

Capital Modernization

Capital Rules Consultation Information Session – What We Heard

March 31, 2026

BCFSA BC Financial
Services Authority

Protected A



Land Acknowledgment



Speakers

NEZ AQUINO

Senior Vice
President, Financial
Institutions

REBECCA LOWREY

Director, Reporting
& Risk Assessment,
Financial Institutions

Agenda

1. Executive Summary
2. Capital Modernization Project Overview
3. Consultation Feedback Themes
4. What's Next
5. Q&A

Executive Summary

- Completing the Capital Rules consultation marks an important milestone in the Capital Modernization journey to strengthen the capital framework for B.C. credit unions.
- Feedback was generally positive and seeking clarifications. There were some concerns about B.C. tailored items and impact on competitiveness.
- Parallel Reporting – shows credit unions are in a more favourable capital position. All else being equal, the new capital rule allows \$400MM+ incremental capital to be available for lending and investing.
- BCFSA has submitted the Rule for the consent of the Minister of Finance.





“ – British Columbia Financial Services Authority (BCFSA) is working to introduce a Basel III-like capital requirement framework, which is expected to become effective on January 1, 2027, with full implementation in 2029.

We view this shift toward the Basel III framework and overall more rigorous regulation positively. The proposed changes are expected to enhance credit union resiliency, especially in a challenging operating environment affected by a softening economy and the still unresolved tariff threats from the U.S.”

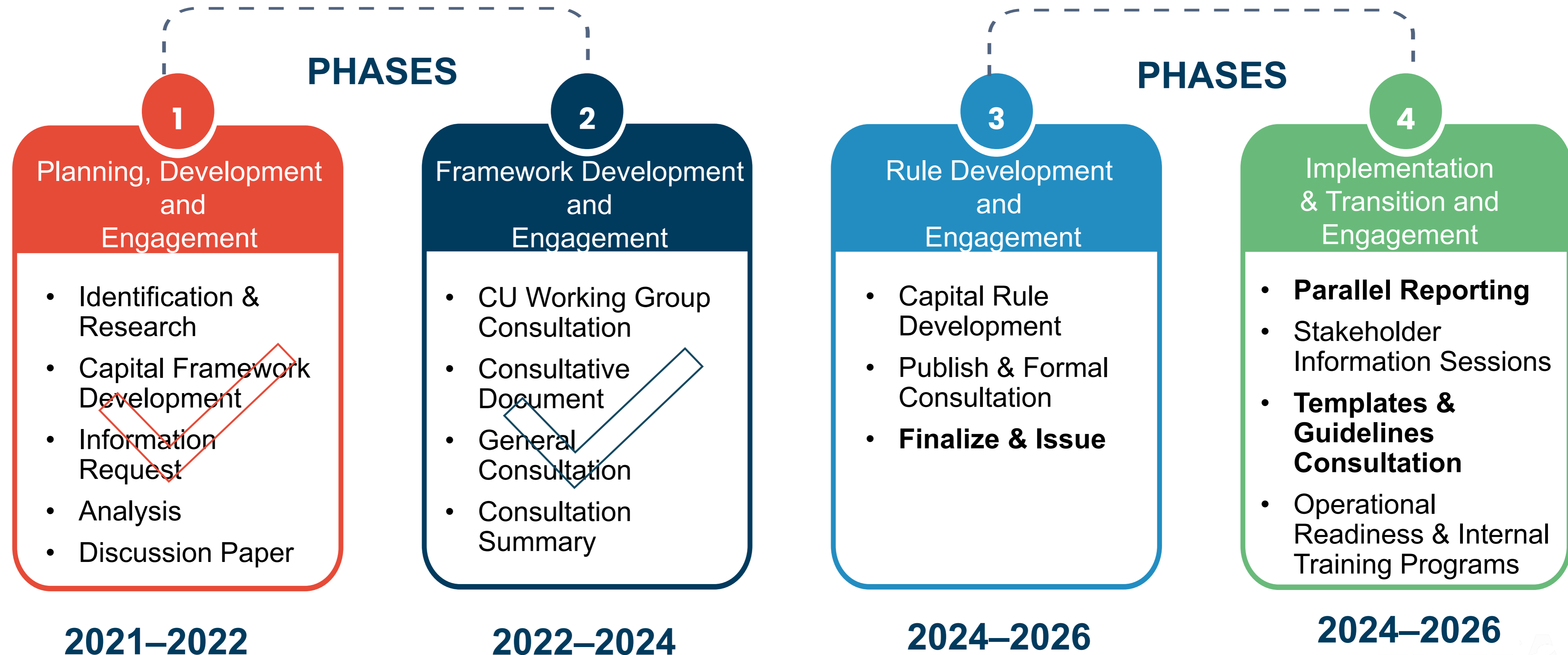
- MORNINGSTAR DBRS COMMENTARY (09/02/2025)



Capital Modernization Project Overview

Progressive Rollout: Phased Approach

(Capital Rule Proposed Effective Date January 1, 2027)



Consultation Approach

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

- ✓ Working Group (Nov 2022 to May 2023)
- ✓ Consultation (July 25 to October 23, 2023)
- ✓ Industry Information Sessions (September 2023)
- ✓ **Rule-Making Consultation (Oct 16, 2025 to January 15, 2026)**
- Templates and Guidelines Consultation (April 9 to May 21, 2026)
- Information Sessions (as needed)



Consultation Feedback Themes

What We Heard

Key Feedback Themes

- Overall support for the Capital Rules and the necessity for modernization.
- Positive feedback to the collaborative and responsive approach from BCFSA throughout the project.
- Concerns expressed regarding the B.C.-tailored approach (e.g. additional risk metrics) for potential operational burden and impact on competitiveness.
- Several clarifications on how to apply the Capital Rules.
- Calls for regular reviews of the Capital Rules to consider impacts on competitiveness, assess if the Rules are operating as intended and for possible calibration.



Feedback-Based Proposed Revisions

- Introduced a Small and Medium Enterprise (SME) lending category with a 75% risk weight – Summary Report item 9.
- Added exposures to Multilateral Development Banks (MDBs) with a 0% risk weight, based on OSFI's CAR list of eligible 0%-RW MDBs – Summary Report item 17.
- Updated the threshold for transactors to \$150,000 – Summary Report item 6.
- Revised the Tier 1 eligibility criteria to allow shares with retraction features, up to a 10% limit, to qualify as Tier 1 capital – Summary Report item 11.



B.C.-Tailored Elements

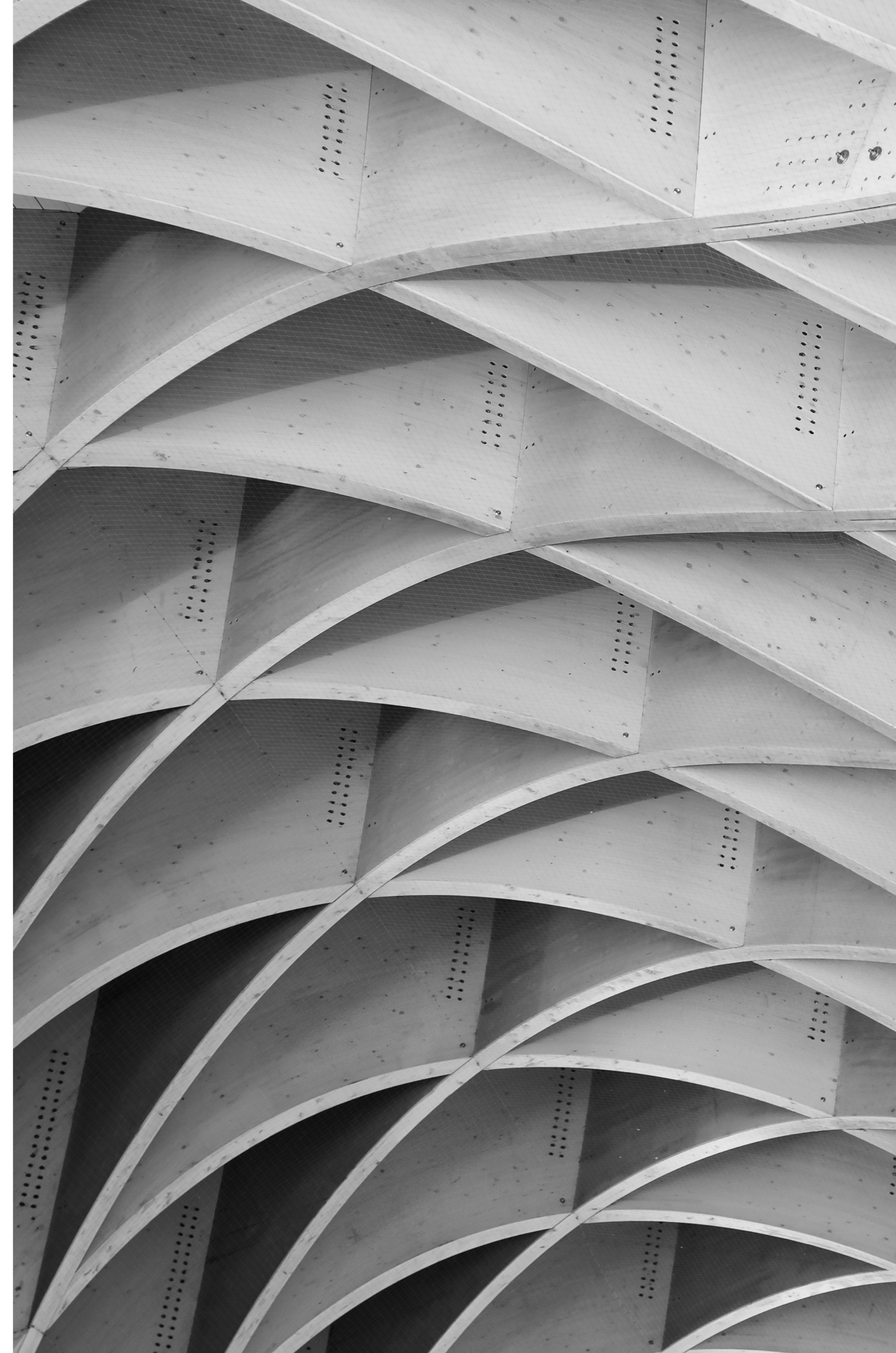
- Feedback raised concerns about added complexity and competitiveness
- B.C. framework reflects the risk profile of local credit unions, especially real estate lending
- Risk metrics (e.g. TDS, LTV) are industry standard and largely collected today
- Response:
 - Metrics required at origination/refinancing
 - Considered best practice, not mandatory, at renewal



Alignment with OSFI & Basel

- Framework based on Basel III
- Feedback noted differences vs. OSFI's more recent updates
- Response:
 - SME risk weight aligned to 75%
 - Commitment to consider future OSFI updates during regular reviews

SUMMARY REPORT: ITEM 4, 5, 6, 7, 8 & 9



Targeted Adjustments

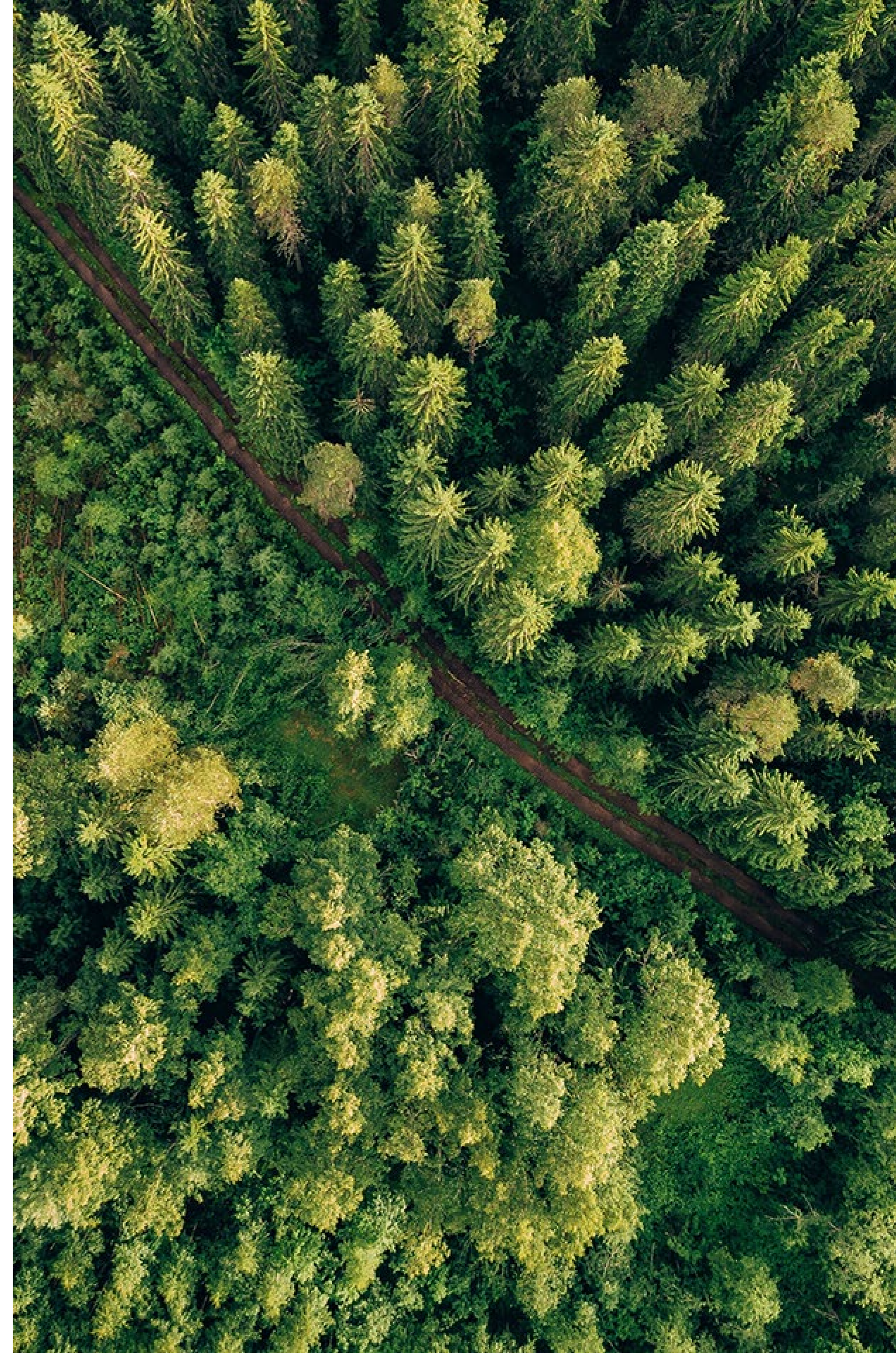
- Transactor threshold updated to \$150K
- Tier 1 capital: shares with limited retraction features permitted (up to 10%)
- Multilateral Development Banks added with a 0% risk weight

SUMMARY REPORT: ITEM 6, 11, 17



Indigenous Governing Bodies & Reconciliation

- Feedback sought differentiated treatment for Indigenous governments
- BCFSA carefully considered the diversity of governance, fiscal authority, and risk profiles
- Capital treatment is based on risk characteristics, not borrower category
- Commitment to continued engagement on reconciliation within the framework



Clarifications & Guidance

- Clarifications requested on capital eligibility and treatment
- Responses provided in the Consultation Summary
- Additional detail will be provided through:
 - Reporting Templates
 - Reporting Instructions
 - Ongoing industry guidance

SUMMARY REPORT: ITEM 10, 12 TO 16



Ongoing Review

- Strong support for regular review and calibration
- BCFSA will:
 - Monitor competitiveness and economic conditions
 - Update the Rules as risks and standards evolve
 - Maintain ongoing industry engagement



What's Next

Rule Making Power

PROCESS

- Following our rule-making authority, BCFSA has sought the consent to the proposed Capital Rules by the Minister of Finance.
- If Ministerial approval is received, BCFSA will advise credit unions and interested parties and BCFSA will post the **final** Capital Rules on our website for 30 days.
- BCFSA anticipates the Capital Rules will be in effect on January 1, 2027 with a two-year transition to the full regime on January 1, 2029.



Templates and Guidelines Consultation

CONSULTATION WILL BE OPEN APRIL 9- MAY 21

- BCFSA will provide an Advisory and Consultation Package on April 9th.
- BCFSA will host 2 information sessions:

Session 1- Overview

Thursday, April 16, 11a.m. – 12p.m.

Session 2 – Q&A Session

Thursday, April 30, 11a.m. – 12p.m.

- Please submit questions in advance using the AskUs form provided in your invitation.



Capital Modernization Project

WHAT'S NEXT?

Spring 2026

- ✓ Publication of Consultation Summary Report
 - ✓ Information session – What We Heard
 - ✓ Seek Ministerial Consent to the proposed Capital Rules
 - ✓ Parallel Reporting throughout 2026
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- April 1 - Invitation to Information Sessions
 - Launch Reporting Templates Consultation (April 9-May 21)
 - Template and Guidelines Consultation Information Sessions (April 16 & April 30)



Questions?

Contact: CUCapital@bcfsa.ca



Thank you.