

On October 4, 2021, BC Financial Services Authority (“BCFSA”) released a draft Recovery Plan Guideline for feedback during a 60-day consultation period. BCFSA received submissions from representatives of the B.C. credit union and insurance sectors during the consultation period. BCFSA has reviewed and considered all feedback provided, and where appropriate has incorporated this feedback into the final Recovery Plan Guideline (“Guideline”). Below is a thematic summary of the feedback received, as well as BCFSA’s response to the feedback.

THEME	SUMMARY OF ISSUE/COMMENT	BCFSA RESPONSE
Proportionality	Request for additional clarity regarding how proportionality will be applied, in practice, when evaluating the Recovery Plans.	<p>All provincially regulated financial institutions (“PRFIs”) will be required to draft and submit a Recovery Plan which adheres to the principles in the Recovery Plan Guideline; a proportional approach will be applied to the assessment and suitability of each Recovery Plan.</p> <p>A PRFI that is relatively larger, more complex and has a higher risk profile should have a Recovery Plan that is reflective of these characteristics, and will be more comprehensive and detailed. A small PRFI with less complex operations and a lower risk profile may have a less complex Recovery Plan.</p> <p>PRFIs are encouraged to consult with their BCFSA Relationship Managers during the drafting process. Relationship Managers will provide guidance and feedback to ensure the development process results in a Recovery Plan that is comprehensive, credible, and appropriate for each PRFI.</p>
Timeline for Implementation	Concern that a one-year implementation timeframe may present challenges to financial institutions given the estimated resource requirements, especially for smaller, lower-risk PRFIs.	<p>In recognition of the differences in size, scope, complexity, and risk profile among PRFIs, BCFSA will apply proportionality in determining the implementation period for the submission of Recovery Plans.</p> <p>Credit unions belonging to Asset Groups 1 and 2, as well as insurers with annual gross written premiums in excess of \$80 million, are expected to submit their Recovery Plan within 12 months following the publication of the final Guideline.</p> <p>Credit unions belonging to Asset Groups 3, 4, 5 and 6, as well as trust companies and insurers with less than \$80 million in gross written premiums are expected to submit their Recovery Plan within 18 months of the publication of the final Guideline, with submission of a progress report to their Relationship Manager within 12 months of the release of the final Guideline.</p>

		<p>The drafting of the Recovery Plan will be an iterative process, and PRFIs should continue to incrementally refine and develop their plans. During this iterative drafting process, Relationship Managers will provide feedback to ensure that the Recovery Plan that is developed is robust and credible and is customized for that organization's operations.</p>
<p>Duplicate Documentation</p>	<p>There is a concern that the Guideline may cause confusion where included content may appear to duplicate or overlap with other corporate documents or plans.</p>	<p>PRFIs may use links and references to existing organizational plans and documents which are used in the development of the PRFI's Recovery Plan.</p> <p>The Recovery Plan is a comprehensive strategic document which provides the PRFI with an actionable playbook to be activated when a PRFI is approaching the point of non-viability. Recovery Plans identify the underlying cause(s) of financial stress and identify potential solutions to bring the financial institution back to a viable state.</p> <p>In order for the plan to be usable, it should encompass the PRFI's entire organizational and operational plans. These are necessary to examine the organization as a whole and draft a tailored plan that is suitable for each individual PRFI. It also allows the Board to review the plan and evaluate its appropriateness for the PRFI.</p> <p>All links and references to existing plans and documents should be clearly identified for all users, as well as for BCFSA, in order to easily access the referenced documents during review of the Recovery Plan.</p>
<p>Scenario Testing</p>	<p>There is a request for clarification on the extent of testing required, i.e., whether testing of all scenarios is required or only for key risks.</p>	<p>PRFIs should test the robustness of their Recovery Plans to ensure that the plan can successfully be activated and utilized.</p> <p>Each PRFI should consider the available resources to determine the relevant scenarios that should be tested in order to identify and minimize the risk posed to the viability of the institution. The scenarios should be sufficiently severe to adequately test the plan. The results of testing should be used to identify and resolve deficiencies in the plan.</p> <p>Where testing has already been conducted for existing risk management plans, this testing will help to inform and complement scenario testing.</p>