 31, 1968 there were forty-one (41) provincially incorporated loan companies and trust companies that were members of the Corporation. Although policies of deposit insurance were issued to the four (4) Quebec companies during the year the number of member institutions only increased by one (1), to a total of forty-two (42), during the year because

of mergers and amalgamations. The take overs were the Alberta Fidelity Trust Company by the North West Trust Company; the Kent Trust and Savings Company by the Metropolitan Trust Company; and, the Ontario Loan and Debenture Company by the Royal Trust Company Mortgage Corporation.

The forty-two (42) Provincial member institutions as at December 31, 1969 are:

Loan and Trust Companies

The Acadia 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
 Credit Foncier Franco-Canadien
 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

Heritage Savings and Trust Company
 The Industrial Mortgage and Trust Company
 Inland Trust and Savings Corporation Limited
 The Lambton Loan and Investment Company
 Landmark Savings and Loan Association
 The Lincoln Trust and Savings Company
 The Metropolitan Trust Company
 Montreal Trust Company
 National Trust Company Limited
 Nipissing Mortgage Corporation
 Northland Trust Company
 North West Trust Company
 The Nova Scotia Trust Company
 Principal Savings and Trust Company
 Rideau Trust Company
 Royal Trust Company
 Royal Trust Company Mortgage Corporation
 The Security Trust Company Limited
 Trans-Canada Savings and Trust Company
 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, 1969. 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) were prepared on a basis consistent with that of the preceding year and 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 18, 1970.

CANADA DEPOSIT INSURANCE CORPORATION

(Established by the Canada Deposit Insurance Corporation Act)

Balance Sheet as at December 31, 1969

(with comparative figures as at December 31, 1968)

ASSETS	1969	1968	LIABILITIES	1969	1968
Cash.....	\$ 483,279	\$ 234,490	Accounts payable.....	\$ 76,052	\$ 27,337
Premiums and other receivables.....	2,033,821	2,252,742	Unamortized discounts on mortgages.....	51,814	—
Payments to depositors guaranteed by Province (Note 1).....	3,930,552	—	Advances from Canada.....	13,500,000	8,500,000
Loans to member institutions-secured (Note 2).....	17,233,897	14,625,391	Capital Stock:		
Investments:			Authorized, issued and fully paid —		
Canada bonds and treasury bills, at amortized cost (par value, \$9,275,000; market value, \$8,781,447) .	9,283,727	11,071,463	Ten shares of \$1,000,000 each.....	10,000,000	10,000,000
Acquired from member institutions (Note 3) —			Deposit Insurance Fund:		
At amortized cost: (market value, \$3,579,735)			Balance as at January 1 . . .	\$12,220,336	
Canada bonds.....	1,841,898		Add:		
Bonds of or guaranteed by Provinces	1,329,535		Premium assessments and adjustments of prior		
Bonds of municipalities.....	212,553		years.....	38,046	
Other bonds or debentures.....	1,168,229		Premiums assessed for 1969	7,507,504	
	4,552,215	—	Balance as at December 31	19,765,886	12,220,336
At cost:			Accumulated Net Earnings:		
Mortgages.....	8,512,636	—	Balance as at January 1 . . .	1,186,413	
Proprietary interest, in certain bonds and mortgages.....	—	3,750,000	Add:		
	22,348,578	14,821,463	Net income for the year per Statement of		
	<u>\$46,030,127</u>	<u>\$31,934,086</u>	Income and Expense . .	1,449,962	
			Balance as at December 31	2,636,375	1,186,413
				<u>22,402,261</u>	<u>13,406,749</u>
				<u>\$46,030,127</u>	<u>\$31,934,086</u>

The accompanying notes are 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 the date of March 18, 1970 to the Minister of Finance.

A. M. HENDERSON
Auditor General of Canada

CANADA DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENT

1. During the year \$3,930,552 was paid to persons having deposits that were insured by the Corporation with a member institution and it is estimated that a further \$15 million will be payable by the Corporation in the next five years, of which \$6.5 million will be paid in 1970. These amounts, together with interest, constitute a claim against the assets of the member institution and are covered by an indemnity agreement with the Province concerned whereby payments to depositors plus interest will be repaid by the Province on or before December 31, 1974, subject to any amounts recovered from the member institution.
2. Loans to member institutions bear interest at rates ranging from $6\frac{1}{2}\%$ to $8\frac{1}{8}\%$ per annum with repayment terms extending to December 1, 1977.
3. During the year the Corporation purchased from a member institution the following securities at their book values which at December 31, 1969 were in excess of their market values:

	Book Value	Market Value
Bonds of Canada	\$1,841,898	\$1,618,012
Bonds of or guaranteed by Provinces	1,329,535	904,150
Bonds and debentures of municipalities and others	1,380,782	1,057,573
	<u>\$4,552,215</u>	<u>\$3,579,735</u>

The Corporation also purchased mortgages at the member institution's book value of \$8,512,636, the market value of which was not determined at December 31, 1969.

4. Deposits insured by the Corporation, based on returns made by member institutions during 1969, totalled \$22.5 billion, comprising deposits of \$20.4 billion in federal institutions and \$2.1 billion in provincial institutions. Of the deposits insured in provincial institutions, \$139.4 million was covered by a temporary indemnity agreement with the Province concerned.
5. 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, 1969 as the Governor in Council has granted remission under section 22 of the Financial Administration Act of any income tax payable by the Corporation.
6. The Corporation is committed to make \$7.6 million available in the form of a transferred deposit to a member institution for deposits insured by the Corporation.

CANADA DEPOSIT INSURANCE CORPORATION

Statement of Income and Expense for the year ended December 31, 1969

(with comparative figures for the year ended December 31, 1968)

	1969	1968
INCOME		
Interest on investments	\$ 1,369,863	\$ 796,145
Interest on loans to member institutions	1,111,300	1,126,094
	<u>2,481,163</u>	<u>1,922,239</u>
EXPENSE		
Interest on advances from Canada	804,474	927,403
Inspection fees and expenses		
Department of Insurance	\$80,739	99,706
Other	8,850	8,150
	<u>89,589</u>	
Salaries and employee benefits (including remuneration of the Chairman, \$15,000)	67,249	45,902
Legal fees	31,843	—
Mortgage administration fees	23,450	—
Rent	5,312	4,250
All other expenses	9,284	21,883
	<u>1,031,201</u>	<u>1,107,294</u>
Net income (Note 5)	<u>\$ 1,449,962</u>	<u>\$ 814,945</u>

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