AUGUST 2025

Summary of Consultation Feedback

Commercial Lending Guideline for B.C. Credit Unions

BCFSA

Contents

1. Introduction

On November 18, 2024, BC Financial Services Authority (“BCFSA”) undertook a public consultation on a draft Commercial Lending Guideline (“the Guideline”) for B.C. Credit Unions. BCFSA guidelines establish principles that regulated entities are expected to implement and follow.

The consultation was intended to gather feedback from affected stakeholders on the draft Guideline. Interested parties were welcome to submit their feedback using an online consultation feedback form, although email submissions were also accepted.

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.

This report provides a summary of the feedback received during the public consultation and outlines next steps.

For further information on the proposed amendments see the Consultation on Draft Commercial Lending Guideline for B.C. Credit Unions page on BCFSA’s website.

2. 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.

3. Consultation Process Overview

The consultation was open for public comment from November 18, 2024 to February 28, 2025. Participants were invited to share their opinions on the draft Guideline.

Feedback for the public consultation came from BCFSA's online consultation feedback form and email submissions.

To support informed participation and raise awareness of the public consultation, BCFSA shared information and resources with interested parties in advance and throughout the consultation period. Some of the engagement activities BCFSA undertook included:

- Notifying B.C. credit unions of the opening of the consultation period via an email advisory;
- Hosting an information session for B.C. credit unions and other interested parties to provide additional information about the guideline and answer questions during a Q&A period.
- Publishing a news release on BCFSA's homepage inviting interested parties to participate in the consultation;
- Publishing a consultation webpage with a variety of resources explaining the changes; and
- Hosting meetings with the large credit unions, CCUA, and small-to-medium sized credit unions;
- Sending regular participation reminders to B.C. credit unions via email, newsletter articles, and social media.

4. Summary of Feedback

BCFSA received 14 consultation feedback forms and emails from stakeholders, including the Canadian Credit Union Association – B.C. Division.

Overall, there was a high level of support for the draft Guideline. There were, however, some clarifying questions, comments, and concerns. The feedback table below summarizes five key themes from the feedback received during the consultation.

STAKEHOLDER FEEDBACK TABLE

Theme	What We Heard	BCFSA Response
Proportionality	There was concern that the Guideline would not be applied using a sufficient level of proportionality.	The Guideline outlines minimum commercial lending expectations. BCFSA will apply proportionality when assessing credit unions' adherence to the Guideline; however, the minimum expectations should be met in order to participate in commercial lending. This is for the safety and soundness of the credit union, the credit union system, and credit union members.
Resourcing	There were concerns about the ability of smaller credit unions to access the resources needed to meet the expectations laid out in the Guideline.	Commercial lending is inherently more complex and riskier than standard retail lending. To that extent, if a credit union does not have the resources and/or expertise to adequately manage the risks, it may not be prepared to participate in commercial lending. As commercial lending deals are typically larger in magnitude than any retail loan on the books, it only takes one or two deals to go wrong to plunge a small credit union into financial distress.
Climate risk management	Clarification was requested around the expectations for climate risk management.	Language in this section was amended to clarify that the section on climate risk management is very high level. A separate guideline addressing this topic is to be released at a later date. The inclusion of this topic in the Commercial Lending Guideline is intended to ensure that credit unions give thought to climate related factors when making lending decisions, whether that be lending to certain industry categories that may be more exposed to climate related risk or in geographic areas more prone to climate related risk.
Operationalization of the Guideline	Further guidance on operationalization of the Guideline was requested.	Providing guidance to credit unions on how to operationalize the principle-based expectations would result in the Guideline being too prescriptive and would not allow for flexibility in how credit unions address the Guideline. Operationalization is the responsibility of each individual credit union, and our responsibility is to review and assess the processes and controls frameworks they put in place.
Risk ratings for borrowers and guarantors	Clarification was requested on the expectation that each legal entity to which a credit union is exposed should receive a separate risk rating. There was concern that the expectation would require a new model and create an overly burdensome process, as one loan can have multiple borrowers and guarantors.	When lending to individual entities there are often complex legal structures behind the entity that may provide the ultimate source of repayment. There is a risk that deterioration in financial health of these guarantors would be missed if only the primary borrowing entity is considered.

5. Consultation Outcomes and Next Steps

BCFSA extends its gratitude to all participants in the consultation process. The feedback received demonstrated a high level of engagement from stakeholders and a high level of support for the Guideline.

BCFSA considered all the responses it received during this consultation. This review will result in some adjustments to the Guideline.

BCFSA has finalized and distributed the Guideline to B.C. credit unions and other interested parties through an advisory. The Guideline will come into effect on August 19, 2026.

BC Financial Services Authority

600-750 West Pender Street
Vancouver, B.C. V6C 2T7

604 660 3555
Toll free 866 206 3030
info@bcfsa.ca