Advisory

BCFSA Launches Consultation on Commercial Lending Guideline

Date: November 18, 2024

Distribution: B.C. Credit Unions

Advisory Number: 24-039

PURPOSE

BCFSA is launching a consultation on its draft Commercial Lending Guideline ("Guideline"). This Guideline will help credit unions follow prudent commercial lending practices that will promote financial stability and consumer protection. The Guideline sets out high-level principles and specific expectations for all B.C. credit unions that participate in commercial lending activities. Commercial lending poses heightened risk in the current market climate, and BCFSA has prioritized the release of the Guideline to ensure credit unions are appropriately managing this risk. We invite interested parties to provide comments on the draft Guideline. The consultation will be open from November 18, 2024 until January 31, 2025. Publication of the final Commercial Lending Guideline is planned for spring 2025.

REGISTER FOR THE INFORMATION SESSION

Join us for an overview of the draft Guideline and consultation process at this one-hour information session. Participants will have the opportunity to ask questions during a moderated question and answer period.

Date: Wednesday, December 11, 2024 at 10 a.m. PST

Register Now

BACKGROUND

The Guideline has been developed to align with BCFSA's Commercial Lending Assessment Criteria and provide credit unions with more clarity on BCFSA's expectations for performing assessments.

BCFSA expects the high-level principles in the Guideline to be proportionately implemented across all credit unions. Each principle has an objective and specific expectations that outline the procedures and practices required to achieve the objective. The expectations under each principle apply to all organizations regardless of size; however, BCFSA will use proportionality in undertaking its reviews by adjusting the supervisory intensity depending on the nature, size, complexity, and risk profile of the credit union and the potential system impact if that credit union were to fail.

The Guideline contains an appendix which provides guidance on how to structure a risk scale for assessing and assigning risk ratings to commercial lending borrowers. Credit unions are not expected to establish new risk scales; however, risk scales should be mappable to the scale outlined in the reporting instructions. This ensures consistency across the sector, so the same borrower would not receive different risk ratings from different credit unions. It also helps ensure that credit unions correctly identify the risk of default of their commercial loans.

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HOW TO PARTICIPATE

We encourage all credit unions and other interested parties who participate in commercial lending to review the draft Guideline and participate in the consultation **by completing our online Consultation Feedback Form by January 31, 2025**.

BCFSA values the feedback it receives during consultations and will consider and apply input received during the consultation as appropriate to finalize the draft Guideline.

If you have any questions about this Advisory or the information session, please contact Heather Sinke at policy@bcfsa.ca.

ADDITIONAL INFORMATION

- Draft Commercial Lending Guideline
- Consultation Feedback Form
- Consultation on Draft Commercial Lending Guideline