



Federation of
Law Societies
of Canada

Fédération des ordres
professionnels de juristes
du Canada

Submission of the
Federation of Law Societies of Canada

Deposit Insurance Review Consultation - 2025

Ottawa, September 18, 2025

1. The Federation of Law Societies of Canada (the "Federation") appreciates the opportunity to provide input on the Department of Finance Canada's Deposit Insurance Review Consultation Paper (the "Paper"). As the national association for Canada's 14 provincial and territorial law societies, which regulate over 140,000 lawyers, Quebec notaries, and Ontario paralegals, the Federation is committed to advancing the public interest through effective regulation of the legal professions. Our members' regulatory frameworks include robust rules on trust accounting, which ensure the protection of client funds held in trust by legal professionals—often in connection with significant life events such as real estate transactions, estate settlements, or litigation payouts.
2. The Federation has a history of engagement on deposit insurance matters, reflecting our expertise and ongoing commitment to safeguarding client funds and maintaining public confidence in the financial and legal systems. Notably, in our [2016](#) and [2017](#) submissions to the Canada Deposit Insurance Corporation (CDIC) and the Department of Finance during the previous deposit insurance review (initiated in 2014 and leading to legislative changes in 2018), we emphasized the unique vulnerabilities of legal professionals' trust accounts. These accounts frequently hold temporary high balances tied to life events, and we advocated for enhanced protections to prevent uninsured losses that could disrupt legal transactions and erode trust.
3. The Federation welcomes this review as an opportunity to further strengthen the federal deposit insurance framework in line with our prior submissions. Our comments focus on the proposals in Sections 4.1 through 4.5 of the Paper, with particular attention to their implications for trust accounts managed by legal professionals.

Limit Increases (Sections 4.1 - 4.2)

The consultation paper asks: "*What are your views on the department considering increasing the deposit insurance limit to \$150,000 per category? Should there be a mechanism for periodic revisions to the limit?*" and "*What are your views on the department considering increasing the deposit insurance limit to \$500,000 per category for non-retail depositors?*"

4. The Federation is generally supportive of the proposed increases to the deposit insurance limit—to \$150,000 per category for all depositors (Section 4.1) and \$500,000 per category for non-retail depositors (Section 4.2)—as these would help address concerns about uninsured funds in legal professionals' trust accounts, which we highlighted in our 2016-2017 submissions and earlier consultations. In those prior engagements, we expressed concerns about the risks posed by uninsured portions of trust funds held by legal professionals where balances often exceed current limits due to operational needs or aggregated client funds. We noted that such exposures could undermine public confidence and advocated for higher limits to better protect these holdings.
5. A nuance specific to the legal profession warrants consideration. Beneficiary identification in trust accounts can be complex, involving multiple parties with varying



interests. We recommend that any limit increases include provisions for clear beneficiary disclosure requirements, integrated with legal professionals' existing ethical obligations under provincial/territorial law society rules. This would facilitate accurate coverage calculations and payouts, and minimize delays—a point we raised in our 2016-2017 submissions.

6. Legal professionals are required to protect the confidentiality of client information. They are also bound by law not to disclose information protected by solicitor-client privilege. As mentioned in our 2017 submission, it may be possible, for example, to permit legal counsel to identify any clients wishing to keep their identity confidential by way of an alpha numeric identifier. Legal counsel could also be required to obtain a sworn affidavit from each such client advising whether they have funds in any other professional trust account at the institution (to address the per category limits on compensation). While such an affidavit could not be disclosed (or would have to be anonymized), the CDIC would be able to rely on legal counsel's undertaking, as an officer of the court, that they have obtained the affidavit from the client in question.

Temporary High Balances (Section 4.3)

The consultation paper asks: *“What are your views on the department considering extending coverage for temporary high balances for depositors experiencing significant life events? Should consideration be given to an unlimited deposit insurance limit for certain life events?”*

7. The Federation supports the proposal to extend coverage for temporary high balances, as it directly echoes and advances our 2016-2017 emphasis on protecting funds associated with major life events, such as real estate transactions, inheritances, divorce settlements, insurance payouts, and damage settlements. In our earlier submissions, we detailed how legal professional trust accounts often serve as conduits for these funds, holding them temporarily before disbursement, and argued that inadequate coverage could lead to significant disruptions. The proposed \$1 million limit for a six-month period (or potentially unlimited coverage for certain events) would significantly enhance protection, reducing the risk of uninsured losses during these transitional periods, and would align with international best practices noted in the Paper. This proposal represents a positive evolution from the 2018 framework adjustments, which improved trust account rules but did not fully address temporary high balances.

8. To ensure seamless application we urge the explicit inclusion of legal professional trust accounts in the enumerated life events. Trust accounts are distinct in that they hold funds on behalf of beneficiaries (clients) rather than the legal professionals themselves, and their temporary high balances are inherently tied to the life events listed in the proposal. Without explicit reference to trust accounts, there could be ambiguity in verifying eligibility, potentially complicating CDIC reimbursements and eroding trust in the system. We recommend amending the framework to make it clear that funds in regulated legal professional trust accounts qualify for this coverage when linked to qualifying life events, with streamlined verification processes leveraging existing



professional regulatory standards. This would not only bolster depositor protection but also support financial stability by minimizing disruptions in legal transactions, consistent with our prior calls for beneficiary-focused safeguards.

Framework Simplification (Section 4.4)

The consultation paper asks: *“What are your views on the department considering streamlining deposit insurance categories to four categories by merging the registered and tax-free categories? What are your views on providing unlimited deposit insurance coverage for that merged category?”*

9. While we recognize the potential benefits of streamlining deposit insurance categories to four (by merging registered and tax-free categories, possibly with unlimited coverage for the merged category), we caution that such changes could inadvertently affect the distinct treatment of trust deposits—a key focus of our 2016-2017 and earlier submissions. Trusts are a critical category in the current framework, often holding funds for multiple beneficiaries in contexts like estates, settlements, or real estate closings.

10. The Federation supports retaining trusts as a distinct category to maintain clarity and ensure that beneficiary-specific protections—such as per-beneficiary coverage limits—remain unambiguous. This approach would align with the Paper’s goal of simplifying the framework without compromising the nuanced needs of trust accounts, which differ from individual or registered savings products. If merging proceeds, we recommend explicit safeguards, such as exempting existing trust structures or providing guidance on how trusts would be treated under the new categories, to prevent any reduction in effective coverage. Adopting these recommendations would prioritize trust account integrity without adding unnecessary complexity.

Disclosure Enhancements (Section 4.5)

The consultation paper asks: *“What are your views on the department considering strengthening disclosure requirements to require that member institutions provide their customers with tailored information explaining the amount of insured deposits that are held at that member institution for that customer?”*

11. The Federation endorses proposals to improve depositor comprehension through enhanced disclosure, as clearer information would empower clients and legal professionals alike to make informed decisions about deposit placement. In our 2016-2017 submissions, we advocated for better public education on deposit insurance, particularly for trust account holders who may not directly interact with CDIC member institutions. To tailor this to the legal context, we recommend mandating disclosures that specifically address trust accounts, including how coverage applies per beneficiary and in scenarios involving temporary high balances.



Conclusion

12. The Federation commends the Department for this timely review and supports many of the proposals as steps toward a more resilient deposit insurance framework that builds on our previous submissions. We emphasize the need to explicitly protect and clarify the treatment of legal professional trust accounts, given their role in facilitating life events and economic transactions. These enhancements would strengthen depositor protection, financial stability, and the integrity of the legal profession.

