



## BC FINANCIAL SERVICES AUTHORITY

### Official Change of Name

On November 1, 2019, BC Financial Services Authority (BCFSA) replaces the Financial Institutions Commission (FICOM) as BC's regulator of credit unions, trust companies, insurance companies, pension plans and mortgage brokers. All references in the attached document to **FICOM** and the **Financial Institutions Commission** should be read as **BCFSA** and **BC Financial Services Authority** until revised or replaced by the name of the Authority. The attached form or document will continue to be used until otherwise revised or cancelled.

If you have any questions, please contact us at 604-660-3555.  
Email: [bcfsa@BCFSA.ca](mailto:bcfsa@BCFSA.ca)

## Change Control Log

### Capital Adequacy Return & Completion Guide (BC Credit Unions)

### 2018 Updates

Capital Adequacy Return (CA Return) template and completion guide have been revised following the changes made to the Financial & Statistical Return (FSR) templates and completion guide to reflect the recent and upcoming changes to International Financial Reporting Standards (IFRS) and to clarify reporting instructions for off balance sheet exposures. The revised CA Return is effective for annual filings starting September 2018. All readers are encouraged to review the complete 2018 revised version of the CA Return template and completion guide.

Return Template Reference	Description of Change
<b>Page 2 - BALANCE SHEET ASSETS</b>	
<b>Cash, Liquidity &amp; Other Investments</b>	
<b>Lines 203 - 214</b> (Liquidity and Other Investments)	<b>Change</b> FSR Reference: Include allowance for impairment allocation
<b>Line 211</b> - Securitized and Non-Securitized Assets - Insured	<b>Delete</b> Line
<b>Line 212</b> - Securitized and Non-Securitized Assets - Personal Non-Insured	<b>Delete</b> Line
<b>Line 213</b> - Securitized and Non-Securitized Assets - Commercial Non-Insured	<b>Delete</b> Line
<b>Line 247</b> - Securities Secured by Mortgages: Guaranteed by CMHC	<b>Add</b> New Line Risk weight 0.0 FSR Line 1078 plus allocated accrued interest plus allocated allowance for impairment
<b>Line 248</b> - Securities Secured by Mortgages: Other	<b>Add</b> New Line Risk weight 1.0 FSR Line 1079 plus allocated accrued interest plus allocated allowance for impairment
<b>Loans &amp; Leases</b>	
<b>Lines 217 - 218</b> (R/E Secured: Insured)	<b>Change</b> FSR Reference: Include allowance for impairment allocation

Return Template Reference	Description of Change
<b>Lines 219</b> - Securitizations: Pers. & Comm. R/E Secured: Insured	<b>Change</b> FSR Reference: FSR Line 1284 plus 1286 plus allocated accrued interest plus allocated allowance for impairment
<b>Lines 224 - 226</b> (Governments & Municipalities)	<b>Change</b> FSR Reference: Include allowance for impairment allocation

Completion Guide Reference	Description of Change
<b>2.2 CAPITAL BASE</b>	
<b>2.2.1 Primary Capital</b>	
<b>Line 107</b> - Credit Union's Retained Earnings	<b>Add:</b> Note in "The equity method of accounting" text box "The credit union's share of losses of each subsidiary is recognized to the extent of the value of the equity investment only, thus not to create a negative balance on the equity investment."
<b>2.4 BALANCE SHEET ASSETS</b>	
<b>2.4.1 Cash, Liquidity, and Other Investments</b>	
<b>Lines 203 - 214</b> (Liquidity and Other Investments)	<b>Add:</b> Wording "net of any allowance for impairment"
<b>Lines 216</b> – Total Cash, Liquidity and Other Investments)	<b>Add:</b> Wording "and Lines 247 and 248"
<b>Line 211</b> - Securitized and Non-Securitized Assets - Insured	<b>Delete</b> Line
<b>Line 212</b> - Securitized and Non-Securitized Assets - Personal Non-Insured	<b>Delete</b> Line
<b>Line 213</b> - Securitized and Non-Securitized Assets - Commercial Non-Insured	<b>Delete</b> Line

Completion Guide Reference	Description of Change
<b>Line 247</b> - Securities Secured by Mortgages: Guaranteed by CMHC	<b>Add New Line:</b> Wording “Investment in securities that are secured by mortgages and guaranteed by the Canada Mortgage and Housing Corporation (CMHC), including the National Housing Act Mortgage-Backed Securities (NHA-MBS) and Canada Mortgage Bonds (CMB) and accrued interest, net of any allowance for impairment”
<b>Line 248</b> - Securities Secured by Mortgages: Other	<b>Add New Line:</b> Wording “Investment in securities that are secured by mortgages and not guaranteed by the CMHC and accrued interest, net of any allowance for impairment”
<b>2.4.2 Loans &amp; Leases</b>	
<b>Lines 217 - 218</b> (R/E Secured: Insured)	<b>Add:</b> Wording “and any loss provisions”
<b>Line 219</b> - Securitizations: Personal and Commercial Real Estate Secured: Insured	<b>Add:</b> Wording “but do not meet IFRS de-recognition criteria”; “or are being held pending purchase by investors”
<b>2.4.3 Personal Real Estate Residential Loans ≤ 75% of Fair Market Value (FMV)</b>	
	<b>Add:</b> Wording to personal non-insured securitizations “but do not meet IFRS de-recognition criteria”; “or are being held pending purchase by investors”
<b>2.4.4 All Other Loans &amp; Leases: Current or Past Due ≤ 90 Days, Net of Provision, and Past Due &gt; 90 Days, Secured Portion</b>	
<b>Lines 224 - 226</b> (Governments & Municipalities)	<b>Add:</b> Wording “and any loss provisions”
<b>Line 227</b> - Personal Real Estate Residential Loans > 75% of FMV	<b>Add:</b> Wording to personal non-insured securitizations “but do not meet IFRS de-recognition criteria”; “or are being held pending purchase by investors”
<b>2.4.6 Other Assets</b>	
<b>Line 236</b> - Premises & Equipment - Net	<b>Add (IFRS 16):</b> Note “Net book value, after accumulated depreciation / amortization and impairment, of the credit union’s right-of-use assets representing the right to use the underlying leased fixed assets for the lease term are also included in this line.”

Completion Guide Reference	Description of Change
<i>Line 238</i> - Property Held for Investments - Net	<p><b>Add</b> (IFRS 16):</p> <p>Note “Right-of-use assets representing the right to use the underlying leased investment property, including land and buildings, for the lease term, net of any allowance for property losses and accumulated depreciation / amortization are also included in this line.”</p>
<b>2.5 OFF BALANCE SHEET EXPOSURE</b>	
	<p><b>Add:</b></p> <p>Wording “According to section 14(3) of the Capital Requirements Regulation, the amount of risk-weighted exposure in respect of off balance sheet items is determined by reference to the capital adequacy requirements guideline established by the Office of the Superintendent of Financial Institutions (OSFI). For further clarification on off balance sheet exposure, refer to OSFI’s Capital Adequacy Requirements Guideline.”</p> <p><b>Add:</b></p> <p>Wording to clarify definition of commitments</p>
<i>Line 304</i> - Commitments (Unconditionally Cancellable)	<p><b>Add:</b></p> <p>Wording “Commitments that are unconditionally cancellable at any time by the institution without notice or that effectively provide for automatic cancellation due to deterioration in the borrower’s creditworthiness. This implies that the institution conducts a formal review of the facility at least annually, thus giving it an opportunity to take note of any perceived deterioration in credit quality. Retail commitments are unconditionally cancellable if the term permits the institution to cancel them to the full extent allowable under consumer protection and related legislation.”</p> <p><b>Add:</b></p> <p>Note to clarify inclusion of undated or open-ended commitments that are unconditionally cancellable at any time</p> <p><b>Add:</b></p> <p>Note to clarify “Evergreen or open-ended commitments that are cancellable by the credit union at any time subject to a notice period do not constitute unconditionally cancellable commitments and must be reported in Line 306.”</p>

Completion Guide Reference	Description of Change
<b>Line 305</b> - Commitments (Original Maturity $\leq$ 1 Year)	<p><b>Add:</b> Wording to clarify maturity of commitments</p> <p><b>Add:</b> Wording “A material adverse change clause is not considered to give sufficient protection for a commitment to be considered unconditionally cancellable.”</p>
<b>Line 306</b> - Commitments (Original Maturity $>$ 1 Year)	<p><b>Add:</b> Wording to clarify inclusion the undrawn portion of a commitment to provide a loan to be drawn down in a number of tranches</p> <p><b>Delete:</b> Note “Unfunded mortgage commitments are treated as commitments for risk-based capital purposes when the borrower has accepted the commitment and all conditions related to the commitment have been fully satisfied.”</p>
<b>Line 307</b> - Other (Specify)	<p><b>Delete:</b> Wording “but required by OSFI”.</p>