Canada Deposit
Insurance Corporation

Société d'assurance-dépôts
du Canada

Annual Report

Year Ended December 31, 1983

Canada

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May 31, 1984

The Honourable Roy MacLaren, P.C., M.P.
Minister of State for Finance
House of Commons
Ottawa, Ontario

Dear Mr. MacLaren:

I have the honour to submit to you the Annual Report of the Canada Deposit Insurance Corporation for the fiscal year ended December 31, 1983.

Yours very truly,

Robert De Coster, O.C., F.C.A.
Chairman

Canada

Canada Deposit Insurance Corporation
Société d'assurance-dépôts du Canada

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Canada

CORPORATE PROFILE

The Canada Deposit Insurance Corporation (CDIC) was established in 1967 by the Canada Deposit Insurance Corporation Act. Its primary role is to provide for the benefit of persons having deposits in banks, trust and loan companies insurance against the loss of all or part of their deposits to a maximum of $60,000.

In the furtherance of this main function the Corporation may also, amongst other powers, make or guarantee loans to, or deposits with, its member institutions for the purpose of averting or reducing a threatened loss to the Corporation.

The Corporation is funded by member institutions by premiums which are assessed on the insured deposits on hand as at April 30th each year. The Minister of Finance is authorized, subject to the approval of the Governor in Council, to make loans to the Corporation out of the Consolidated Revenue Fund up to an aggregate of $1.5 billion.

To the extent that the Corporation earns investment revenue in excess of its operating costs it is subject to income tax.

BOARD OF DIRECTORS

The Board of Directors consist of the Chairman, who is appointed by Governor in Council, and the persons who hold, respectively, the 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 as at December 31, 1983:

Messrs. R. De Coster,	Chairman
G.K. Bouey,	Governor of the Bank of Canada
M.A. Cohen,	Deputy Minister of Finance
R.M. Hammond,	Superintendent of Insurance
W.A. Kennett,	Inspector General of Banks

Mr. T.J. Davis is the Secretary-Treasurer and Mr. J.P. Sabourin is the Chief Operating Officer.

Review of Operations for 1983

Claims

During 1983 six member institutions encountered financial difficulties so serious that their business activities had to be terminated by the regulatory authorities. These were Crown Trust Company, Greymac Trust Company, Seaway Trust Company, Seaway Mortgage Corporation, Greymac Mortgage Corporation and Fidelity Trust Company. The Canada Deposit Insurance Corporation (CDIC) was closely in touch with the regulatory authorities in respect of the actions taken and concurred in those actions. A seventh member institution, Amic Mortgage Investment Corporation (Amic), was placed in liquidation in July of 1983.

An eighth member institution, District Trust Company, had been placed under an agency and operating agreement in 1982, for the purpose of winding-down its affairs in an orderly manner.

As a result of these terminations CDIC experienced a heavy demand during the year for liquid funds in order that the insured deposit liabilities could be met as they fell due. The loans thus made to the eight companies involved, either directly by CDIC or by agents on its behalf, amounted to $942.5 million at year end. Associated with these loans were potentially heavy losses to CDIC.

The CDIC recognizes that it is unable at this time to reasonably estimate the potential losses on the loans outstanding nor project, with a fair degree of assurance, the aggregate financial exposure of CDIC on completion of the wind-down process. In the circumstances the Board of Directors has decided to record a general provision for loss of $650 million. The provision reflects an estimate of the current consolidated deficits of the eight companies concerned on the basis of financial information supplied by the liquidator of Amic and the respective agents responsible for the winding-down of the other companies. CDIC acknowledges however, that certain factors could significantly alter its ultimate exposure.

The provision for loss in fact constitutes a first attempt at estimating the losses that the member institutions will ultimately be called upon to fund. As to the resulting deficit in the deposit insurance fund of $332.1 million, it is technical and temporary in nature since CDIC is, at all times, assured by statute of adequate permanent and temporary funding, the former by premiums payable by the member institutions and the latter by interest-bearing loans which the Minister of Finance is authorized to make from the Consolidated Revenue Fund with the approval of the Governor in Council. Because of these statutory provisions, CDIC's ability to meet its obligations is assured and the Government of Canada is not exposed to losses. It must at the same time be recognized that Parliament may be requested at some stage to amend the Act to permit an increase in the assessments against the member institutions.

The events that led up to the financial crises faced by the six institutions have, in some cases, been described in published reports and, in any case, are more appropriately reported by the relevant regulatory authorities than by this Corporation.

From the results of investigations by independent experts appointed by the regulatory authorities it was apparent that in all cases the assets were insufficient to permit the companies concerned to carry on accepting deposits from the public, and further that the immediate liquidation of assets would not produce sufficient funds to meet existing liabilities. The options in each case were either to seek the appointment of a liquidator or to make arrangements to have the assets and liabilities administered by another institution and run off over time.

Liquidation is the normal route in such circumstances and, in fact, has generally been the course of action in earlier cases which involved CDIC. In such cases, to minimize inconvenience to depositors and to avoid long delays in settlement, CDIC would normally pay the amount of the insured deposit to each depositor and take over the depositor's claim against the member institution. Settlement of the claims of CDIC and of the depositors whose funds in whole or in part are not covered by deposit insurance and other creditors would then be made as the liquidator realized on the assets. The CDIC, the uninsured depositors and possibly other creditors would share in the assets realized and in the losses that might result.

In the six cases it was clear that the liquidation approach would have significant disadvantages: the advancing of large amounts of money by CDIC to pay off insured liabilities at the outset; heavy administrative costs and the creation of an unfavourable climate for realizing the assets of these institutions.

As CDIC is charged with the obligation not only to protect insured depositors but also to operate on a self-sufficient basis it must be concerned with minimizing costs. The CDIC therefore chose the alternative of an arrangement to have the assets and liabilities administered by another member institution as an agent. Based on the best advice available and on the financial information put forward by independent experts, it was CDIC's considered view that its ultimate loss from winding-down the companies under the administration of agent institutions would be smaller than if the companies were immediately placed in liquidation. The CDIC advances funds or guarantees the repayment of funds advanced by the agents as needed in order to meet depositors' claims as they become due. The CDIC takes a charge on the remaining assets as security for its advances or payments under guarantees. Such advances are over and above the funds realized from the assets under administration.

Under these administrative arrangements, CDIC retains ultimate control over the disposition of assets. The policy is to encourage the agents concerned to liquidate the assets in an orderly manner and with a view to obtaining the best possible value in the light of all the circumstances. Some delay may occur in realizing on certain assets whose market is particularly depressed.

It is to be stressed that in following this course rather than that of an immediate liquidation CDIC must take maximum security for advances made to meet deposit liabilities.

The ultimate loss to CDIC will become clearer as the winding-down process continues over the next four years or so. All the deposit liabilities of the companies concerned will be discharged during the term of the administrative agreements as they mature.

In order for this type of administrative arrangement to operate properly, it is necessary that deposit liabilities be met as they fall due, even though some of these liabilities may be beyond the insured limit. Though this is a fortunate outcome for holders of deposits above the insured limit, it comes about only because CDIC concluded that in the particular circumstances this type of arrangement would minimize its costs and consequently those of its member institutions and their clients. It cannot be expected, however, that similar circumstances will necessarily apply in future cases and uninsured depositors must therefore realize that they face the possibility of loss should their deposit institutions fail.

Amic Mortgage Investment Corporation had been inactive for some time and neither the present owners nor other possible owners were prepared to put up additional capital to permit the institution to operate. The situation was finally resolved by seeking a liquidation order. All of its remaining deposits were insured. The CDIC made arrangements to pay off all depositors and take over the claims of the depositors against the assets of the company. Funds applied to this purpose amount to $22.8 million. It is expected that recoveries will be substantial but none had been received by year end. In the circumstances of this case, it did not appear to CDIC that its costs would have been reduced by following the course adopted for the six cases already mentioned.

Claims against the Astra Trust Company, which was placed in liquidation effective July 1980, were further reduced in 1983. In advancing funds to the liquidator to permit him to pay off all the insured depositors, CDIC took over the claims of insured depositors against the assets held by the liquidator. These claims, which originally amounted to $21.6 million, had been reduced by the end of 1982 to $4.5 million. Payments received in 1983 reduced the amount to $3.9 million and since the end of 1983, a further amount of $338,000 has been received. The net amount remaining is $3.5 million, of which CDIC expects to receive only a small amount. Provision has been made in the accounts for an expected loss of $3.2 million.

During 1983, CDIC recovered the total of $440,000 from the liquidator of Commonwealth Trust Company, thereby extinguishing the provision for loss previously recorded. (Note 5)

With regards to District Trust Company, the agent is winding-down the affairs of the company over a five year period. As at December 31, 1982 loans totalling $66 million had been advanced by the agent under a guarantee by CDIC. During 1983, the total of maturing assets and others disposed of exceeded deposit liabilities payable, with the result that loan advances in the amount of $21.5 million were repaid. A balance of $44.5 million remained outstanding as at December 31, 1983.

Inspection

Under the terms of the Canada Deposit Insurance Corporation Act and on behalf of CDIC, the Superintendent of Insurance examined the affairs of the federally incorporated trust companies and loan companies, which number 65, and the Inspector General of Banks examined the affairs of the 72 banks. Fifty-one (51) provincial institutions were also examined on behalf of CDIC, by persons designated by it for that purpose.

Legislation

In April 1983, through amendments to the Canada Deposit Insurance Corporation Act the maximum limit of deposit insurance was raised from $20,000 to $60,000 effective January 4, 1983, and the authority of CDIC to borrow from the Consolidated Revenue Fund was raised from $500 million to $1.5 billion.

Financial

Financial transactions for the year are shown in the attached statements.

For the year ended December 31, 1983 CDIC's income from investments amounted to $78.5 million and its cost of borrowings, administrative expenses and provision for income tax totalled $65.3 million, leaving an excess of $13.2 million. When the opening balance of the accumulated net earnings account of $71.2 million and the amount of $440 thousand in respect of recovery of claims are also added, the account totals $84.9 million. To this amount must be deducted the general provision for loss of $650 million, leaving the account in a deficit of $565.1 million.

The deposit insurance fund increased by $51.1 million during the year and as at December 31, 1983, totalled $233 million. The overall effect is that the net deposit insurance fund is in a net deficit position totalling $332.1 million as at year end.

Additional resources are available to the deposit insurance fund through CDIC's power to borrow up to $1.5 billion from the Consolidated Revenue Fund of the Government of Canada, and most importantly, from the assured future flow of premiums to be paid by member institutions. All federally incorporated deposit-taking institutions are required by law to be members of CDIC and to pay the premiums specified by the CDIC Act. Similar requirements, in practice, apply to provincially incorporated deposit-taking institutions in provinces that require their institutions to have deposit insurance, with the exception of Quebec which has its own deposit insurance system.

Total insured deposits with member institutions at the end of 1983 amounted to $154 billion, made up of $142 billion in federally incorporated institutions and $12 billion in provincially incorporated institutions. The total increased by $36 billion from the end of 1982, largely as a consequence of the increase in the limit for insurable deposits referred to above under "Legislation".

General

Although seven member institutions were being wound-down under agency agreements in 1983, it is important to note that five of the seven were closely linked through ownership or operations. In the case of Amic Mortgage Investment Corporation, the events leading to its problems occurred some years back, and its liquidation in 1983, followed the failure to find other solutions in the intervening years. Thus, these events should not be read as an indication of any widespread instability among deposit-taking institutions.

The fact that the financial difficulties of these institutions were dealt with in an orderly way, with no interruption of service to the holders of insured deposits and with only a minimum of interruption to other depositors, demonstrates the value of deposit insurance in Canada. Scarcely less important is the fact that there was no widespread alarm among depositors generally as to the safety of their deposits in other institutions. This contributed greatly to the stability of all deposit-taking institutions and to the financial system generally.

It must, however, be recognized that the resources enabling CDIC to provide this service come from the premiums paid by member institutions. Fairness requires that the financial standards adhered to by all members be adequate and consistent. The CDIC notes that the federal and provincial authorities are currently reviewing the regulatory legislation with a view to ensuring that requirements and procedures will so far as possible avoid a recurrence of the unfortunate events of 1983.

AUDITOR GENERAL OF CANADA VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

The Honourable Marc Lalonde, P.C., M.P.
Minister of Finance

I have examined the balance sheet of the Canada Deposit Insurance Corporation as at December 31, 1983 and the statements of earnings and accumulated net earnings (deficit) and changes in financial position 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, except as explained in the following paragraph.

As explained in Note 3, the Corporation is funding the payment of the liabilities and operations of certain member institutions experiencing financial difficulty in order to ensure their orderly wind down. As explained in Note 7, significant uncertainty exists as to the ultimate losses facing the Corporation in respect of these troubled companies. The Corporation is of the opinion, however, that substantial losses will occur and based on the information currently available from the troubled companies has estimated such losses to be approximately $650,000,000. The Corporation has recorded a general provision for loss in that amount. Because of the circumstances surrounding the troubled companies, sufficient information is not available to allow me to determine whether the general provision for loss is adequate. Accordingly, I am not able to determine whether any adjustments might be necessary to the general provision for loss, the accumulated net deficit and the deposit insurance fund.

In view of the possible material effect on the financial statements of the matters discussed in the preceding paragraph, I am unable to express an opinion as to whether these financial statements give a true and fair view of the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Further, pursuant to Section 77(1) of the Financial Administration Act, I wish to bring to the attention of Parliament, the possibility that when the circumstances described in Note 7 have been resolved, Parliament may be required to make amendments to the Canada Deposit Insurance Corporation Act to permit increased premium rates from member institutions or to otherwise change the funding provisions of the Act.

Also, pursuant to Section 77(1) of the Financial Administration Act, 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.

Kenneth M. Dye, F.C.A.
Auditor General of Canada

Ottawa, Canada
May 4, 1984

CANADA DEPOSIT INSURANCE CORPORATION
BALANCE SHEET
as at December 31, 1983

ASSETS

	1983	1982
	(in thousands of dollars)	
Cash and treasury bills	$ 145,424	$ 132,613
Premiums and other accounts receivable	10,643	1,285
Accrued interest	4,185	3,414
Loans to member institutions (Notes 3 and 7)	942,483	50,000
Investments (Note 4)	30,175	66,751
Claims in respect of insured deposits (Note 5)	23,514	1,351
Furniture, equipment and leasehold improvements	81	34
	$ 1,156,505	$ 255,448

LIABILITIES AND GENERAL PROVISION FOR LOSS

	1983	1982
	(in thousands of dollars)	
Accounts payable	$ 726	$ 501
Income taxes payable	1,145	20
Loans from member institutions (Note 3)	805,266	—
Loans from the Consolidated Revenue Fund (Note 6)	30,000	—
Deferred income taxes	1,473	1,798
	838,610	2,319
General provision for loss (Note 7)	650,000	—
	1,488,610	2,319
DEPOSIT INSURANCE FUND		
Premiums		
Balance at beginning of the year	181,893	167,318
Premiums for the year	51,098	14,575
Balance at end of the year	232,991	181,893
Accumulated net earnings (deficit) (Note 1)	(565,096)	71,236
Deposit insurance fund	(332,105)	253,129
	$ 1,156,505	$ 255,448

Approved by the Board:

Chairman

Director

CANADA DEPOSIT INSURANCE CORPORATION

Statement of Earnings and Accumulated Net Earnings (Deficit) for the year ended December 31, 1983

	1983	1982
	(in thousands of dollars)	
Interest income		
Loans	$ 62,188	$ 4,125
Treasury bills	10,723	14,105
Canada bonds	3,961	5,698
Mortgages	1,255	1,715
Other	401	260
	78,528	25,903
Expenses		
Interest on borrowings	50,828	82
Inspection and other fees	1,683	514
General, administrative and other	807	190
Salaries and employee benefits	262	195
	53,580	981
Earnings before income taxes	24,948	24,922
Income taxes		
Current	12,045	12,620
Deferred	(325)	(583)
	11,720	12,037
Net earnings for the year	13,228	12,885
Accumulated net earnings at beginning of the year	71,236	58,351
General provision for loss (Note 7)	(650,000)	—
Recovery of claim - Commonwealth Trust Company (Note 5)	440	—
Accumulated net earnings (deficit) at end of the year	$ (565,096)	$ 71,236

CANADA DEPOSIT INSURANCE CORPORATION

Statement of Changes in Financial Position
for the year ended December 31, 1983

	1983	1982
Source of funds	(in thousands of dollars)	
Operations		
Net earnings for the year	$ 13,228	$ 12,885
Items not affecting funds		
Deferred income taxes	(325)	(583)
Net amortization of premiums and discounts	(333)	(136)
Depreciation and amortization	31	14
	12,601	12,180
Loans from member institutions	805,266	—
Loans from the Consolidated Revenue Fund	140,000	—
Repayment of loans by member institutions	50,000	—
Decrease in investments — Canada bonds	32,350	30,000
— other bonds and debentures	162	—
Recoveries of claims in respect of insured deposits	1,060	16,981
Increase in accounts payable	225	10
Increase in income taxes payable	1,125	—
Premiums for the year	51,098	14,575
Realization of mortgages acquired from former member institutions	4,397	471
Decrease in premiums and other accounts receivable	—	3,640
Decrease in accrued interest	—	3,572
Repayment of loans by Quebec Deposit Insurance Board	—	30,000
	1,098,284	111,429
Application of funds		
Loans to member institutions	942,483	50,000
Repayment of loans from the Consolidated Revenue Fund	110,000	—
Increase in premiums and other accounts receivable	9,358	—
Increase in accrued interest	771	—
Purchase of furniture, equipment and leasehold improvements	78	6
Payment of claims in respect of insured deposits	22,783	—
Mortgages acquired from former member institutions	—	7,534
Decrease in income taxes payable	—	3,991
	1,085,473	61,531
Increase in cash and treasury bills	12,811	49,898
Cash and treasury bills at beginning of the year	132,613	82,715
Cash and treasury bills at end of the year	$ 145,424	$ 132,613

CANADA DEPOSIT INSURANCE CORPORATION

Notes to Financial Statements
December 31, 1983

1. Authority and objective

The Corporation was established in 1967 by the Canada Deposit Insurance Corporation Act (the Act) (R.S.C. 1970, c.C-3 as amended) and is a proprietary Crown corporation named in Schedule D to the Financial Administration Act.

The Corporation's principal objective is to provide insurance on deposits with federal member institutions (banks, trust and loan companies) and with provincial member institutions (trust and loan companies) up to $60,000 per depositor per institution.

By statute, the Corporation is assured adequate financial resources at all times. In the exercise of its mandate it is funded by its member institutions by way of premiums assessed and collected each year. When need for temporary financing arises it has access to the Consolidated Revenue Fund, the Minister of Finance being empowered by law to make interest-bearing loans to the Corporation up to an aggregate of $1.5 billion with the approval of the Governor in Council (Note 6).

It follows therefore that, even though its financial statements may show a deficit at a given point in time, such as is the case on December 31, 1983, the ability of the Corporation to meet its obligations is not at risk nor is the Government of Canada exposed to losses resulting from the operations of the Corporation. It must at the same time be recognized that Parliament may be requested at some stage to amend the Act to permit an increase in the assessments against the member institutions.

2. Accounting policies

(a) Basis of accounting

The Corporation follows the accrual basis of accounting.

(b) Provisions for losses

Provisions for losses on loans and guarantees to member institutions and on claims in respect of insured deposits are recorded in the year in which the eventual losses can be estimated. Such provisions and those no longer required are charged or credited to accumulated net earnings.

(c) Investments

Bonds, debentures and mortgages are recorded at cost. The cost of bonds and debentures is adjusted for the amortization of premiums and discounts.

(d) Claims in respect of insured deposits

The Corporation's claims in respect of insured deposits represent the total payments made by the Corporation for insured deposits less recoveries and provisions for losses.

(e) Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are recorded at cost less accumulated depreciation and amortization. Depreciation on furniture and equipment is calculated at an annual rate of 20% using the declining balance method. Leasehold improvements are amortized on a straight-line basis over the remaining terms of the leases up to a maximum of five years.

(f) Income taxes

Income taxes are accounted for on the tax allocation basis, which relates the provision for income taxes to the reported accounting income for the year. Timing differences between the income reported for accounting and for tax purposes are recorded as deferred income taxes and arise from the exclusion of qualifiable accrued interest from income for tax purposes and from claiming an investment reserve for tax purposes.

(g) Premiums

Premiums are assessed against member institutions based on insurable deposits held by those institutions on April 30 of each year. Premiums and premium rebates, representing refunds of premiums previously paid, are credited or charged directly to the Deposit Insurance Fund in accordance with the Act.

3. Loans to member institutions

During the year, certain member institutions experienced financial difficulties and were placed under the control of regulatory authorities. Subsequently, and in accordance with section 11(a) of the CDIC Act, the Corporation entered into agency agreements with other member institutions (agents) to ensure that the respective operations of these troubled companies would be wound down in an orderly fashion during the five year term of these agreements. The Corporation is funding the payment of the liabilities and operations of these companies directly by way of loans or the respective agents are providing loans on the Corporation's behalf.

As at December 31, 1983, loans made directly or by agents on behalf of the Corporation were as follows:

Member Institutions	Direct	By Agents	Total
	(in thousands of dollars)		
Greymac Mortgage Corporation	$ 55,000	$ 37,000	$ 92,000
Greymac Trust Company	40,435	97,600	138,035
Fidelity Trust Company	38,332	146,314	184,646
Crown Trust Company	—	300,000	300,000
Seaway Trust Company	—	140,200	140,200
Seaway Mortgage Corp.	—	39,700	39,700
District Trust Company	—	44,452	44,452
	133,767	805,266	939,033
Amic Mortgage Investment Corporation (Note 5)	3,450	—	3,450
	$137,217	$805,266	$942,483

The Corporation has registered a floating charge on all the assets of these companies to secure the loans. During the term of the agreements, the agents are paying all liabilities on maturity and are disposing of the assets in a manner to optimize recovery. The assets of these companies consist primarily of mortgages and real estate. The ultimate realization of these assets is dependent on the state of the economy, interest rate levels, and the real estate market in general.

Although losses are anticipated on these loans, no specific provision was made for bad debts, a general provision for loss is being provided as explained in Note 7.

4. Investments

	1983	1982
	(in thousands of dollars)	
Canada bonds, maturing in		
1983	$ —	$ 32,287
1984	19,998	19,974
(Market value 1983 - $20,000; 1982 - $52,424)	19,998	52,261
Acquired from former member institutions		
Canada bonds and other bonds and debentures (Market value 1983 - $772; 1982 - $861)	1,003	1,164
Mortgages	9,174	13,326
	10,177	14,490
	$ 30,175	$ 66,751

The investments acquired from former member institutions were either as a result of subrogation to the Corporation of the rights and interests of depositors to whom the Corporation made payments in respect of insured deposits, or in settlement of secured loans owed by a member institution to the Corporation.

5. Claims in respect of insured deposits

	1983	1982
	(in thousands of dollars)	
Astra Trust Company, placed in liquidation in 1980		
Payments to date	$21,625	$21,613
Recoveries to date	17,694	17,062
	3,931	4,551
Less provision for loss	3,200	3,200
	731	1,351

Commonwealth Trust Company, placed in liquidation in 1970		
Payments to date	5,433	5,433
Recoveries to date	5,433	4,993
	—	440
Less provision for loss	—	440
	—	—
Amic Mortgage Investment Corporation, placed in liquidation in 1983		
Payments and claims due to date	22,783	—
Recoveries to date	—	—
	22,783	—
Less provision for loss	—	—
	22,783	—
	$23,514	$ 1,351

During the year, Amic Mortgage Investment Corporation was placed in liquidation and the Corporation paid claims in respect of insured deposits totalling $22,694,000. A further amount of $89,000 was set up in accounts payable to cover outstanding deposits due to claimants. The recoveries of these claims by the Corporation are anticipated to be significant but such cannot yet be reasonably estimated and accordingly, a specific provision for loss has not been recorded.

The Corporation recovered the total of $440,000 from the liquidators of Commonwealth Trust Company, thereby extinguishing any provision for loss previously recorded.

Subsequent to the year end, the Corporation recovered a further $387,977 in respect of the Astra Trust Company claim.

Certain claims were filed in 1980 against the Corporation with respect to non-member institutions which are alleged to be related to the operations of the Astra Trust Company. The Corporation is still of the opinion that it is not liable in this connection.

6. Loans from the Consolidated Revenue Fund

Pursuant to section 37 of the Act, the Corporation, with the authority of the Governor in Council, can borrow funds from the Consolidated Revenue Fund (CRF) of the Government of Canada, up to a maximum of $1.5 billion. During 1983, the Corporation borrowed up to $140 million to help it finance direct liquidity loans to troubled member institutions. These loans were repaid to the extent of $110 million including interest, and a balance of $30 million remains outstanding at December 31, 1983. Loans from the CRF bear interest at varying rates equal to the rates approved by the Minister of Finance for loans to Crown corporations and are repayable on March 30, 1984. As at December 31, 1983, accrued interest of $231,164 on these loans was included in accounts payable.

7. General provision for loss

Information available indicates that the recent failure of eight trust and mortgage loan companies will ultimately result in very heavy losses to the Corporation, the full extent of which will only be known after completion of the wind-down process and cannot be reasonably estimated at this time.

The Corporation has however made an estimate of the current consolidated deficits of the companies concerned on the strength of financial statements and data supplied by the respective agents responsible for the wind-down and inclusive of all known elements and, on that basis, has recorded a general provision for loss of $650 million in its financial statements for the current year.

The Corporation recognizes that its ultimate financial exposure may be different from the provision by reason of the losses that will be incurred in the wind-down process of the companies, of changes in the value of the assets on eventual disposition and of a number of contingencies arising from actual or potential negotiations and judicial actions.

8. Insured deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions as at April 30, 1983 and 1982, are as follows:

	1983	1982
	(in billions of dollars)	
Federal institutions	$ 142	$ 109
Provincial institutions	12	9
	$ 154	$ 118

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 Bank's & Banking Law Revision Act, the Quebec Savings Banks Act, the Trust Companies Act and the Loan Companies Act after April 17th, 1967, are insured from the date the institutions commenced business.

As at December 31, 1982, one hundred and thirty-three (133) federal institutions were members of the Corporation.

During the year 1983:

(a) The following institutions commenced business and therefore became member institutions.

Banks

Banca Nazionale del Lavoro of Canada
Mellon Bank Canada
Republic National Bank of New York (Canada)
Sanwa Bank Canada
Western & Pacific Bank of Canada

Loan Companies

Citibank Canada Mortgage Corporation

(b) The name of Stanmor Mortgage Corporation was changed to Morgan Mortgage Corporation.

(c) The Eaton Bay Trust Company (Alberta) and the Eaton Bay Trust Company amalgamated; the continuing company being the Eaton Bay Trust Company.

(d) The Morgan Trust Company of Canada merged with the Morgan Trust Company, incorporated in the Province of Quebec; the continuing company being the Morgan Trust Company of Canada.

(e) The name of the Procan Mortgage Corporation was changed to the National Bank Mortgage Corporation.

(f) The name of Norfolk Trust Company was changed to Discovery Trust Company of Canada.

There were one hundred and thirty-seven (137) federal member institutions at December 31, 1983, of which seventy-two (72) were banks and sixty-five (65) were trust and loan companies as follows:

Chartered Banks

ABN Bank Canada
Banca Commerciale Italiana of Canada
Banca Nazionale Del Lavoro of Canada
Banco Central of Canada
Bank of America Canada
Bank of Boston Canada
Bank of British Columbia
Bank of Credit and Commerce Canada
Bank Hapoalim (Canada)
Bank Leumi le-Israel (Canada)
Bank of Montreal
Bank of Nova Scotia (The)
Bank of Tokyo Canada (The)
Banque Nationale de Paris (Canada)
Barclays Bank of Canada
BT Bank of Canada
Canadian Commercial Bank
Canadian Imperial Bank of Commerce
Chase Manhattan Bank of Canada (The)
Chemical Bank of Canada
Citibank Canada
Comerica Bank Canada
Continental Bank of Canada
Continental Illinois Bank (Canada)
Crédit Commercial de France (Canada)
Crédit Lyonnais Canada
Credit Suisse Canada
Dai-Ichi Kangyo Bank (Canada)
Deutsche Bank (Canada)
Dresdner Bank Canada
First Interstate Bank of Canada
First National Bank of Chicago (Canada) (The)
Fuji Bank Canada
Grindlays Bank of Canada
Hanil Bank Canada
Hongkong Bank of Canada
Industrial Bank of Japan (Canada) (The)
International Commercial Bank of Cathay (Canada)
Irving Bank Canada
Israel Discount Bank of Canada

Korea Exchange Bank of Canada
Lloyds Bank International Canada
Manufacturers Hanover Bank of Canada
Mellon Bank Canada
Mercantile Bank of Canada (The)
Midland Bank Canada
Mitsubishi Bank of Canada
Mitsui Bank of Canada (The)
Morgan Bank of Canada
Morguard Bank of Canada
National Bank of Canada
National Bank of Detroit, Canada
National Bank of Greece (Canada)
National Westminster Bank of Canada
Northland Bank
Overseas Bank (Canada)
Overseas Union Bank of Singapore (Canada)
Paribas Bank of Canada
Republic National Bank of New York (Canada)
Royal Bank of Canada (The)
Sanwa Bank Canada
Seattle-First Bank Canada
Security Pacific Bank Canada
Société Générale (Canada)
Standard Chartered Bank of Canada
State Bank of India (Canada)
Swiss Bank Corporation (Canada)
Toronto-Dominion Bank (The)
Union Bank of Switzerland (Canada)
Wells Fargo Bank Canada
Western & Pacific Bank of Canada

Savings Bank

Montreal City & District Savings Bank (The)

Trust and Loan Companies

Atlantic Trust Company of Canada
Bank of British Columbia Mortgage Corporation
Bank of Montreal Mortgage Corporation
Bayshore Trust Company
Canada Permanent Mortgage Corporation
Canada Permanent Trust Company
Canada Trust Company (The)
Canada Trustco Mortgage Company
CCB Mortgage Investment Corporation
Central and Eastern Mortgage Corporation
Central Trust Company
CIBC Mortgage Corporation
Citibank Canada Mortgage Corporation
Citizens Trust Company
Continental Bank Mortgage Corporation
Continental Trust Company
Co-Operative Trust Company of Canada
Discovery Trust Company of Canada
Eaton Bay Trust Company
Equitable Trust Company (The)
Equitrust Mortgage and Savings Company
Evangeline Savings and Mortgage Company
Evangeline Trust Company
Fedco Mortgage Investment Company
Fidelity Trust Company (The)
Fidmor Mortgage Investors Corporation
First City Mortgage Company
Granville Savings and Mortgage Corporation
Greymac Mortgage Corporation
Guaranty Trust Company of Canada
Income Trust Company
Interior Trust Company (The)
International Trust Company (The)
League Savings & Mortgage Company
MBC Mortgage Corporation
Merchant Trust Company (The)
Montreal Trust Company of Canada
Morgan Mortgage Corporation
Morgan Trust Company of Canada
Morguard Home Mortgage Investment Corporation
Morguard Mortgage Investment Company of Canada
Morguard Trust Company
National Bank Mortgage Corporation
North Canadian Trust Company
Northguard Mortgage Corporation
Nova Scotia Savings & Loan Company
Nova Scotia Savings and Trust Company
Pacific Savings and Mortgage Corporation
Peace Hills Trust Company
Pioneer Trust Company
Premier Trust Company (The)
Regional Trust Company (The)
Royal Bank Mortgage Corporation
Royal Trust Corporation of Canada
Royal Trustco Mortgage Company
Scotia Mortgage Corporation
Seaway Mortgage Corporation
Seel Mortgage Investment Corporation
Settlers Savings and Mortgage Corporation
Standard Loan Company
Standard Trust Company
Sterling Trust Corporation
TD Mortgage Corporation
Victoria and Grey Mortgage Corporation
Western Capital Trust Company

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 that 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.

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 charges 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 January 22, 1969, 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
Credit Foncier Trust Company
General Trust Inc.
General Trust of Canada
Guardian Trust Company
Montreal Trust Company
Royal Trust Company
Royal Trust Company Mortgage Corporation
Savings and Investment Trust Company

The Quebec Deposit Insurance Board is providing the guarantee for the deposits located in Quebec accepted by companies incorporated in:

(a) Alberta
First City Trust Company
(b) Manitoba
Investors Group Trust Co. Ltd.
(c) Ontario
Crown Trust Company
Financial Trust Company
National Trust Company Limited
Victoria and Grey Trust Company

All these companies are members of the Canada Deposit Insurance Corporation which insures their deposits outside Quebec.

As at December 31, 1982, fifty-three (53) provincial institutions were members of the Corporation.

During the year 1983:

(a) The Citicorp Trust Company, a company incorporated in the Province of Quebec, amalgamated with Citibank Canada; the continuing company being Citibank Canada.

(b) The Morgan Trust Company, incorporated in the Province of Quebec, merged with the Morgan Trust Company of Canada; the continuing company being the Morgan Trust Company of Canada.

There were fifty-one (51) provincial member institutions at December 31, 1983, as follows:

Trust and Loan Companies

Cabot Trust Company
Canborough Corporation (The)
Columbia Trust Company
Community Trust Company Ltd.
Continental Estates Corporation Ltd.
Counsel Trust Company
Credit Foncier
Credit Foncier Trust Company
Crown Trust Company
District Trust Company
Dominion Trust Company (The)
Effort Trust Company (The)
Executive Trust Company
Family Trust Corporation
Financial Trust Company
First City Trust Company
First Western Trust Company
General Trust of Canada
General Trust Inc.
Greymac Trust Company
Guardian Trust Company
Heritage Savings & Trust Company
HFC Trust Limited
Home Savings & Loan Corporation
Huronia Trust Company
Inland Trust and Savings Corporation Ltd.
Investors Group Trust Co. Ltd.
Landmark Savings and Loan Association
London Loan Limited
London Trust & Savings Corporation
Monarch Trust Company
Montreal Trust Company
Municipal Savings & Loan Corporation (The)
Municipal Trust Company (The)
National Trust Company Limited
Nipissing Mortgage Corporation
North West Trust Company
Pacific & Western Trust Corporation
Principal Savings and Trust Company
Provincial Trust Company
Royal Trust Company (The)
Royal Trust Company Mortgage Corporation (The)
Saskatchewan Trust Company
Savings and Investment Trust Company
Seaway Trust Company
Security Trust Company
Shoppers Mortgage and Loan Corporation
Termguard Savings & Loan Company
Vanguard Trust of Canada Limited
Victoria and Grey Trust Company
Yorkshire Trust Company

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 Association 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 borrowed from the Consolidated Revenue Fund.

The Corporation has entered into agreements, to make short-term loans for liquidity purposes, with the Credit Union Stabilization Corporation (Alberta), B.C. Credit Union Reserve Board and the Saskatchewan Credit Union Deposit Guarantee Corporation.

No funds have been advanced under either Act.