

Information session

Internal Capital Adequacy Assessment Process Consultation

September 10, 2026

BCFSA BC Financial
Services Authority

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Land Acknowledgment



Speakers

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Agenda

Consultation overview

ICAAP Guideline

Next steps

Questions

Consultation Overview

Rebecca Lowrey

Internal Capital Adequacy Assessment Process (ICAAP)

WHY REVIEW THE ICAAP GUIDELINE?

- The credit union capital requirements rules (capital rules) will come into effect on Jan. 1, 2027
- ICAAP is being updated to reflect changes under the new capital rules with the same timeline (i.e., Jan 1, 2027)



Consultation Package

BCFSA PREPARED A CONSULTATION PACKAGE TO AID IN THE REVIEW:

- Draft ICAAP guideline
- Draft ICAAP submission instructions
- Consultation feedback form



ICAAP Consultation Timeline



ICAAP Guideline

Peter Palikot

Internal Capital Adequacy Assessment Process

PURPOSE OF ICAAP

- **Risk Evaluation** – Identification and measurement of all material risks associated with the credit union
- **Capital Matching** – Matching the capital reserve to the risk exposure of the credit union
- **Stress Testing** – Test how risk events could impact capital and health of the credit union
- **Strategic Planning** – Incorporation of insights into strategy, risk appetite, and daily operations
- **Stronger Oversight** – Clear view of credit union risk and safety for Management, Boards, and BCFSA



Internal Capital Adequacy Assessment Process

SUPERVISORY PERSPECTIVE

- **Board Involvement** - Active review, challenge, and approval of the ICAAP
- **Integration** – ICAAP is integrated into strategy, risk appetite, and operations
- **Risk Coverage** – All relevant material pillar 1 and pillar 2 risks are captured
- **Sound Methodology** – Models and risk quantification are fit for purpose and independently verified
- **Stress Testing Rigor** – adequately comprehensive, plausible, and severe testing to assure forward impact on capital buffers



Key Updates: Overview

- Emphasize a principles-based approach
- Align with OSFI guidance, with BC-specific considerations where appropriate
- Ensure ICAAP reflects best practices and aligns with our Capital Rules and Basel
- Integrate related BCFSA guidance to support a cohesive and consistent regulatory framework
- Internal Capital Target (ICT) guidance has been incorporated into the updated ICAAP framework. BCFSA intends to remove standalone ICT guideline.
- Maintain same reporting frequency and submission threshold



Key Updates: Capital Rules-Driven

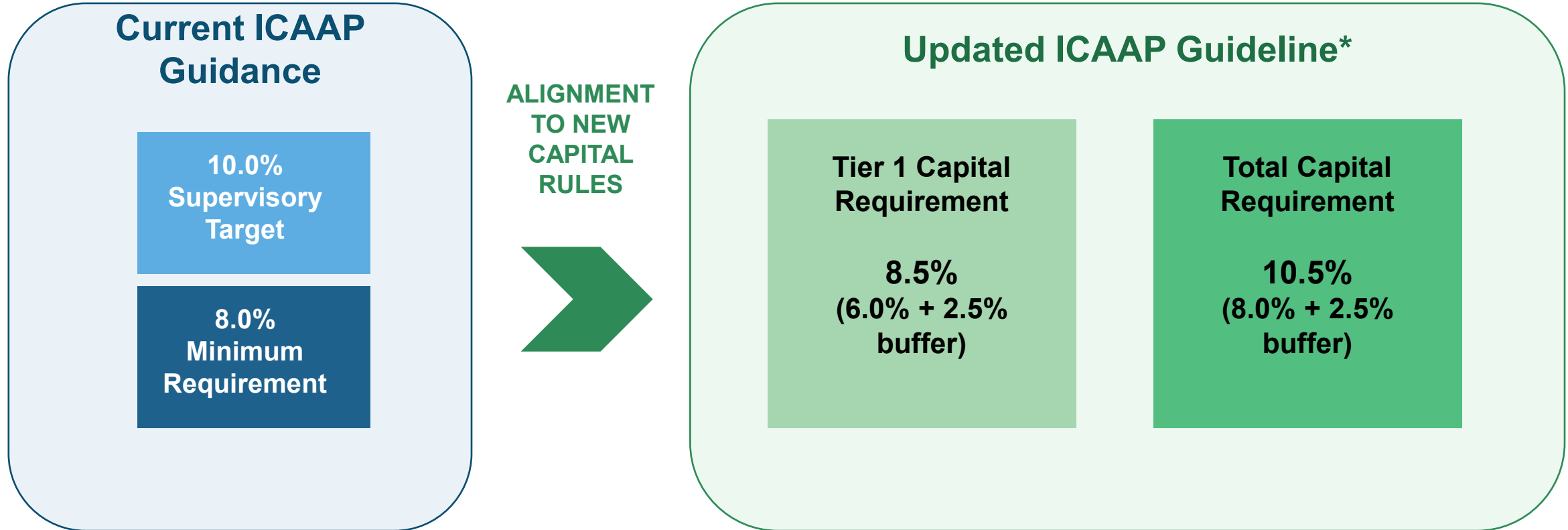
- Align ICAAP submission with the consolidated operations of the credit union
- Introduce two Internal Capital Targets that correspond directly to the regulatory minimum capital ratios:
 - Level 1 - Tier 1 Capital Ratio
 - Level 2 - Total Capital Ratio
- Update the regulatory minimums to incorporate the Capital Conservation Buffer
- Maintain consistency with the Capital Rules while future-proofing the framework for evolving regulatory expectations and capital requirements



ICAAP Capital Framework Alignment

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Current Guidance vs. Updated ICAAP Guideline (Effective Jan 1, 2027)



***NOTES:**

1. ICAAP capital expectations now align directly with the new BC Credit Union Capital Rules effective January 1, 2027.
2. Internal Capital Targets (ICT) are expected to exceed the applicable regulatory minimum capital ratios plus the Capital Conservation Buffer.

Next Steps

Rebecca Lowrey

Consultation Feedback

HOW TO SUBMIT A RESPONSE

- Responses can be submitted through the online Consultation Feedback Form or by email (CUCapital@bcfsa.ca) until September 30, 2026
- Please refer to the advisory posted on July 29 for the feedback form



Capital Modernization Project

WHAT'S NEXT?

- **ICAAP Consultation (July 29 – September 30)**
- Parallel reporting concludes with the quarter ending December 31, 2026 (Q4/2026) for all credit unions
- Capital Rules in effect on January 1, 2027. See regulatory statements and advisory.
- New ICAAP Guideline in effect January 1, 2027



Questions?

Email the Capital Modernization

Project mailbox: CUCapital@bcfsa.ca



Thank You.