

# *Global Recession and Trust Accounts*

## *by John Allen, CA*

Now more than ever it is paramount that trust monies are insured by either the Canadian Deposit Insurance Corporation (CDIC) or Credit Union Deposit Guarantee Corporation (CUDGC), as outlined in Rule 911.1(e).

Trust monies held on deposit in Saskatchewan Credit Unions are fully guaranteed without any additional forms having to be filed by the member.

However, CDIC insures deposits in pooled (mixed) trust bank accounts to a maximum of \$100,000 for each client **only** if appropriate forms have been filed by the member/firm with the bank. Please refer to the Law Society website for complete information (see Publications – Trust Account Forms – TA-3 Practice Declaration – Questions and Answers #1).

The bottom line for pooled (mixed) trust accounts is that notification must have been provided to the bank in May, 2008, listing each client trust balance contained in the pooled trust account for that bank at April 30, 2008 for required insurance to be in effect (insured to a maximum of \$100,000 per client, otherwise, if proper forms were not filed, only the bank account itself is insured to a maximum of \$100,000). Note that notification must be provided to the bank in May of each year for insurance to remain in effect.

Over the years, some members/firms have advised that they did not file the CDIC form for particular pooled trust accounts for various reasons. For example:

- the account was simply a transfer account and monies are not left in the account for very long
- the amount on deposit in the account at April 30<sup>th</sup> was zero or less than \$100,000
- the amount on deposit in the account was not over \$100,000 at any time during the year
- the member wasn't aware of the requirement
- the bank branch was not aware of requirement/form

CDIC forms should have been filed in all of the above cases. A CDIC form must be filed for all pooled trust accounts annually. If you did not file the required form for any of your pooled trust accounts, corrective action is required immediately.

### **Immediate Corrective Action Required**

If a CDIC form was not filed in May, 2008, providing required information at April 30, 2008 for each and every pooled trust account (excluding those with Credit

Unions), please make sure each client trust balance is insured to the maximum amount of \$100,000 by:

1. obtaining written confirmation from CDIC through your financial institution that each client trust balance in the account is covered to the maximum of \$100,000; or
2. moving the trust funds to another account or financial institution where the requirement is met.

Also, if any trust monies are in accounts/investments that are not insured by CDIC or CUDGC, please make sure that written authorization stating that the client is aware and in agreement with the funds not being insured is:

- on file
- signed by the client

Otherwise, obtain authorization signed by the client or transfer the funds to an account where they will be covered by CIDC or CUDGC immediately. Also, please note that Treasury Bills are not insured investments.

In certain situations where a client has more than \$100,000 in trust, you may wish to inform them about the maximum insured amount and let them know the name of the financial institution where the funds reside.

If you have any questions, please contact John Allen at (306) 569-8242.