



Canada Deposit  
Insurance Corporation

Société d'assurance-dépôts  
du Canada

## *Annual Report*

# CANADA DEPOSIT INSURANCE CORPORATION

Year Ended December 31,  
1977



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1977

# CANADA DEPOSIT INSURANCE CORPORATION

March 31, 1978

The Honourable Jean Chrétien, P.C., M.P.,  
Minister of Finance,  
House of Commons,  
Ottawa, Ontario.

Dear Mr. Chrétien:

I have the honour to submit to you the Annual Report of the Canada Deposit Insurance Corporation for the fiscal year ended December 31, 1977.

Yours very truly,  
JOHN F. CLOSE  
Chairman.

## ANNUAL REPORT

The Act to amend the Canada Deposit Insurance Corporation Act which was introduced in the House of Commons in October 1976 received Royal Assent on June 29th, 1977. Among the amendments is one authorizing the Corporation to make premium rebates to member institutions, subject to stated limitations, where in the opinion of the Corporation, having regard to all the circumstances, the Deposit Insurance Fund at the end of a financial year is adequate (Note #5). The definition of deposit has been changed in some respects and appears as a separate section in this Report. The Corporation was also authorized to redeem the shares of its capital stock (Note #6).

For the year ended December 31, 1977 the Corporation's excess of income over expenditures, before taxes, was \$8,926,445 as shown in the financial statements. A net amount of \$4,822,445, after providing for income tax, was credited to the Accumulated Net Earnings. A dividend of \$812,500, declared in March 1977, in respect of 1976, in accordance with Section 36 of the Act, was paid to the Government of Canada out of the Accumulated Net Earnings. In August 1977 the Corporation redeemed all of the shares of its capital stock by payment of the par value thereof, \$10,000,000, to the Receiver General for Canada. Also, the Corporation paid a dividend out of the Accumulated Net Earnings in the amount of \$491,667 in respect of the period January 1, 1977 to the date of redemption (Note # 7).

The deposits with member institutions insured by the Corporation totalled \$66,219 million as at December 31, 1977 which comprised \$58,068 million in federal institutions and \$8,151 million in provincial institutions. Premiums payable by member institutions for the year totalled \$15 million and there were no claims on the fund during the year.

The Deposit Insurance Fund, including the Accumulated Net Earnings, totalled \$132,782,073 representing an increase over the previous year of \$18,524,832 which was invested in Government of Canada securities.

Subsequent to the year end the Board of Directors, following the practice of previous years, authorized a reduction, for the forthcoming premium year, in the premium payable by member institutions to the minimum provided for in Section 19 of the Act.

The Commonwealth Trust Company, a Company incorporated in the Province of British Columbia, was placed in liquidation effective January 1, 1970 and the Corporation was called upon to make payment of the insured deposits under the terms of the Policy of Deposit Insurance with the Company. By such action the Corporation acquired all the rights and interests of the depositors as against the Commonwealth Trust Company and, as a result, the Corporation had a claim against the Company of \$5,432,971. Recoveries to the year ended 1976 totalled \$4,815,959 and, as there were no additional recoveries during 1977, the balance of \$617,012 remains outstanding. As the amount of any further recoveries cannot be ascertained the Corporation is carrying the balance of the claim at a nominal value of \$1 with a provision of \$617,011 for losses on the realization of assets.

Under the terms of the Act and on behalf of the Corporation, the Superintendent of Insurance examined the affairs of the federally incorporated Trust Companies and Loan Companies numbering forty (40) and the Inspector General of Banks examined the affairs of the Banks, numbering twelve (12). Provincial institutions numbering fifty (50) were examined, on behalf of the Corporation, by persons designated by the Corporation for that purpose.

# CANADA DEPOSIT INSURANCE CORPORATION

## Statement of Income and Accumulated Net Earnings for the year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Revenue		
Return on investments	\$ 9,298,043	\$ 8,148,678
Expense		
Inspection and other fees and expenses	214,668	163,999
Salaries and employee benefits	101,275	121,523
General, administrative and other	55,655	60,301
	<u>371,598</u>	<u>345,823</u>
Net income before taxes	8,926,445	7,802,855
Income taxes		
Current	4,134,000	3,400,000
Deferred	(30,000)	194,000
	<u>4,104,000</u>	<u>3,594,000</u>
Net income for the year	4,822,445	4,208,855
Accumulated net earnings, beginning of the year	22,625,013	18,895,669
Add: Recovery of claim	—	382,989
	27,447,458	23,487,513
Deduct: Dividends paid (Note 7)	1,304,167	862,500
Accumulated net earnings, end of the year	<u>\$26,143,291</u>	<u>\$22,625,013</u>

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



**CANADA DEPOSIT INSURANCE CORPORATION**

(Established by the Canada Deposit Insurance Corporation Act)

### Balance Sheet as at December 31, 1977

ASSETS	<u>1977</u>	<u>1976</u>	LIABILITIES	<u>1977</u>	<u>1976</u>
Cash and short-term deposits	\$ 707,014	\$ 682,353	Accounts payable	\$ 89,807	\$ 87,777
Premiums and other accounts receivable	3,516,068	2,799,494	Income taxes payable	272,992	6,567
Accrued interest	1,491,470	1,930,959	Deferred income taxes	<u>338,000</u>	<u>368,000</u>
Investments (Note 3; market value)				<u>700,799</u>	<u>462,344</u>
1977 - \$124,534,372;					
1976 - \$115,494,952)	124,900,949	115,506,245			
Assets acquired from member institutions (Note 4)	2,867,370	3,800,533	<b>DEPOSIT INSURANCE FUND</b>		
Claim re insured deposit payments less provision for loss of \$617,011	1	1	Balance, beginning of the year	91,632,228	79,872,999
			Premiums (Note 5)	<u>15,006,554</u>	<u>11,759,229</u>
			Balance, end of the year	106,638,782	91,632,228
			Accumulated net earnings	<u>26,143,291</u>	<u>22,625,013</u>
				<u>132,782,073</u>	<u>114,257,241</u>
			<b>SHAREHOLDER'S EQUITY</b>		
			Capital stock (Note 6)	—	10,000,000
	<u>\$133,482,872</u>	<u>\$124,719,585</u>		<u>\$133,482,872</u>	<u>\$124,719,585</u>

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

Certified correct:

T.J. DAVIS

**Secretary-Treasurer**

Approved by the Board:

JOHN F. CLOSE

Chairman

RICHARD HUMPHRYS

Director

# CANADA DEPOSIT INSURANCE CORPORATION

## Notes to Financial Statements December 31, 1977

### 1. *Objective of the Corporation*

The Canada Deposit Insurance Corporation was incorporated as a Crown corporation on April 17, 1967 under the provisions of the Canada Deposit Insurance Corporation Act.

The Corporation's principal objective is to provide insurance on deposits with federal institutions (banks and trust and loan companies) and with approved provincial institutions (trust and loan companies) up to a stated amount per depositor per institution. Premiums are assessed against member institutions based on insurable deposits held by those institutions on April 30 of each year.

### 2. *Significant accounting policies*

#### Premiums

Premiums are credited directly to the Deposit Insurance Fund in accordance with section 18 of the Canada Deposit Insurance Corporation Act.

#### Revenue

Return on investments is reported inclusive of gains and losses on sales of investments and of the annual amortization of premiums and discounts on fixed term securities.

#### Recognition of losses

Provision for losses arising from actions taken to secure the subrogation of depositors' rights and interests is established in the year these actions are taken or as soon as possible thereafter when the eventual losses can be reasonably estimated.

#### Income taxes

The Corporation follows a policy of reducing its income for tax purposes and deferring a portion of its income tax otherwise payable by claiming a reserve on its investments as provided for by the Income Tax Act.

### 3. *Investments*

	<u>Due Date</u>	<u>1977</u>		<u>1976</u>
		<u>Par Value</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
Canada Bonds	1977	\$ —	\$ -	\$ 14,000,516
	1978	54,600,000	54,656,644	39,629,496
	1979	32,479,000	32,502,029	32,518,284
	1980	11,200,000	11,196,868	6,214,325
	1983	3,150,000	2,809,686	2,749,632
		101,429,000	101,165,227	95,112,253
Treasury Bills	1978	23,902,000	23,735,722	20,393,992
		<u>\$125,331,000</u>	<u>\$124,900,949</u>	<u>\$115,506,245</u>

Under section 35(3)(a) of the incorporating legislation, funds of the Corporation must be invested in securities of the Government of Canada.

4. *Assets acquired from member institutions*

Assets acquired from member institutions are comprised of Canada bonds and other bonds and debentures recorded at amortized cost, and mortgages recorded at cost.

	<u>1977</u>	<u>1976</u>
Canada bonds	\$ 158,596	\$ 158,482
Other bonds and debentures	<u>1,120,739</u>	<u>1,190,822</u>
	1,279,335	1,349,304
Mortgages	<u>1,588,035</u>	<u>2,451,229</u>
	<u>\$2,867,370</u>	<u>\$3,800,533</u>

Market value of Canada bonds and other bonds and debentures at December 31, 1977 was \$995,683 (1976 — \$1,021,800).

5. *Premiums*

As provided in section 19(8) of the Act and as approved by the Board of Directors on February 2, 1972, member institutions were assessed reduced premiums during the year and in every year since 1972. Under an amendment to the Act dated June 29, 1977, the Corporation may pay a premium rebate to member institutions subject to stated limitations where, in the opinion of the Corporation, the Deposit Insurance Fund at the end of a financial year is adequate, having regard to all the circumstances. No rebates were paid during 1977.

6. *Capital Stock*

Under an amendment to the Act dated June 29, 1977, the Corporation redeemed all of its capital stock for \$10,000,000.

Sections 3(2) and 3(3) of the Act provide that the Corporation is for all purposes of the Act an agent of Her Majesty and that the property of the Corporation is the property of Her Majesty. Accordingly the redemption of capital stock had no effect on ownership or control of the Corporation.

7. *Dividends paid*

During the year, the Corporation declared and paid a dividend of \$812,500 in respect of the year ended December 31, 1976 and an additional dividend of \$491,667 in respect of the period January 1, 1977 to August 26, 1977 (date of redemption of capital stock). The dividends were based on the rate of interest applicable to loans to Crown corporations as provided for in section 36 of the Act.

8. *Insured deposits*

Deposits insured by the Corporation, based on returns received from member institutions during 1977, totalled \$66,219 million, comprising deposits of \$58,068 million in federal institutions and \$8,151 million in provincial institutions. Of the deposits insured in provincial institutions, \$680 million was covered by a temporary agreement with one province to indemnify the Corporation against losses on those deposits.



# CANADA DEPOSIT INSURANCE CORPORATION

Statement of Financial Activities  
for the year ended December 31, 1977

	<u>1977</u>	<u>1976</u>
Financial resources provided		
Operations		
Net income for the year	\$ 4,822,445	\$ 4,208,855
Add: Deferred income taxes	(30,000)	194,000
Net amortization of premium and discount	3,626	—
Deduct: Net amortization of premium and discount	—	119,184
	<u>4,796,071</u>	<u>4,283,671</u>
Premiums credited to the Deposit Insurance Fund	15,006,554	11,759,229
Recovery of claim from insured member	—	499,141
Mortgage repayments	863,194	472,082
Increase in accounts and income taxes payable	268,455	—
	<u>\$20,934,274</u>	<u>\$17,014,123</u>
Financial resources applied		
Purchase of investments (net)	\$ 9,328,361	\$12,725,656
Redemption of capital stock	10,000,000	—
Dividends paid	1,304,167	862,500
Increase in cash and short-term deposits	24,661	474,193
Increase in premiums and other receivables	277,085	63,089
Decrease in accounts and income taxes payable	—	2,888,685
	<u>\$20,934,274</u>	<u>\$17,014,123</u>

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

## AUDITOR GENERAL OF CANADA

The Honourable Jean Chrétien, P.C., M.P.,  
Minister of Finance,  
Ottawa, Ontario.

I have examined the balance sheet of the Canada Deposit Insurance Corporation as at December 31, 1977 and the statements of income and accumulated net earnings and financial activities for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at December 31, 1977 and the results of its operations and financial activities for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

J.J. MACDONELL  
Auditor General of Canada

Ottawa, Ontario  
February 24, 1978

## 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 four (4) 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. However, a director may, with the approval of the Minister, designate in writing an alternate to attend in his absence at any meeting of the Board.

Members of the Board as at December 31, 1977 are:

Messrs. John F. Close, *Chairman*  
G.K. Bouey, *Governor of the Bank of Canada*  
T.K. Shoyama, *Deputy Minister of Finance*  
R. Humphrys, *Superintendent of Insurance*  
W.A. Kennett, *Inspector General of Banks*

The appointment of Mr. Gérard Gingras as Chairman of the Board of Directors expired in August and Mr. John F. Close was appointed to succeed him. The Corporation is indeed indebted to Mr. Gingras for his advice and guidance during his term as Chairman.

Mr. T.J. Davis is the Secretary-Treasurer 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 made with federal institutions that are licensed under the Trust Companies Act or the Loan Companies Act after April 17th, 1967 are insured from the date the institutions commence business.

As at December 31, 1976, forty-eight (48) federal institutions were members of the Corporation. During the year 1977:

- (a) The following companies commenced business and therefore, being federally incorporated, automatically became member institutions. Astra Trust Company, Continental Trust Company, Fedco Mortgage Investment Company, Northland Bank, Procan Mortgage Corporation.
- (b) Three amalgamations occurred: Hamilton Trust and Savings Corporation, an Ontario incorporated company, with the Canada Permanent Trust Company; The Royal Trust Company (Ontario) with the Royal Trust Corporation of Canada; Unity Bank of Canada with The Provincial Bank of Canada.
- (c) The names of three member institutions were changed: Eaton Trust Company to Eaton/Bay Trust Company, Fidelity Mortgage & Savings Corporation to Equitrust Mortgage and Savings Company; Nelcon Trust Company to Nelson Trust Company.

The fifty-two (52) federal member institutions at December 31, 1977 of which twelve (12) are Banks and forty (40) are Trust or Loan Companies, are:

### BANKS

#### Chartered 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  
Bank Canadian National  
The Mercantile Bank of Canada  
Bank of British Columbia  
Canadian Commercial & Industrial Bank  
Northland Bank

#### Savings Banks

The Montreal City and District Savings Bank



## TRUST AND LOAN COMPANIES

AMIC Mortgage Investment Corporation  
Arteco Mortgage Investment Company  
Astra Trust Company  
BNS Mortgage Corporation  
Canada Permanent Mortgage Corporation  
Canada Permanent Trust Company  
The Canada Trust Company  
Canada Trustco Mortgage Company  
Central and Eastern Trust Company  
Commerce Capital Mortgage Corporation  
Continental Trust Company  
Co-operative Trust Company of Canada  
Eaton/Bay Trust Company  
The Equitable Trust Company  
Equitrust Mortgage and Savings Company  
Evangeline Savings and Mortgage Company  
Fedco Mortgage Investment Company  
The Fidelity Trust Company  
Fidmor Mortgage Investors Corporation  
Granville Savings and Mortgage Corporation

Greymac Mortgage Corporation  
Guaranty Trust Company of Canada  
Income Trust Company  
International Savings & Mortgage Corporation  
Kinross Mortgage Corporation  
League Savings & Mortgage Company  
Morguard Mortgage Investment Company of Canada  
Morguard Trust Company  
Nelson Trust Company  
Nova Scotia Savings & Loan Company  
Pacific Savings and Mortgage Corporation  
Pioneer Trust Company  
The Premier Trust Company  
Procan Mortgage Corporation  
The Regional Trust Company  
Royal Trust Corporation of Canada  
Seel Mortgage Investment Corporation  
Settlers Savings and Mortgage Corporation  
Standard Trust Company  
Sterling Trust Corporation

## MEMBER INSTITUTIONS — PROVINCIAL

A provincial institution may become a member of the Corporation if it is authorized by the province of its incorporation to apply for deposit insurance and if it agrees not to exercise powers substantially different from the powers exercisable by a federal trust or loan company as the case may be.

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, which came into effect on February 10, 1967, was similar to the plan instituted by the Canada Deposit Insurance Corporation Act. After the Canada Deposit Insurance Corporation Act came into effect, the Ontario plan was suspended and all the Ontario companies concerned were subsequently accepted as members of the Corporation effective April 29, 1967.

An Indemnity Agreement between the Corporation and the Province of Alberta applicable to four companies incorporated under the legislation of that Province is still in effect.

During 1967, the Province of Quebec adopted legislation to establish a plan of deposit insurance applicable to all institutions that accept deposits in that Province. The plan guarantees not only deposits within the Province, but also provides for the guarantee of deposits accepted outside Quebec by institutions incorporated in Quebec. In order to avoid duplication of insurance and to meet the desires of Provinces where such deposits are located, an agreement was reached between the Corporation and the Quebec Deposit Insurance Board, with the approval of the respective governments, providing as follows:

1. For Quebec institutions that become members the Canada Deposit Insurance Corporation will insure deposits outside Quebec accepted by such institutions;
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 was insuring deposits accepted in Quebec by institutions incorporated in other Provinces, it agreed to terminate its insurance on 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.

The Corporation is insuring the deposits located outside the Province of Quebec accepted by the following institutions incorporated in that Province: Credit Foncier Franco-Canadien, Credit Foncier Trust Company, General Trust of Canada, Guardian Trust Company, International Trust Company, Montreal Trust Company, The Morgan Trust Company, North America Trust, RoyMor Ltd., The Royal Trust Company and The Royal Trust Company Mortgage Corporation.

The Quebec Deposit Insurance Board is providing the guarantee for the deposits located in Quebec accepted by companies incorporated in (a) Ontario: Crown Trust Company, Federal Trust Company, The Metropolitan Trust Company, National Trust Company Limited, Tordom Corporation and (b) Alberta: Commerce Capital Trust Company. All these companies are members of the Canada Deposit Insurance Corporation which insures their deposits outside Quebec.

During the year 1977 a Policy of Deposit Insurance was issued to each of the following six (6) companies, all of which were incorporated in the Province of Ontario: Exchequer Trust Company, Financial Trust Company, Huronia Trust Company, London Loan Limited, Security Trust Company, Shoppers Mortgage and Loan Corporation.

During the year 1977 the name of the Norfolk and Retailers Trust and Savings Company, a company incorporated in the Province of Saskatchewan, was changed to Norfolk Trust.

At December 31, 1976, forty-six (46) provincially incorporated Loan companies and Trust companies were members of the Corporation. Although six (6) additional companies were accepted as members of the Corporation during 1977, the total number of member institutions at year end totalled fifty (50) because of the amalgamation of the Hamilton Trust and Savings Corporation and The Royal Trust Company (Ontario), two provincially incorporated companies, with the Canada Permanent Trust Company and the Royal Trust Corporation of Canada respectively which are both federally incorporated.

The provincially incorporated member institutions at December 31, 1977 are:

#### **TRUST AND LOAN COMPANIES**

The Acadia Trust Company	International Trust Company
Atlantic Trust Company	Investors Group Trust Co. Ltd.
Canadian First Mortgage Corporation	The Lambton Loan and Investment Company
The Canborough Corporation	Landmark Savings and Loan Association
City Savings & Trust Company	London Loan Limited
Commerce Capital Trust Company	The Metropolitan Trust Company
Commonwealth Trust Company	Montreal Trust Company
Community Trust Company Ltd.	The Morgan Trust Company
Continental Estates Corporation Ltd.	The Municipal Savings & Loan Corporation
Credit Foncier Franco-Canadien	National Trust Company Limited
Credit Foncier Trust Company	Nipissing Mortgage Corporation
Crown Trust Company	Norfolk Trust
District Trust Company	North America Trust
The Dominion Trust Company	North West Trust Company
Exchequer Trust Company	Principal Savings and Trust Company
Family Trust Corporation	The Royal Trust Company
Federal Trust Company	The Royal Trust Company Mortgage Corporation
Financial Trust Company	RoyMor Ltd.
Fort Garry Trust Company	Saskatchewan Trust and Loan Company
General Trust of Canada	Security Trust Company
Guardian Trust Company	Shoppers Mortgage and Loan Corporation
Heritage Savings & Trust Company	Tordom Corporation
Huronia Trust Company	Vanguard Trust of Canada Limited
The Industrial Mortgage and Trust Company	Victoria and Grey Trust Company
Inland Trust and Savings Corporation Ltd.	Yorkshire Trust Company



## C.D.I.C. LEGISLATION

The Canada Deposit Insurance Corporation Act came into force on April 17th, 1967. An Act to amend the Canada Deposit Insurance Corporation Act came into force on March 27th, 1968 and a further Act to amend the Canada Deposit Insurance Corporation Act came into force on June 29th, 1977.

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 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. Further amendments to the By-Law were approved by Governor in Council on November 3rd, 1977 and were published in Part II of the Canada Gazette on November 23rd, 1977.

## PRINCIPAL PROVISIONS OF THE ACT

An Act to amend the Canada Deposit Insurance Corporation Act received Royal Assent on June 29th, 1977.

The principal provisions of the Act, as amended, read as follows:

Relevant Section:

**Federal  
institutions**

**9.** For the purposes 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.

**Provincial  
institutions**

**10.** For the purposes of this Act, 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 is authorized by or under a provincial Act to accept deposits from the public is a provincial institution.

**Powers of  
Corporation**

**11.** The Corporation may do all things necessary or incidental to the objects of the Corporation and in particular, but without limiting the generality of the foregoing, the Corporation may, in furtherance of its objects,

- (a) 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;
- (b) borrow moneys from the Government of Canada and issue bonds and debentures therefor.

<b>Duty to insure</b>	<p>13. (1) The Corporation shall insure each deposit with a member institution except</p> <ul style="list-style-type: none"> <li>(a) a deposit that is not payable in Canada or in Canadian currency;</li> <li>(b) a deposit in respect of which Her Majesty in right of Canada would be a preferred claimant; and</li> <li>(c) so much of any one deposit as exceeds twenty thousand dollars.</li> </ul>
<b>Deposits with amalgamating institutions</b>	<p>(2) Where a person has deposits with two or more member institutions that amalgamate and continue in operation as one member institution (in this section called the "amalgamated 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, but a deposit made by such person with the amalgamated institutions after the day that the amalgamated institution is formed shall be insured by the Corporation only to the extent that the aggregate of that person's deposits with the amalgamated institution, exclusive of the deposit in respect of which the calculation is made, is less than \$20,000.</p>
<b>How payment to be made</b>	<p>(4) Where the Corporation is obliged to make payment in respect of any deposit insured by deposit insurance, the Corporation as soon as possible after the obligation arises shall, in respect of such deposit, make payment to such person as appears entitled thereto by the records of the member institution with which the deposit was made.</p> <ul style="list-style-type: none"> <li>(a) by making available to such person a transferred deposit with another member institution for so much of his deposit as is insured by the Corporation; or</li> <li>(b) by paying such person an amount in money equal to so much of his deposit as is insured by the Corporation.</li> </ul>
<b>When payment may be made</b>	<p>(4.1) The Corporation may, in the manner described in subsection (4), make payment in respect of any deposit insured by deposit insurance where</p> <ul style="list-style-type: none"> <li>(a) a winding-up order has been issued in respect of the member institution with which the deposit was made; and</li> <li>(b) the Corporation is satisfied that that member institution will be unable to make payment in full and without delay in respect of any deposits insured by deposit insurance.</li> </ul>
<b>Subrogation</b>	<p>(6) Where the Corporation makes a payment under this section in respect of any deposit with a member institution, the Corporation is subrogated, for so much of that deposit as is insured by the Corporation, to all the rights and interests of the depositor as against that member institution, and may maintain an action in respect of such rights and interests in the name of the depositor or in the name of the Corporation.</p>
<b>Assignment</b>	<p>(7) Where the Corporation deems it advisable, it may withhold payment in respect of any deposit with a member institution until it has received an assignment in writing of all the rights and interests of the depositor as against that member institution.</p>



<b>Insuring federal institutions</b>	14. (1) The deposits with a federal institution that is carrying on business on the 17th day of April 1967 shall be insured by the Corporation from and after that day in accordance with this Act and the by-laws.
<b>New federal institutions</b>	(2) When a federal institution commences business after the 17th day of April 1967, the deposits with the federal institution shall be insured by the Corporation in accordance with this Act and the by-laws from and after the day that the federal institution commences business.
<b>Insurance of provincial institutions</b>	16. On the application of a provincial institution therefor, the Corporation may insure the deposits with the provincial institution in the manner and to the extent provided in this Act and the by-laws, if <ul style="list-style-type: none"> <li>(a) the provincial institution is authorized by the province of its incorporation to apply for deposit insurance;</li> <li>(b) the provincial institution agrees, in carrying on its business, not to exercise powers substantially different from the powers exercisable by a trust company under the <i>Trust Companies Act</i> and a loan company under the <i>Loan Companies Act</i>; and</li> <li>(c) the Corporation approves the provincial institution for a policy of deposit insurance.</li> </ul>
<b>"Premium year"</b>	19. (1) In this Act, "premium year" means, in relation to the calculation and payment of premiums pursuant to this Act, the period beginning on and including the first day of May in one year and ending on and including the 30th day of April in the next year.
<b>Assessment of premium</b>	(2) The Corporation shall for each premium year assess and collect from each member institution an annual premium equal to the greater of <ul style="list-style-type: none"> <li>(a) five hundred dollars, and</li> <li>(b) one-thirtieth of one per cent of an amount equal to the sum of so much of each deposit as is insured by the Corporation and deposited with the member institution as of the 30th day of April in the immediately preceding premium year.</li> </ul>
<b>Calculation of deposits</b>	(3) For the purpose of making the calculation referred to in paragraph (2)(b), a member institution may use any method approved by the Corporation to determine the total amount of its deposits that are insured by the Corporation.
<b>Returns</b>	(4) The premium payable by a member institution shall be based on returns to be certified by the member institution and submitted in such form, and at such time, as the Corporation may require.
<b>Payable in instalments</b>	(5) One-half of the premium payable by a member institution shall be paid to the Corporation on or before the 30th day of June in the premium year for which the premium is payable and the balance shall be paid to the Corporation, without interest, on or before the 31st day of December in that premium year.
<b>Calculation of first premium</b>	(6) Notwithstanding subsection (2), 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 <ul style="list-style-type: none"> <li>(a) five hundred dollars, and</li> </ul>

	(b) one-thirtieth of one per cent of an amount equal to the sum of so much of each deposit as is insured by the Corporation and deposited with the member institution 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.
<b>Payment of first premium</b>	<p>(7) Notwithstanding subsection (5)</p> <p>(a) where the premium calculated in accordance with subsection (6) does not exceed one-half of the premium that would be payable for a full premium year, the premium payable shall be paid to the Corporation, without interest, within sixty days after the end of the month in which the member institution becomes a member institution; and</p> <p>(b) where the premium calculated in accordance with subsection (6) exceeds one-half of the premium that would be payable for a full premium year,</p> <p>(i) the amount of the premium payable that is in excess of one-half of the premium that would be payable for a full premium year shall be paid to the Corporation, without interest, within sixty days after the end of the month in which the member institution becomes a member institution; and</p> <p>(ii) the remainder of the premium payable shall be paid to the Corporation, without interest, on or before the 31st day of December immediately following the month in which the member institution becomes a member institution.</p>
<b>Reduced premium</b>	<p>(8) Notwithstanding subsection (2) where, in the opinion of the Corporation, the Deposit Insurance Fund at the end of a financial year of the Corporation is adequate having regard to all the circumstances, the Corporation may reduce the amount of the premiums to be paid by member institutions in the next following premium year, but a reduced premium to be paid by a member institution in that next following premium year shall not be less than the greater of</p> <p>(a) five hundred dollars, and</p> <p>(b) an amount that, together with the aggregate of the amounts previously paid by the member institution by way of premiums, would equal one-sixth of one per cent of an amount equal to the sum of so much of each deposit as is insured by the Corporation and deposited with the member institution as of the 30th day of April in the current premium year.</p>
<b>Rebate included in aggregate</b>	(8.1) For the purposes of paragraph (8)(b), a premium in respect of which a premium rebate was paid to a member institution under subsection (8.2) shall be included in determining the aggregate of the amounts previously paid by that member institution by way of premiums.
<b>Rebate of premium</b>	(8.2) Subject to subsection (8.3), where in the opinion of the Corporation the Deposit Insurance Fund at the end of a financial year of the Corporation is adequate having regard to all the circumstances, the Corporation may pay a premium rebate to each member institution that has paid premiums in respect of five or more full premium years but the total amount of premium rebates that may be paid in respect of any financial year shall not exceed the aggregate amount of the premiums paid by all the member institutions in respect of that financial year.



**Determination  
of amount**

(8.3) In determining the amount of any premium rebate that may be paid to each member institution under subsection (8.2), the Corporation shall give due consideration to the aggregate of the amounts previously paid by each member institution by way of premiums and to such other factors as are likely to result in the determination of the amount of the premium rebate on a fair and equitable basis.

**Use of  
departmental  
facilities**

39. (3) In carrying out its functions under this Act, the Corporation may, with the approval of the Minister, make use of the personnel, facilities and services of the Department of Insurance and the Department of Finance to any extent not incompatible, in the opinion of the Minister, with the administration of those Departments.

## **DEFINITION OF DEPOSIT**

The "Definition of Deposit" has been deleted from the General By-Law and is now included in the Schedule to the Canada Deposit Insurance Corporation Act.

In view of some significant changes the "Definition of Deposit", as appearing in the Schedule, is detailed below.

**Meaning of  
"deposit"**

2. (1) For the purposes of this Act and the by-laws of the Canada Deposit Insurance Corporation, "deposit" means the unpaid balance of the aggregate of moneys received or held by a federal or provincial institution within the meaning of this Act, from or on behalf of a person in the usual course of business, for which the institution

(a) has given or is obligated to give credit to that person's account or 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, and

(b) is obligated to repay the moneys on a fixed day, on demand by the depositor or within a specified period of time following demand by the depositor,

including any interest accrued or payable to the person but excluding moneys received or held by the institution if 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 the date of deposit or on a date five years after the date of deposit.

**Obligation  
deemed**

(2) For the purposes of subsection (1), if a trust company has deposited moneys in its own guaranteed trust fund on behalf of itself as trustee, it shall be deemed to be obligated to repay the moneys to the same extent as it would have been obligated to repay the moneys had the moneys been deposited by a trustee other than itself.

**No deposit**

(3) Notwithstanding subsection (1), money received by a trust company or a loan company from the issue of subordinated notes or by way of a subordinated shareholder loan shall be deemed not to be a deposit.



<b>Idem</b>	<p>(4) Notwithstanding subsection (1), for the purposes of deposit insurance with the Corporation, where moneys are received by a member institution on or after April 1, 1977, for which the member institution has issued or is obligated to issue an instrument of indebtedness other than a draft, certified draft or cheque, travellers' cheque, prepaid letter of credit or money order,</p> <p>(a) the moneys do not constitute a deposit unless the instrument and records of the member institution specify the person entitled, at the date of issue of the instrument, to the repayment of the moneys evidenced thereby;</p> <p>(b) the person referred to in paragraph (a) shall be deemed to be the depositor in respect of the moneys unless particulars of a transfer of the instrument are entered in the records of the member institution in which case the most recent transferee shown in the records shall be deemed to be the depositor; and</p> <p>(c) the entry of a transfer in the records of a member institution is ineffective, if the entry is made subsequent to the termination or cancellation of the deposit insurance of the member institution.</p>
<b>Idem</b>	<p>(5) Notwithstanding subsection (1), moneys received by a member institution on or after January 1, 1977, for which the institution has issued or is obligated to issue an instrument of indebtedness other than a draft, certified draft or cheque, travellers' cheque, prepaid letter of credit or money order, do not constitute a deposit where the instrument is payable outside Canada or in a currency other than Canadian currency.</p>
<b>Joint or trust deposit</b>	<p>3. (1) Where a member institution is obligated to repay moneys to a depositor who is acting as trustee for another or as joint owner with another, if the trusteeship or joint interest is disclosed upon the records of the institution, the deposit of the depositor acting as trustee or as joint owner with another shall be deemed for the purposes of deposit insurance with the Corporation to be a deposit separate from any deposit of the depositor acting in his own right or acting in another joint or trust capacity with the institution.</p>
<b>Trust deposit separate</b>	<p>(2) Where a member institution is obligated to repay moneys to a depositor who is acting as trustee for a beneficiary, if the trusteeship is disclosed upon the records of the institution, the interest of the beneficiary in the deposit shall be deemed for the purposes of deposit insurance with the Corporation to be a deposit separate from any deposit of the beneficiary made with the institution in his own right for his own use and separate from any interest of the beneficiary in respect of any other trust deposit of which he is a beneficiary.</p>
<b>Deposit of beneficiary</b>	<p>(3) Where a member institution is obligated to repay moneys to a depositor who is acting as trustee for two or more beneficiaries, if the interest of each beneficiary in the deposit is disclosed upon the records of the member institution in sufficient detail to enable the institution to take the interest of each beneficiary into account for the purposes of making the calculation referred to in paragraph 19(2)(b) of this Act, the interest of each beneficiary in the deposit shall be deemed for the purposes of deposit insurance with the Corporation to be a separate deposit.</p>

Not part of  
deposit

(4) Where an institution is obligated to repay to a person any moneys that are received or held by the institution, the amount of the moneys shall be deemed not to constitute part of a deposit for the purposes of deposit insurance if the date the person acquires his interest in the moneys is a date subsequent to the date the deposit insurance of the member institution with the Corporation is terminated or cancelled.

## **OTHER LEGISLATION**

Under the provision of the Investment Companies Act, the Corporation is empowered to make short term loans, as a lender of last resort, to Canadian controlled Sales Finance Companies. Also, under the provisions of the Cooperative Credit Associations Act, the Corporation is empowered to make short term loans, for liquidity purposes, to cooperative credit societies and to provincially created corporations that provide, or administer, stabilization or liquidity funds for the benefit of Credit Unions and their members. The aforementioned functions are entirely separate from those performed by the Corporation under its Act of incorporation. The Corporation is not insuring the debt instruments of the sales finance companies or the deposits and debt instruments of the cooperative credit societies. The loans may be made only for the purpose of meeting short term requirements for liquid funds and the source of funds for the Corporation to make these loans would be borrowings from the Consolidated Revenue Fund.

During the year 1977, the Corporation entered into an agreement with the Credit Union Stabilization Corporation (Alberta) to extend to that corporation short term loans required to meet short term requirements for liquid funds arising from its operations. The Corporation previously entered into similar agreements with the B.C. Credit Union Reserve Board and The Saskatchewan Credit Union Mutual Aid Board.

No funds have been advanced under either Act.