Guideline

Internal Capital Adequacy Assessment Process (ICAAP) Submission Instructions

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INTRODUCTION

These instructions outline BCFSA's expectations on what should be included in a credit union's Internal Capital Adequacy Assessment Process (ICAAP) submission. For further details on regulatory expectations for a credit union's ICAAP, refer to the ICAAP Guideline, which is an integral part of BCFSA's ICAAP requirements.

Credit unions with more than $300 million in assets must submit a written report summarizing their ICAAP, incorporating the elements listed in the table below, annually within 120 days of their fiscal year-end. Note: The credit union's total assets, reported in the Financial and Statistical Return (FSR) as at the credit union's most recent fiscal year end, are compared to the $300 million in assets threshold. When the credit union crosses the threshold, it has one year to implement the requirements of its new category. For example, if the credit union's total assets are greater than the $300 million threshold at its December 2025 fiscal year end, the credit union must submit its ICAAP report starting December 2026.

The credit union's board of directors is expected to review and approve the ICAAP. The ICAAP report and the resolution of the directors showing the approval of the report should be submitted through BCFSA's

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Integrated Regulatory Information System (IRIS). Late submissions may result in a penalty as per BCFSA's Non-Compliant Filings Administrative Penalty Guideline under the Administrative Penalties Regulation of the Financial Institutions Act.

The ICAAP report should be concise, while at the same time discuss all material risks. Supplementary information such as policies, risk management frameworks, and processes can be referenced by way of appendices. The amount of detail in the ICAAP report may vary based on the size and complexity of the credit union.

ICAAP SUBMISSION ELEMENTS

- executive summary
- background on ICAAP
- statement of risk appetite
- material risks
- capital planning
- stress testing
- integration of ICAAP into risk management
- ICAAP conclusions and actions
- ICAAP Key Metrics Report

Executive summary

The executive summary should provide a brief overview of the ICAAP methodology and results, including:

- Confirmation that the credit union has assessed its capital as adequate, given the size and complexity of its business; or, if its capital is not adequate, the actions planned to remediate the situation.
- Commentary and an outline of significant risks faced by the credit union – the use of existing risk management summaries is encouraged for consistency and to avoid duplication of risk documentation.
- Summary of the main findings of the credit union’s ICAAP analysis, including:
    - the level and composition of capital the credit union determined it should hold
    - the adequacy of the credit union’s management processes
    - whether the credit union has adequate capital resources over its planning horizon
    - results, assumptions, and methodologies of stress test analysis
- Summary of the financial position of the credit union, its business strategy, and projected balance sheet structure and profitability over the next three years.
- Description of the review, challenge, and approval process of the ICAAP

Background on ICAAP

This section should provide a brief overview of the credit union’s ICAAP, including the credit union’s risk management framework, business planning, and capital management processes. The overview may refer to policies and systems used by the credit union to identify, manage, and monitor its risks according to its risk appetite where relevant.

Statement of risk appetite

This section should provide a brief description of the credit union's risk appetite and set out the frequency of reviews of the risk tolerances by management and the board. The use of risk management summaries is encouraged for consistency and to avoid duplication. Summary documentation (e.g., risk appetite statement) derived from the credit union's risk management framework can be submitted by way of an appendix to the ICAAP submission and referenced in the submission itself.

Material risks

This section should provide a concise description of the credit union's identified risks and the risk identification process. At a minimum, the following key risks should be included in the ICAAP:

- credit risk
- risk concentrations
- operational risk
- market risk
- interest rate risk in the banking book
- funding risk
- other risks.

This section should also include a summary of how each material risk is identified and quantified for capital allocation purposes, including methodologies, assumptions, and calculations used. Credit unions may find it helpful to refer to the risk quantifying methodologies developed by the Basel Committee on Banking Supervision. See the ICAAP Guideline for the requirement to take catastrophe and climate-related risks into account when assessing the capital requirements for the above risks.

Capital planning

This section should include:

- the credit union's baseline capital forecasts, based on the annual business plan
- a 3-year summary forecast capital position
- a description of the credit union's capital planning and management process, including an outline of how ICAAP is incorporated into this process.

Stress testing

This section should provide a description of how the credit union's stress testing is used to support capital adequacy assessment and management. The submission should summarize:

- stress tests on portfolios on material risks
- stress tests undertaken and rationale for their choice
- methodology and assumptions used in each scenario tested
- results of the stress test, including quantification of capital required

- how the credit union would manage its business and capital to ensure that sufficient levels of capital are available under stress conditions

Stress testing should consider severe but plausible events that could adversely affect the credit union's financial condition, risk profile, or capital adequacy. The nature, scope, and sophistication of the stress testing program should be commensurate with the size, complexity, business model, operating environment, and material risks of the credit union. Results should be considered when evaluating the adequacy of the credit union's current and planned capital levels.

Integration of ICAAP into risk management

This section should:

- summarize how ICAAP has been used by the credit union and how it is embedded in the decision-making process
- describe how ICAAP results have been integrated into risk limits and monitoring
- describe how the ICAAP results are reported to the board of directors

ICAAP conclusions and actions

This section should:

- outline the adequacy of capital and any remedial actions
- summarize the extent of challenge and testing of the ICAAP and the control processes applied to the ICAAP calculations
- identify the nature of any internal audit or third-party review of the ICAAP
- identify any plans to enhance the ICAAP going forward
- outline the board's review and approval process of the ICAAP and provide evidence of board approval

ICAAP Key Metrics Report

Completion of the ICAAP Key Metrics Report is a required component of a credit union's ICAAP submission to BCFSA.

ICAAP KEY METRICS REPORT	
Credit Union Name:	
Submission Date:	
Board Approval Date:	
As at Date:	
Total Risk Weighted Assets (RWA) ($000s)	
Tier 1 Capital ($000s)	
Total Capital ($000s)	
(IN THOUSANDS OF DOLLARS)	**Credit Union Assessment of Capital Required for the Risk**

ICAAP KEY METRICS REPORT				
	Tier 1 Capital		**Total Capital**	
	$ Capital (000's)	**% RWA**	**$ Capital (000's)**	**%RWA**
Baseline Risk				
Credit Risk (credit union's assessment)	$0	0.00%	$0	0.00%
Market Risk[1]	$0	0.00%	$0	0.00%
Operational Risk	$0	0.00%	$0	0.00%
Total Baseline Risks (credit union's assessment)	$0	0.00%	$0	0.00%
Regulatory Minimum plus Capital Conservation Buffer (CCB)	$0	0.00%	$0	0.00%
Greater of Regulatory Minimum plus Capital Conservation Buffer or Baseline Risks	$0	0.00%	$0	0.00%
Pillar 2 Risk				
Risk Concentrations	$0	0.00%	$0	0.00%
Interest Rate Risk in the Banking Book	$0	0.00%	$0	0.00%
Funding Risk	$0	0.00%	$0	0.00%
Other Risks	$0	0.00%	$0	0.00%
Total Baseline Risks & Pillar 2 Risks	**$0**	**0.00%**	**$0**	**0.00%**
STRESS TEST				
Additional Capital to Cover Stress Testing	$0	0.00%	$0	0.00%
ICAAP SUMMARY				
Total ICAAP Capital Required	**$0**	**0.00%**	**$0**	**0.00%**
Internal Capital Target[2,3]	$0	0.00%	$0	0.00%
Current Capital (Capital Base)	$0	0.00%	$0	0.00%
Surplus (Deficit) to Internal Capital Target	$0	0.00%	$0	0.00%

[1] Exclude interest rate risk in the banking book.

[2] As per BCFSA's ICAAP Guideline, the credit union's Internal Capital Targets (ICT) are expected to exceed the applicable regulatory minimum capital ratios plus the Capital Conservation Buffer (CCB); and be sufficient to cover the Total ICAAP Capital Required as determined through the credit union's ICAAP.

[3] The credit union's ICTs are expected to be equal to or greater than the calculated Total ICAAP Required.

APPENDIX 1: MINIMUM REGULATORY CAPITAL REQUIREMENTS

Note: All stated minimum capital ratios below are provided for reference purposes only. Credit unions must refer to the Capital Rules as the authoritative source for the final, binding minimum capital requirements, including any updates, interpretations, or supervisory adjustments. In the event of any inconsistency between this guideline and the Capital Rules, the Capital Rules prevail.

Capital Ratios			
	2027 (transition)	**2028** (transition)	**2029** (& onward)
Tier 1 Capital Ratio (minimum + capital conservation buffer) – per Capital Rules	**6.5%**	**7.5%**	**8.5%**
Total Capital Ratio (minimum + capital conservation buffer) – per Capital Rules	**8.5%**	**9.5%**	**10.5%**