The Safety of Your Cash

These are unprecedented times. We understand the concern that clients may have both in dealing with a global pandemic, but also the severe market turbulence we have seen as a consequence. To say these are challenging times is an understatement, but you can take comfort in knowing that you are supported by a firm that has forged a time tested reputation for not only helping our clients through volatile markets, but emerging stronger than ever when markets stabilize and volatility subsides.

Our key values are based on always putting our clients first. And this is further reinforced by our unwavering dedication to operating with integrity, independence and a conservative, long-term perspective.

Unprecedented times of volatility can also lead us to question the security of our investments. One area of the portfolio you should not have to worry about is cash and cash-like securities. We wanted to take the opportunity to walk through the different safety features in place on your cash deposits across your accounts, issuers, and different investment products.

High Interest Savings Accounts (HISAs):

HISAs are investment products offered by many financial institutions that give attractive interest rates in comparison to standard chequing or savings accounts. HISA is just a fancy word for a normal savings account that acts like cash in your overall portfolio, since in essence it is just that - cash. All HISAs offered at Raymond James Ltd. (RJL) are issued by Canadian Deposit Insurance Corporation (CDIC) members. As a client of RJL, multiple accounts and HISAs could each be eligible for CDIC insurance. For example, cash in your RRSP and TSFA, as well as HISAs offered through different providers, could each be insured separately, up to $100,000 per account.

This does not mean that deposits over $100,000 are not safe. Often deposits are not split across multiple accounts because of the competitive rates provided by some issuers on larger deposits. If your deposit exceeds $100,000 in one account, you could look to the creditworthiness of that institution as further indication of its financial health and security of your deposit beyond the initial $100,000 coverage. Significant financial reforms put into place after the 2008-09 financial crisis work to ensure your deposits remain safe. In addition, RJL closely monitors our product offerings and the credit rating of issuers to ensure the highest quality are available to you. Finally, to further reduce risk, we proactively limit deposits with smaller issuers to $100,000.

Cash in Your Account at Raymond James Ltd:

We have explained how your cash investments are safe in HISAs, but what about your cash balances at Raymond James? RJL is proud member of the Canadian Investor Protection Fund (CIPF), which insures client accounts in the very rare and unlikely event that a broker dealer becomes insolvent. According to the CIPF, for an individual holding an account or accounts with a member firm, the limits on CIPF protection are generally as follows:

- $1 million for all general accounts combined (such as cash, margin and TFSAs), plus
- $1 million for all registered retirement accounts combined (such as RRSPs, RRIFs and LIFs), plus
- $1 million for all registered education savings plans (RESPs) combined where the client is the subscriber of the plan.

In addition to CIPF protection, you can rest assured that Raymond James is in excellent financial condition. RJL has always operated with low levels of borrowing and margin while maintaining a conservative balance sheet. This means that during periods of stress, such as 2008, we remained profitable and did not require government funded assistance. Our tradition of conservative financial management continues today. We entered 2020 with the highest level of cash on our balance sheet in corporate history. This was not because we saw the coronavirus coming. Rather, it is our corporate nature to be prepared at all times, ensuring we are there for you when it counts.

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Cash Like Products:

Finally, we will turn our attention to financial products that are "cash-like". The biggest component of these are HISAs that are wrapped in an ETF (exchange traded fund). These products are similar to the HISAs described above, with two important differences. First, they typically offer more competitive interest rates because of their larger institutional scale. Second, they trade on an exchange rather than settle at the end of the day like a mutual fund. These two points can make them more attractive than traditional HISAs because they increase portfolio management efficiency, although they may incur additional costs if purchased in a transactional account.

As a "cash-like" instrument, these products should be viewed more as a replacement for short-term fixed income rather than as cash in your account. Given their typical size, the vast majority of holdings within these HISA ETFs would exceed CDIC insurance (again, only the first $100,000 per issue may qualify). As a result, these products rely on the financial soundness of Canada's six major banks. As previously noted, the financial health, stability and capital structures of Canada's financial institutions were significantly strengthened following the financial crisis in 2008-09. Finally, it is important to remember with these products that on the continuum of risk, HISA ETFs are one of the least risky things you can own, simply one step up from cash.

About CDIC:

The Canadian Deposit Insurance Corporation (CDIC) is a federal crown corporation – a part of the Government of Canada - that insures cash deposits. Since its inception, not a single dollar of insured deposits have been lost due to a financial institution failure and we expect this exemplary record to continue. Eligible deposits are covered automatically by CDIC with no registration required on your part. If an issuing financial institution closes, CDIC will reimburse your insured funds (including interest) within days. This is an automatic process whereby CDIC contacts you.

As of March 31, 2020, CDIC protects eligible deposits at each of our member financial institutions to a maximum of $100,000, per separately insured category, in case of a failure. CDIC coverage insures eligible deposits separately (up to $100,000, including principal and interest) for each of the following seven categories: deposits held in one name; deposits held in more than one name; deposits in RRSPs, RRIFs, TFSAs; deposits held in trust; and deposits held for paying taxes on mortgaged properties.

Please note: The Government of Canada has announced that changes to the CDIC Act to modernize and enhance CDIC deposit protection will come into force on April 30, 2020 and April 30, 2021. Until then, current coverage rules apply. For more information you can visit: https://www.cdic.ca/your-coverage/changes-to-cdic-deposit-protection/

For more information on CDIC protection and what it does and does not cover, please refer to their website: https://www.cdic.ca/your-coverage/how-deposit-insurance-works/

About CIPF:

The Canadian Investor Protection Fund (CIPF) was created by provincial and territorial securities regulators.

CIPF's mandate is to ensure that in the very unlikely event of a dealer member becoming insolvent, assets held at that firm would be safely transferred to another investment dealer. It is important to note that CIPF does not provide investors protection against any other type of risk or loss. CIPF only provides protection for assets in times of a broker dealer's insolvency. According to the CIPF as of March 31, 2020, you are eligible for protection if you meet the following four criteria:

1. You (the client) have an account with a member firm that is disclosed in the records of the firm.
2. The member firm has become insolvent.
3. The firm, as a result of its insolvency, has failed to return or account for property it was holding on your behalf on the insolvency date.
4. You are not considered ineligible for coverage under the CIPF Coverage Policy - see below for who does not qualify for CIPF protection.

The following clients are not eligible for CIPF protection:

- Anyone who materially contributed to the insolvency of the member firm or who has the power to control the firm.
- Directors and general partners of the member firm.
- Some shareholders and limited partners (with 5% or more) of the member firm.
- Other IIROC member firms or firms registered with a securities regulator.

For more information on CIPF protection and what it does and does not cover, please refer to their website: http://cipf.ca/Public/CIPFCoverage/WhatAretheCoverageLimits.aspx

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Important Investor Disclosures

Complete disclosures for companies covered by Raymond James can be viewed at: Disclosures

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