

Regulatory Statement



REGULATORY STATEMENT NUMBER:	21-006
TITLE:	Capital Adequacy Return ("CAR")
LEGISLATION:	Financial Institutions Act
RELATED FORMS:	CAR Template and Reporting Instructions
DATE:	June 3, 2021
DISTRIBUTION:	B.C. Credit Unions

PURPOSE

This Regulatory Statement informs B.C. credit unions¹ of the requirement to complete and file the Capital Adequacy Return ("CAR") with the Superintendent of Financial Institutions at BC Financial Services Authority ("BCFSA"), as required by the *Financial Institutions Act* ("FIA") and its regulations.

Effective April 2022, this Regulatory Statement (including the CAR template and reporting instructions) replaces the current CAR reporting requirements. B.C. credit unions are required to complete and file the CAR (using the attached CAR template and reporting instructions) beginning with the April 2022 reporting period for credit unions filing on a monthly basis, and beginning with the June 2022 reporting period for credit unions filing on a quarterly basis.

LEGISLATION

FIA Section 67(1) states, "A financial institution must ensure that it has adequate liquid assets and an adequate capital base in relation to the business carried on by it, in accordance with the regulations and the rules made by the Authority."

The Capital Requirements Regulation ("CRR") of the FIA Section 20 states, "Within 90 days after the end of its financial year in each year, an extraprovincial trust corporation or credit union shall file with the superintendent a report made up to the financial year end, showing, to the superintendent's satisfaction,

- (a) the ratio of the extraprovincial trust corporation's or credit union's capital base, as determined under sections 3 to 6, to the calculated value of the extraprovincial trust

¹ Excluding central credit unions

- corporation or credit union risk-weighted assets, as ascertained by reference to sections 9 and 14 to 20,
- (b) the values given, in calculating that ratio, to the extraprovincial trust corporation's or credit union's capital items of each type specified in section 3,
 - (c) the values and discounted values given, in calculating that ratio, to the extraprovincial trust corporation's or credit union's assets of each type specified in section 6, and
 - (d) the value and the risk weighting given, in calculating that ratio, in accordance with sections 14 to 20 to each category of assets, including both on and off balance sheet items.”

FIA Section 127(3) states, “At intervals specified by the superintendent, a financial institution must file with the superintendent one or more of the following reports as specified, and in the form established, by the superintendent:

- (a) a financial affairs report;
- (b) a market conduct practices report;
- (c) a risk management practices report;
- (d) a corporate governance report.”

REQUIREMENTS

Credit unions are required to file the annual CAR pursuant to CRR Section 20. In addition to the requirements set out in the CRR, credit unions are required to file the CAR on a monthly or quarterly basis (based on credit union size) pursuant to FIA Section 127(3)(a).

Due Dates and Frequency

Credit unions with up to and including \$500 million in assets are required to submit the CAR quarterly within 20 days of each quarter end and annually within 90 days of the credit union’s fiscal year end. Credit unions with more than \$500 million in assets are required to submit the CAR monthly within 20 days of each month end and annually within 90 days of the credit union’s fiscal year end.

Two CARs must be submitted for the credit union's fiscal year end: the monthly (or quarterly) and the annual. The annual CAR is based on the final non-consolidated financial statements of the credit union at year end.

Credit unions reporting the CAR quarterly must develop the capability to produce the CAR with an increased frequency and report on a monthly basis, if requested by BCFSa.

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 \$500 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 \$500 million threshold, as at its December 2021 fiscal year end, the credit union must submit the CAR on a monthly basis starting January 2023.

Completion of the CAR

The CAR must be prepared for the credit union on a non-consolidated basis using the CAR reporting template provided by BCFSA. Line numbers, fields, descriptions, or other aspects of the template must not be altered, and they have been locked accordingly.

The CAR should closely reconcile to the FSR, and discrepancies should be explainable. Credit unions should refer to the FSR Reporting Instructions for further definitions and descriptions of financial statement items.

Dollar amounts must be reported in Canadian and rounded to the nearest dollar. Foreign currency amounts must be converted to the Canadian dollar equivalent at the reporting date. Percentages must be rounded to two decimal places (or four decimal places if in decimal format).

Filing of the CAR

The completed CAR must be submitted electronically in Excel format. Technical details will be provided in advance of the April 2022 effective date.

Late Filing

Late submissions of the CAR may result in a penalty under the FIA's Administrative Penalties Regulation, as described in BCFSA's Non-Compliant Filings Administrative Penalty ("NFAP") Guideline. The NFAP Guideline is available [here](#) on BCFSA's website. Credit unions should notify BCFSA as soon as possible of expected delays in the CAR submission.

ATTACHMENTS

1. [CAR Template](#)
2. [CAR Reporting Instructions](#)

OTHER INFORMATION

For questions on completion and submission of the CAR, please contact your BCFSA Relationship Manager or email filings@bcfsa.ca.

As the BC Financial Services Authority, we issue Regulatory Statements outlining how entities must operate, or the form and content required by the Regulator for mandatory regulatory filings identified in the *Financial Institutions Act* and *Credit Union Incorporation Act*, Regulations, and other pertinent legislation. While the comments in a particular part of a Regulatory Statements may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, instructions, definitions, and positions contained in a Regulatory Statements generally apply as of the date on which it was published, unless otherwise specified.