



## PREPARING FOR THE NEW CDIC REQUIREMENTS IMPACTING NOMINEE BROKERS

Summary for IIAC Members

# AMENDMENTS TO THE CDIC ACT & BY-LAWS

- Effective **April 30, 2022** there is a new [framework](#) governing deposits held by Nominee Brokers (NBs) at CDIC member institutions (MIs)\*.
- Will introduce new requirements that NBs must meet including:
  - NB must transmit to the MI a unique client identifier (UCI) at the time they place a deposit for a client and each time a change is made to a deposit;
  - NB must disclose to the MI the beneficial interest for each beneficiary under the deposit;
  - NB must have the capacity to provide CDIC with the UCI & related client name and address within 3 business-days of CDIC's request; and
  - NB must annually attest to having the above capacity to CDIC.
- Requirements will apply to all CDIC eligible nominee brokered deposits including:
  - GICs and High Interest Savings Accounts (HISAs)
  - Net new deposits and existing deposit
- Failure to comply could:
  - result in a reduction or loss of deposit insurance coverage
  - result in CDIC informing NB's regulator of their non-compliance
- **The changes will require important system, supervisory and process changes across the brokered deposit industry!**

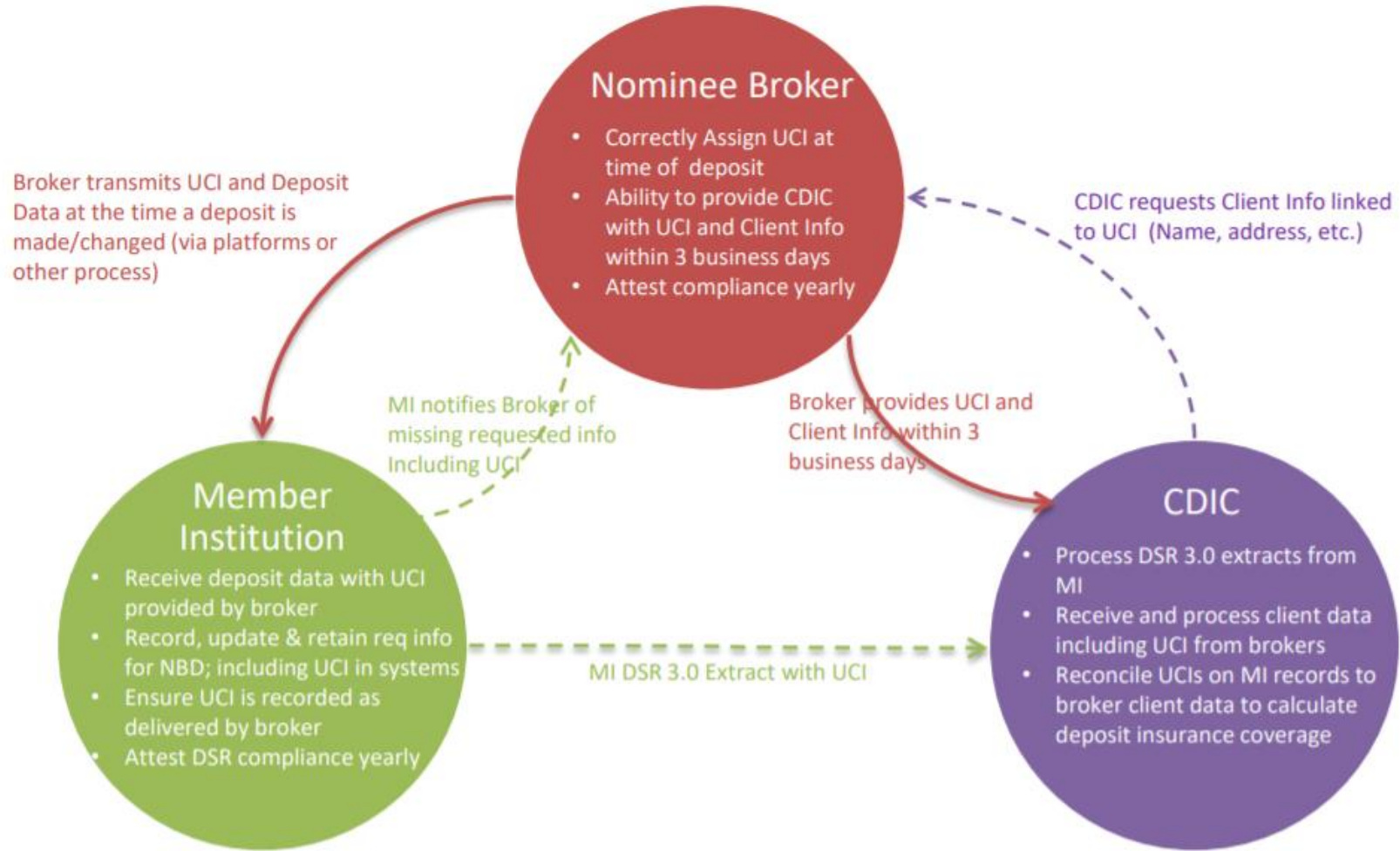
# UNDERSTANDING THE UCI REQUIREMENT

- The **Unique Client Identifier (UCI)** is a key new requirement for NBs effective April 30, 2022
    - An alphanumeric code that NBs must assign to each client for whom they place deposits in nominee name at a CDIC MI
    - Must be unique to a particular client of the NB
    - Must be transmitted by NB to MI at the time the deposit is made and each time a change is made to the deposit
    - Each NB assigns their own UCI
    - Responsibility for assigning client UCIs rests with NB
  - UCI applies to net new deposits and existing deposits
    - NBs will need to link all currently existing deposits that remain on the records of MIs as of April 30, 2022 with UCIs, and
    - NBs will need to link all new deposits placed for clients after April 30, 2022 with UCIs
  - How will UCI (and other deposit information) be transmitted from NBs to MIs:
    - Via Industry Platforms such as Cannex (GICs) and Fundserv (HISAs)
    - Via other processes as agreed to between NB and MI
  - CDIC will rely on the UCI to calculate deposit insurance coverage for NB's client and to ensure a timely and accurate reimbursement in the event of an MI's liquidation
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## UNDERSTANDING THE UCI REQUIREMENT (continued)

- Industry Working Group (comprised of NBs, MIs and Service Providers) has developed various resources including [UCI Best Practices](#), [Complex UCI Examples](#) and [FAQs](#) in order to assist with UCI implementation
  - Some things of note:
    - UCIs can have a **maximum length** of 20 characters
    - Acceptable UCI Characters
      - Alpha characters (**UPPERCASE only**);
      - Numeric characters;
      - Alphanumeric characters;
      - Punctuation symbols are limited to [-] [ ] [.] [/] [ | ] [\] [;] [:]
    - The UCI must be distinct from the account number(s) under which the deposit is placed for the client
  - UCI must be linked to the required client information (i.e. names, addresses, accounts, etc.) in the records/ systems of the NB and must be kept up-to-date.
  - NB must be able to provide this client information to CDIC in the event of a failure and/or for CDIC verification testing
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# UCI FLOW



# UCI FOR SPECIAL INCOME ARRANGEMENTS (SIAs)

- Accounts such as RRSP, RRIF, TFSA, RESP, and RDSPs are considered Special Income Arrangements (SIAs)
  - Effective April 30, 2022 RESPs & RDSPs receive separate coverage for up to \$100,000 in eligible deposits held
- For (SIAs), Nominee Brokers must assign a UCI to:
  - Each client who places the deposit (registered plan owner), **and**
  - Each individual who benefits from the registered plan
  - Registered plan owner and individual who benefits from the plan varies by SIA/plan type:

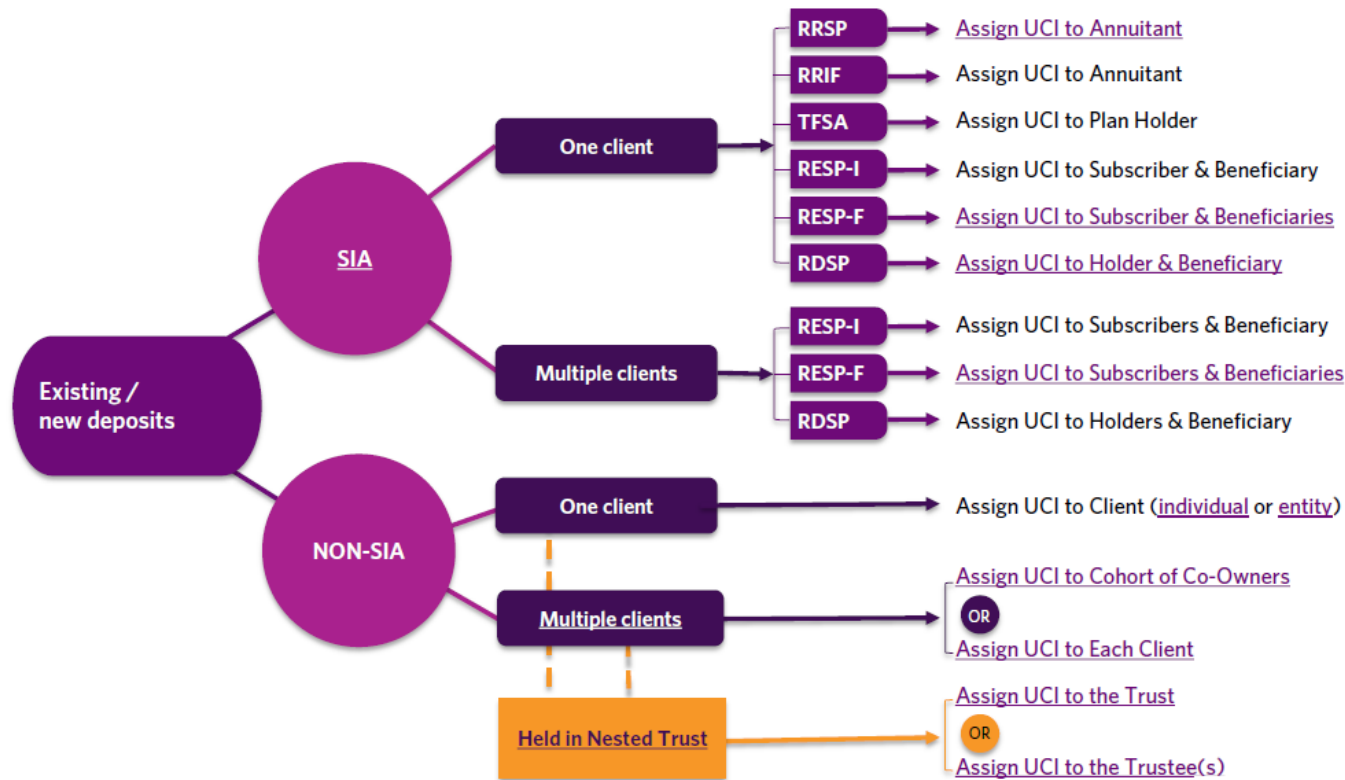
Type of SIA	Registered Plan owner(s)	Individual(s) who benefit from Plan
RRSP	Annuitant <sup>(1)</sup>	Annuitant <sup>(1)</sup>
RRIF	Annuitant	Annuitant
TFSA	Holder	Holder
RESP–Individual or Family plan	Subscriber(s)	Eligible student(s)
RDSP	Holder(s)	Disabled person

(1) For Spousal RRSPs the UCI is assigned to the Annuitant, not the contributor

- This means for deposits held under a SIA, Nominee Brokers must always assign at least 2UCIs:
  - If same person is both the plan owner and the individual who benefits from the plan (e.g. RRSP, RRIF, TFSA), then the same UCI assigned to each
  - Where the individual(s) who benefits from plan is different from the plan owner(s) (e.g. RESP, RDSP), then the UCI assigned to each person involved with the deposit must be unique

# UCI DECISION TREE – NOMINEE BROKERED DEPOSITS

## UCI Decision Tree - Nominee Brokered Deposits



**Client** refers to a natural person (i.e. individual) or an entity (e.g. corporation, partnership, trust, association, investment club, etc.,

## OTHER REQUIRED INFORMATION FROM NB TO MI

Additional Information that must be sent by NB to MI along with UCI:

- **Legal name and address:** the legal name and address of the NB that is acting as the nominee for the deposit
- **Deposit amount:** the amount of the deposit at the time it is placed with the MI, or when the deposit is reregistered or transferred
- **Client interest** in the deposits: the amount or percentage of the deposit allocated to each client under the deposits, when there are multiple clients linked to the same deposit and each has a specific ownership in the deposit
- **Coverage Category:** indicator of whether the deposits is non-registered or falls with one of the special income arrangements (SIAs) set out in the CIDC Act (i.e. RRSP, RRIF, TFSA, RESP or RDSP)

**Remember:** NBs can transmit deposit information to MI via industry platforms or other process agreed to between NB and MI

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## REQUIRED INFORMATION FROM NB TO CDIC

- The **Nominee Broker Data Requirements (“NBDR”)** specifies the data NBs must submit to CDIC, which will facilitate CDIC’s insurance determination
  - NBDR includes:
    - UCI for the beneficiary (including a unique set of co-owners), or beneficial owner;
    - the legal name and address of the beneficiary and/or beneficial owner;
    - the type of special income arrangement (SIA) associated with the UCI;
    - the MI associated with the UCI; and
    - the Legal Entity Identifier (“LEI”) of the introducing broker if an Introducing/Carrying Broker arrangement.
  - NB must be capable of providing this information within three business days of CDIC’s request
    - CDIC may request information as a result of MI insolvency or as part of CDIC validation testing
  - [NBDR Specifications](#), XML Schema and other resources available [here](#)
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# INTRODUCING BROKERS/CARRYING BROKERS

- Industry has developed [best practices](#) for IB/CB structure within CDIC framework
  - Objective: optimize deposit insurance coverage for clients of introducing brokers
- Need identified for CBs to obtain **Legal Entity Identifier (LEI)** from their IBs
- Planned Approach:
  - CB will transmit IB LEI along with client UCI and other deposit information to MI
  - LEI information along with UCI and deposit information will help CDIC determine insurance coverage
- Industry developing model agreements/addendums to codify framework between IB, CB and the MI
- IBs should engage their CB in discussions

# RE-REGISTRATIONS AND TRANSFERS

- When a deposit is changed (i.e., re-registered), key deposit information (i.e., UCIs) must be transmitted/updated by NBs and received and recorded by MIs.
- Current processes for updating deposit information at MI due to **external** re-registrations (i.e. Dealer to Dealer transfers) or **internal** re-registrations (i.e. internal transfers within NB) are manually intensive and can be slow
- Current processes need to be streamlined and/or automated to align with requirements in the CDIC Act and Bylaws

## Internal Re-registrations

- Industry [Best Practices](#) developed to support the adoption of a preferred industry approach for updating ownership information for GIC deposits when they are re-registered internally at the NB
  - Automated Process for internal re-registration of GIC Deposits being developed (facilitated by CANNEX)

## External Transfers

- Industry [interim approach](#) established for dealer-to-dealer transfers. Purpose is to streamline and shorten re-registration process for dealer-to-dealer transfers of GIC Deposits.
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# CDIC BROKER PORTAL

## CDIC Broker Portal

- Development of a secure portal for NBs is underway to centralize all communications/interactions between CDIC and NBs:
  - Will provide a single point of contact with NBs for all compliance and administrative functions, including:
    - Receive NB attestations and supporting documentation for compliance purposes
    - Facilitate NB upload and submission of NBDR files for CDIC testing
    - Communicate with NBs regarding compliance findings and administer compliance/enforcement actions
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## KEY TAKE AWAYS

- **For Some NBs this will be a very large scale initiative**
    - Technical system changes, UCI assignment, possible re-papering of agreements, procedural/supervisory changes, etc.
    - Successful implementation may require a dedicated project management team
  - **Time is not on your side**
    - Lot of work to get accomplished before April 30, 2022
    - Risks associated with non-compliance
  - **Industry Co-ordination will be paramount**
    - NBs, MIs, IBs/CBs, service providers and CDIC all impacted
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# USEFUL RESOURCES

- [CDIC Act](#)
- [Co-Owned & Trust Disclosure By-law](#)
- [UCI Industry Best Practices](#)
- [UCI Application: Complex Examples](#)
- [UCI FAQs](#)
- [UCI Decision Tree](#)
- [UCI Glossary](#)
- [Nominee Brokered Deposits – Unique Client Identifier \(UCI\) – Data Transmission](#)
- [Introducing Broker/Carrying Broker Best Practices](#)
- [Nominee Broker Data Requirements and XML Schema](#)
- [GIC Re-registration Industry Best Practices](#)
- [Interim Approach for Dealer-to-Dealer Transfers](#)
- [Nominee Broker Compliance Framework](#)

**ADDITIONAL INDUSTRY RESOURCES UNDER DEVELOPMENT.** VISIT THE [BROKERED DEPOSIT ADVISORY GROUP \(BDAG\)](#) SECTION OF CDIC WEBSITE REGULARLY.

Disclaimer: This presentation has been prepared by the IIAC for information purposes only and should be viewed in conjunction with the [CDIC Act](#) and the [CDIC Co-Owned and Trust Deposit Disclosure By-law \(COTDB\)](#).