Capital Modernization Project

Information Session

Capital Rule Consultation

October 22, 2025

BCFSA BC Financial Services Authority

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Speakers

NEZ AQUINO

Senior Vice President, Financial Institutions

REBECCA LOWREY

Director, Reporting & Risk Assessment

KARI TOOVEY

Manager Policy, Policy & Regulations Programs

Agenda

1. Introduction
2. Project Overview
3. Proposed Capital Rule Overview
4. Next Steps
5. Questions

Introduction

Why Review the Credit Union Capital Framework?

- Since the introduction of the current Capital Requirements Regulation (“CRR”) in 1990, the macro-economic market in which our credit unions operate has changed dramatically –
  - Globalization
  - Complexity of products and services
  - Consolidation within the segment
  - Competitive pressures
  - Volatility in risk drivers

BCFSA Goals for this Project

- Modernizing the regulatory capital framework to align more closely with international standards
- Enhance the loss-absorbing capacity of B.C. credit unions and promote the adoption of stronger risk management practices by B.C. credit unions
- Acknowledgement and modifications given the significant differences in the nature, structure, size, scope, and complexity between banks and the B.C. credit union segment

What We’ve Heard So Far

- Feedback themes from the 2023 Consultation:
    - Concerns for implementation challenges
    - Need for clarity and simplicity
    - Recognition of credit union diversity
    - Support for phased implementation
    - Acknowledgement for the collaborative and responsive approach from BCFSA
- We received feedback throughout the project and feedback has shaped the proposed Rule
- We value all comments and feedback!

The Proposed Capital Rule

- Consistent with the previously proposed framework as set out in the 2023 Consultation Paper and the Consultation Summary Report
- Addresses feedback received throughout the project lifecycle including additional clarity and requirements requested
- Marks a major milestone in strengthening the capital framework for B.C. credit unions

Project Overview

BCFSA

Project Phases and Timeline

(Capital Rule Anticipated Effective January 1, 2027)

PHASES

1

Planning & Development

- Identification & Research
- Capital Framework Development
- Information Request
- Analysis
- Discussion Paper

2021–2022

2

Stakeholder Engagement

- Working Group Consultation
- Consultative Document
- General Consultation
- Consultation Summary

2022–2024

PHASES

3

Rule Development

- Capital Rule Development
- **Publish & Formal Consultation**
- Finalize & Issue

2024–2026

4

Implementation & Transition

- Parallel Reporting
- Information Sessions
- Template & Guideline Consultation
- Operational Readiness & Internal Training Programs

2024–2026

Consultation Approach

BCFSA has extensively consulted with credit unions and interested parties throughout the Capital Modernization project

- Working Group (Nov 2022 to May 2023) – 25 sessions
- Consultation (July 25 to October 23, 2023) - 23 sessions
- Industry Information Sessions (September 2023) – 5 sessions
- **Rule-Making Consultation (Oct 16 to Dec 15, 2025)**
- Template and Guideline Consultation (Spring 2026)
- Information Sessions (2025 & 2026 as needed)

Capital Rule Consultation Timeline

RULE CONSULTATION

OCTOBER 16 to DECEMBER 15

(60 days)

Proposed Capital Rule Consultation for B.C. Credit Unions

INFORMATION SESSION SERIES

OCTOBER/NOVEMBER

Session 1:
Overview of Proposed Rule (October 22)

Session 2:
Checkpoint, Q&A (November 19)

FINAL RULE

Publish in spring 2026

Rule in effect Jan 1, 2027

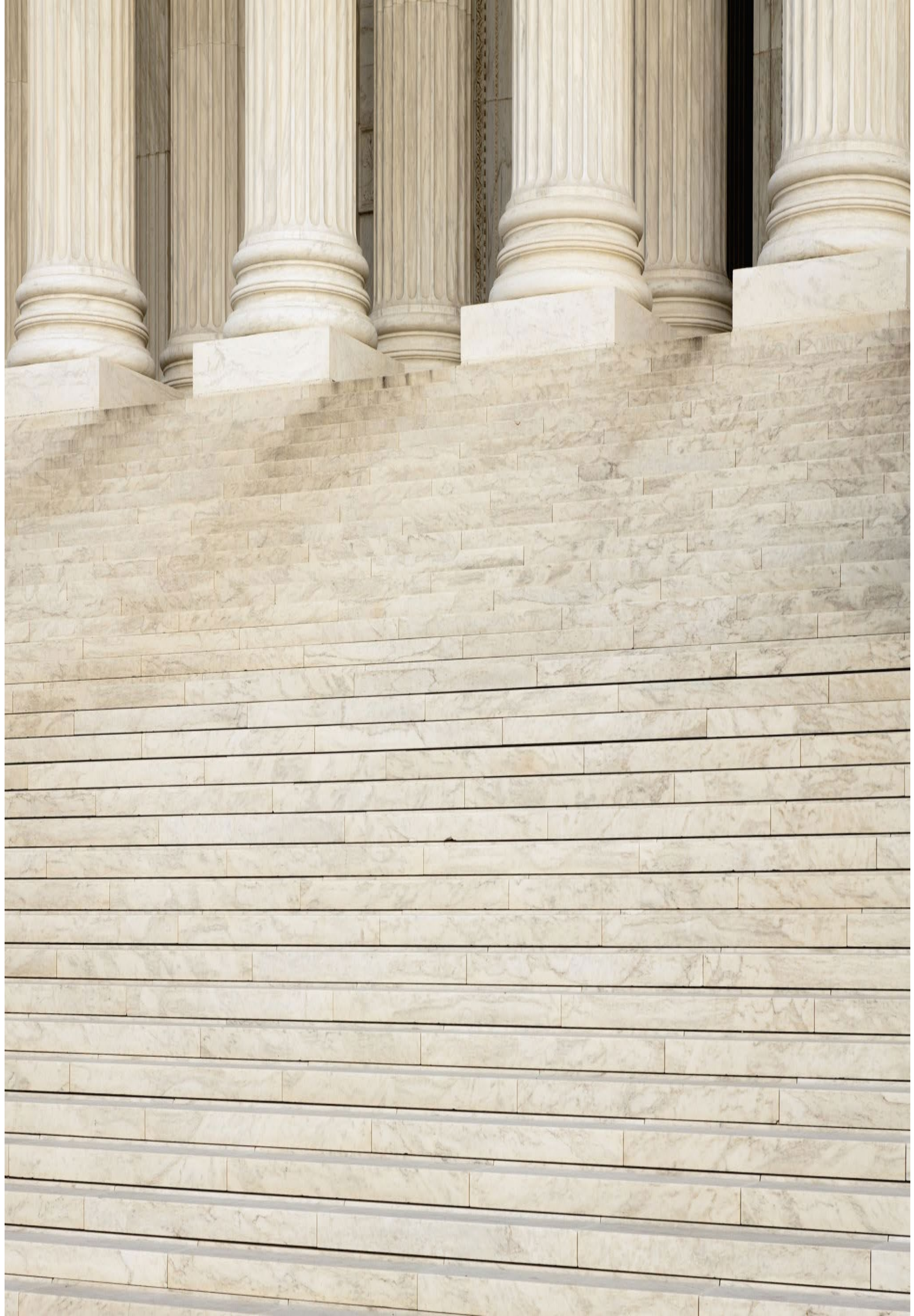
Proposed Capital Rule Overview

Proposed Capital Rule

LEGISLATIVE DRAFTING STANDARDS

- The Rule will have the force of law and, as such it is required to be drafted by legislative counsel from the Ministry of the Attorney General based on drafting instructions provided by BCFSA.

- The Rule is drafted in accordance with the same drafting standards that apply to the existing statutes, including those that apply to credit unions (e.g., the *Financial Institutions Act* and *Credit Union Incorporation Act*).



Rule Making Power

PROCESS

Authority granted under *Financial Institutions Act,* with the Financial Services Authority Rule-Making Procedure Regulation setting out further specifics.

- S. 2(2) Approval in principle
- **S. 3(1)(c)(ii) Publication of proposed rule: 60 days public consultation**
- S. 5 Consent to rule by minister

Rule Structure

- The Rule is divided into divisions, parts, sections, subsections, clauses, and so on. Note that some items are covered in various sections of the Rule so please read the Rule in its entirety.

- Definitions: the definitions contained within the first section (Section 1) are applicable to the entirety of the Rule. Other divisions, parts or sections will provide definitions that are only relevant to, or only appear in, that division, part or section.
  - Where a term is not defined, assume that it is referring to the commonly understood meaning of the term.
- Schedules: Tables relevant to various sections within the Rule are set out in the Schedules. The Schedules themselves also have definitions in some cases, where relevant to a particular term used in a table.

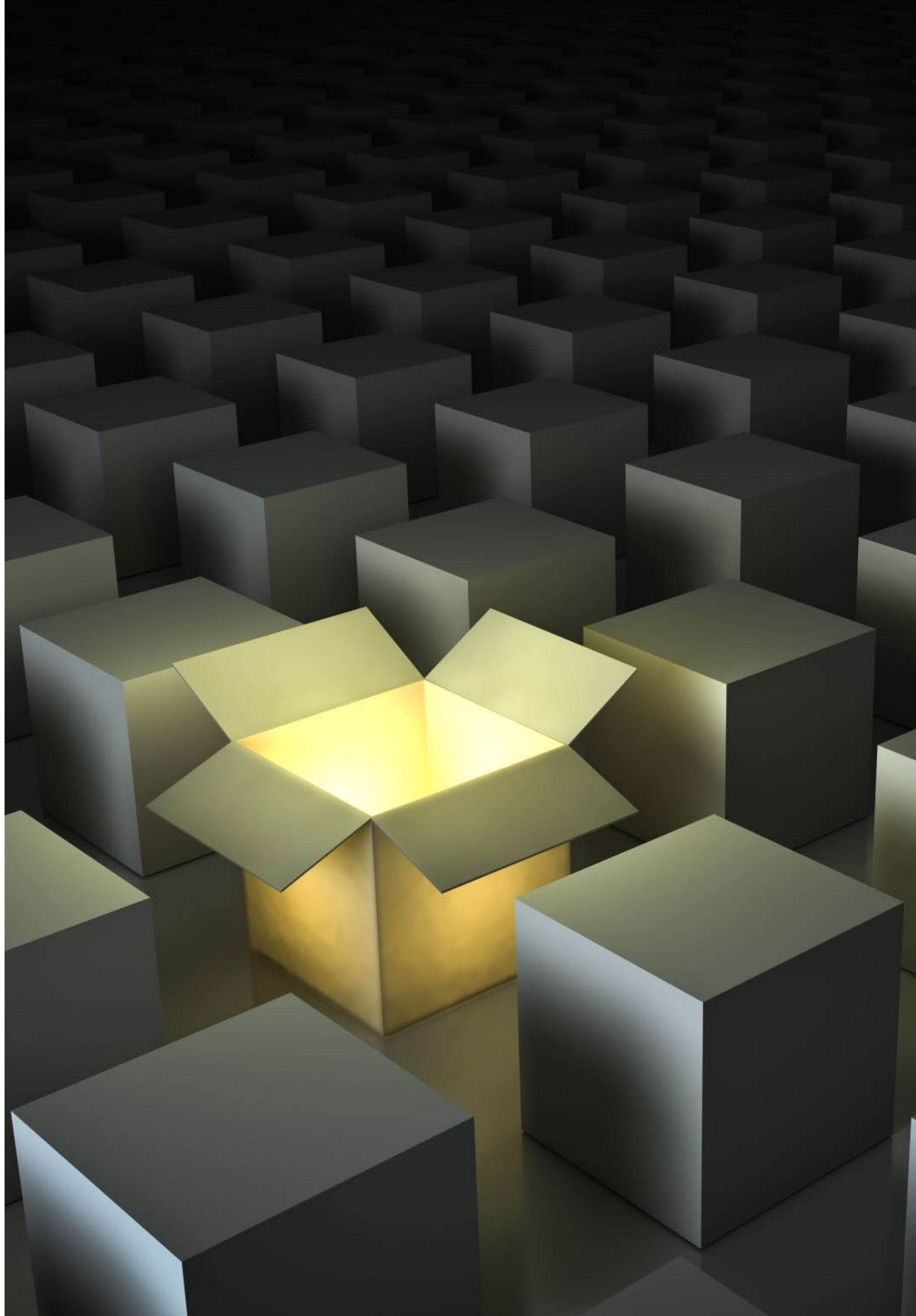
Credit Union Capital Requirements Rules

- **Part 1** – Interpretation and General Rule
- **Part 2** – Risk Based Capital Ratio Requirements
- **Part 3** – Calculation of Tier 1 Capital
- **Part 4** – Calculation of Tier 2 Capital
- **Part 5** – Calculation of Total Risk Weighted Assets
- **Part 6** – Leverage Ratio Requirement
- **Schedules**

Consultation Package

BCFSA prepared a consultation package to aid in the review:

- Proposed Capital Rule
- Section Notes – a short summary of each section of the Rule
- References by Selected Topics – a navigational tool for selected topics
- Consultation Feedback Form



Next Steps

Consultation Feedback

- BCFSA primarily seeks comments on aspects that may affect how the Rule is intended to operate, or where additional clarity is needed
- BCFSA will prepare a Summary Feedback Report

HOW TO SUBMIT A RESPONSE

- Responses can be submitted through the online Consultation Feedback Form until December 15, 2025
- Please refer to the Advisory posted on October 16, 2025 for the form

Future Information Session

NOVEMBER 19 INFORMATION SESSION

- BCFSA will host an additional information session on **Wednesday, November 19, 10am – 11am.**
- **Please submit your questions in advance** so that we may provide a fulsome response
- Submit questions using the AskUs form contained in the invitation to the November 19 information session

Please submit your questions in advance using the AskUs form.

Proposed Capital Rule

OTHER RESOURCES

- Capital Modernization Project webpage
  - Recordings and presentations
  - Capital Modernization Project | BCFSA

- NEW - Capital Modernization Resources webpage
  - Quick links to important information
  - Same "look and feel" as other BCFSA resources for easier navigation
  - Capital Modernization Resources

Next Steps

- Review the proposed Capital Rule in conjunction with the Consultation Package (i.e., Section Notes and Reference List).
- **Provide your feedback by December 15th** using the Consultation Feedback Form
- Next Information Session will be held on **November 19, 10:00 a.m. - 11:00 a.m**. **Please provide your questions in advance** using the AskUs Form.

Questions?

Contact: **CUCapital@bcfsa.ca**

Thank you.