



Foreword

The Board of Directors of the Canada Deposit Insurance Corporation (“CDIC”) is authorized by the CDIC Act to make by-laws respecting the determination of annual premiums for member institutions. Without restricting the generality of that authority, by-laws may be made:

- to establish a system of classifying member institutions into different categories;
- to set the criteria or factors to be taken into account in determining the category classification; and
- to fix the annual premium applicable to each category.

The CDIC *Differential Premiums By-law* (“By-law”) came into effect for the premium year beginning May 1, 1999. The By-law undergoes regular reviews (including a 2004 comprehensive review) and has been amended on numerous occasions following consultation with member institutions, their associations and regulators. The By-law and its amendments are provided under the Tabs titled “Differential Premiums By-law” and “Amendments to Differential Premiums By-law”, respectively.

The By-law draws upon the same sorts of elements employed in systems in other major jurisdictions. Most importantly, the CDIC differential premiums system follows the basic structure of other proven systems – namely, a mix of quantitative and qualitative criteria or factors.

Each member institution is classified into one of four premium categories. Except in special circumstances set out in the By-law (relating to new member institutions, subsidiaries of member institutions and certain amalgamation scenarios), classification is based on a system that scores a member institution according to a number of criteria or factors grouped into two broad categories: quantitative measures (capital adequacy and other) and qualitative measures.

The following table summarizes the criteria or factors and scoring system under the By-law:

Summary of Criteria or Factors and Scores	
Criteria or Factors	Maximum Score
Quantitative:	
Capital Adequacy <ul style="list-style-type: none"> • Assets to Capital Multiple • Tier 1 Risk-Based Capital Ratio • Total Risk-Based Capital Ratio 	20
Other Quantitative <ul style="list-style-type: none"> • Return on Risk-Weighted Assets • Mean Adjusted Net Income Volatility • Stress-Tested Net Income • Efficiency Ratio • Net Impaired Assets (Including Net Unrealized Losses on Securities) to Total Capital • Three-Year Moving Average Asset Growth Ratio • Real Estate Asset Concentration • Aggregate Commercial Loan Concentration Ratio 	5 5 5 5 5 5 5 5
Sub-total: Quantitative Score	60
Qualitative:	
<ul style="list-style-type: none"> • Examiner's Rating • Other Information 	35 5
Sub-total: Qualitative Score	40
Total Score	100

The determination of the premium category based on a member institution's score and the historic premium rates associated with each premium category is set out in the following table. Members are advised annually of the rates in effect for the current premium year:

Premium Categories and Rates			
Score	Premium Category	Premium Rate (basis points % of insured deposits)	
		2002-04	2005-06
≥ 80	1	2	1.389
≥ 65 but < 80	2	4	2.778
≥ 50 but < 65	3	8	5.556
< 50	4	16	11.111

The information found at the Tab titled “Filing Requirements” is designed to assist members in determining filing requirements under the By-law. CDIC will advise each member institution of its score, categorization and premium rate no later than July 14th of each premium year.

The CDIC Policy of Deposit Insurance contains a prohibition on members from disclosing premium rating information received in connection with the By-law. The prohibited information includes:

- The category in which the member institution is classified;
- The premium rate assigned to the member institution;
- The total score assigned to the member institution;
- Any score assigned to a member institution in respect of quantitative or qualitative factors or criteria;
- The examiner’s rating; and
- Any other information that is given to the member institution with respect to qualitative factors or criteria by CDIC or by the member institution’s regulator or examiner that would, in itself or pieced together with other information, enable the determination of the score assigned to the member institution in respect of any of those qualitative factors or criteria.

Questions relating to the Differential Premiums By-law or the filing of the forms may be directed as follows:

Differential Premiums By-law	Technical Support
<p style="text-align: center;">Ms. Sandra Chisholm Director, Insurance</p> <p style="text-align: center;">(613) 943-1976 schisholm@cdic.ca</p>	<p style="text-align: center;">Mr. Reg Neale Director of Information and Methodology</p> <p style="text-align: center;">(613) 943-0613 rneale@cdic.ca</p>