

**Summary of Industry Comments and BCFSAs Responses
on the Revised Credit Union Reporting Templates and Instructions**

Table 1. General Comments

| Industry Comments | BCFSAs Response |
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| Standardized Templates and Instructions | |
| <ul style="list-style-type: none"> Credit unions appreciate the modernization of the regulatory reporting templates. But they noted that remapping working papers and recreating current automated processes, due to renumbering in the templates, would take time and require internal resources. | <ul style="list-style-type: none"> BCFSA appreciates credit unions’ feedback and recognizes the additional time and resources required for the initial setup and transition to the revised templates. In response to this feedback, BCFSA offers a phased approach to the implementation as outlined in the Implementation Timeline section below. BCFSA also offers support to credit unions to ease the transition if needed. The revised credit union reporting templates and instructions aim to streamline and improve reporting. They have been standardized for consistency and ease of use by credit unions and have been prepared for future electronic submissions. |
| <ul style="list-style-type: none"> Credit unions noted that including references to the template line numbers in the reporting instructions would be helpful. Credit unions noted that requirements should be consistent across the different templates. For example, the Financial and Statistical Return (“FSR”) investments lines should be consistent with investments lines in the Capital Adequacy Return (“CAR”) and the Liquidity Adequacy Return (“LAR”). | <ul style="list-style-type: none"> Based on feedback, BCFSA revised the reporting instructions to add template line numbers. BCFSA harmonized the requirements across templates for consistency and comparability between credit unions. The FSR reports investments in categories that can be mapped to the capital and liquidity returns. Investments details required for CAR and LAR reporting are different. They |

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| | <p>are based on the Capital Requirements Regulation (“CRR”) and the Liquidity Requirement Regulation (“LRR”) under the <i>Financial Institutions Act</i> (“FIA”).</p> <ul style="list-style-type: none"> References to the FSR lines are included in the capital and liquidity returns to help credit unions with mapping across the different templates. BCFSA will continue to improve consistency across templates when applicable. |
| <ul style="list-style-type: none"> Separate capital and liquidity returns (CAR and LAR) are proposed, as opposed to a single FSR that includes capital and liquidity requirements. Few credit unions recommended continuing to report capital and liquidity data embedded in the FSR to increase efficiency and minimize the burden on credit unions. | <ul style="list-style-type: none"> The FSR is the core return providing essential financial information for continuous supervisory monitoring. Separating capital and liquidity data (CAR and LAR) from the core financial return (FSR): <ul style="list-style-type: none"> a. streamlines the core return; b. provides greater transparency into the credit unions’ adequate capital and liquidity under separate FIA regulations; and c. emphasizes the importance of timely capital and liquidity reporting for credit unions’ management and BCFSA. Note: Each return complies with specific sections of the FIA and its regulations with only a few datapoints overlapping between the FSR, CAR, and LAR templates. |
| Increase in Reporting Requirements and Reporting Frequency | |
| <ul style="list-style-type: none"> Credit unions noted that new requirements and an increase in reporting frequency would require additional time and resources. They also noted that some of the changes would require banking system updates or might come with additional costs of using contractors. | <ul style="list-style-type: none"> BCFSA acknowledges the time and resources required from credit unions to adopt the revised templates and increased reporting frequency, but credit unions are expected to have the required data in the normal course of operations. Credit unions operate in an increasingly challenging environment, and the revised regulatory reporting and frequency provide appropriate and timely information to credit unions’ management and BCFSA for supervisory oversight. |
| Implementation Timeline | |
| <ul style="list-style-type: none"> Credit unions recommended 6-12 months’ implementation period along with a request to implement the revised | <ul style="list-style-type: none"> Based on feedback, BCFSA set the following implementation timeline: |

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| <p>templates in stages that would allow for an extended transition period to adjust capacity needs.</p> | <ul style="list-style-type: none"> ○ Stage 1: LAR, Liquidity Coverage Ratio (“LCR”) and Net Cumulative Cash Flow (“NCCF”) revised templates are implemented effective October 2021; and ○ Stage 2: FSR, CAR, and Residential Mortgage Loans Report (“RMLR”) revised templates are implemented effective April 2022. |
| Proportionality | |
| <ul style="list-style-type: none"> ● Credit unions suggested that regulatory reporting should embrace proportionality and consider the size and complexity of B.C.’s credit unions. Rather than taking a singular approach in regulatory reporting for all credit unions, BCFSA should consider the risks of each credit union as well as the risk a credit union poses to the overall B.C. credit union system. ● Credit unions encouraged BCFSA to apply simplified reporting methods and computational methodology for small credit unions. | <ul style="list-style-type: none"> ● BCFSA understands credit unions’ concern about proportionality as well as risk-based regulation and supervision but recognizes that significant work is required to address proportionality. Also, as current FIA regulations apply to all credit unions, the proportionate approach to regulatory reporting is challenging. ● Currently, BCFSA sets different regulatory reporting requirements, including reporting frequency, based on credit unions’ size and will continue to explore proportionality in regulatory reporting in a separate consultation with credit unions. |

Table 2. Technical Comments by Reporting Templates and Sections

| Industry Comments | BCFSA's Response |
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| Financial and Statistical Return (“FSR”) | |
| Section 1230 - Allowance for Credit Losses on Loans and Leases: ECL Stages | |
| <ul style="list-style-type: none"> ● Credit unions recommended quarterly or annual reporting of expected credit losses (“ECL”) stages, as the ECL provision process and calculations are not performed monthly. | <ul style="list-style-type: none"> ● BCFSA revised the FSR template and reporting instructions to remove ECL stages details from this section and continue to request monthly reporting of Specific and Total Allowance details only. This is consistent with current reporting. |

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| Section 1240 - Credit Impaired Loans and Leases | |
| <ul style="list-style-type: none"> Few credit unions requested clarification and rationale on reporting credit impaired loans and leases. They noted that this information was not readily available for reporting. | <ul style="list-style-type: none"> ECL provision calculation on credit impaired loans and leases is expected on the individual loan and lease basis. Outstanding loan and lease balances and lifetime ECL information should be monitored by the credit union and be made available for reporting. This information shows the extent of losses on credit impaired loans. |
| Section 1500 - Derivative | |
| <ul style="list-style-type: none"> Credit unions requested clarification on netting derivative assets and liabilities as well as on reporting related accrued interest. | <ul style="list-style-type: none"> Credit unions should report derivative assets and liabilities (including the impact of permitted netting between assets and liabilities) in accordance with the International Financial Reporting Standards ("IFRS") and their accounting policies. Credit unions should apply netting of derivative assets and liabilities in this section if the same netting is applied on the credit union's balance sheet. BCFSA updated the reporting instructions to clarify that derivative assets and liabilities should be reported with accrued interest included. |
| Section 2200 - Deposits: Dormant Deposits | |
| <ul style="list-style-type: none"> Credit unions noted that eliminating the single line on the balance sheet for reporting dormant deposits and including these deposits in the appropriate deposit categories would require significant banking system changes and incur additional costs. | <ul style="list-style-type: none"> BCFSA revised the FSR template and reporting instructions to continue to request reporting of dormant deposits on a single line in the Other Liabilities section on the balance sheet. This consistent with current reporting. Impact on other templates: Dormant deposits should not be included in cash outflows in the LCR and should be reported as other liabilities in the NCCF with no cash outflow value. |
| Section 2210 - Deposits by Depositor Type: Small Business Definition | |
| <ul style="list-style-type: none"> Credit unions appreciate the standardization of definitions. They also noted that adopting the proposed small business definition required system changes and also impacted internal policies and reports, as small business definition | <ul style="list-style-type: none"> BCFSA harmonized retail, brokered, wholesale, and small business deposit definitions across reporting templates to follow definitions from liquidity standards. These definitions are now aligned between the FSR, the LCR, and the NCCF revised templates. |

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| <p>may differ from that proposed by BCFSA with the aggregate balance by depositor less than \$1.5 million.</p> | <ul style="list-style-type: none"> BCFSA understands credit unions' concern about impact on reporting to align with these definitions but also recognizes the benefits of harmonized definitions, consistency, and comparability between credit unions. |
| <p>Section 2210 - Deposits by Depositor Types: Deposit Composition</p> | |
| <ul style="list-style-type: none"> Credit unions noted that reporting the proposed deposit composition breakdown required significant system changes and additional resources. They recommended reviewing the proposed format, reporting frequency, and considering proportionality for this requirement by taking into account the size and complexity of credit unions. | <ul style="list-style-type: none"> Based on feedback, BCFSA postponed the introduction of the full deposit composition section and added a simplified version that is similar to the current reporting. As deposit composition provides valuable information on potential funding risk, BCFSA intends to revisit this section and assess the appropriate format for the deposit composition data reporting requirements in a separate consultation with credit unions. BCFSA understands credit unions' concern about additional resources and costs required to set up regular reporting in replacement of ad hoc data calls but also recognizes the benefits of regular reporting once these are established. Taking this approach reduces the resource impact of ad hoc data calls. |
| <p>Section 3000 - Other Income: Gains (Losses) on Sale of Other Assets</p> | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on reporting income from discontinued operations that is separate from net operating income and currently included in <i>Line 3480: Capital Gain (Loss)</i> (that is renamed and moved to other income). | <ul style="list-style-type: none"> BCFSA added a new line to the FSR template (<i>Line 3000-640: Income (Loss) from Discontinued Operations, Net of Tax</i>), so credit unions can report discontinued operations. BCFSA also updated the reporting instructions. |
| <p>Section 4200 - Lending Policy Limits</p> | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on reporting commercial caps information. They noted that this information was not available in the proposed breakdown. | <ul style="list-style-type: none"> This new section enables credit unions and BCFSA to monitor compliance with lending policy limits established in the credit union's Investment and Lending Policy ("ILP"). BCFSA recognizes that credit unions' ILP may differ, but the proposed categories are basic for lending operations. Reporting instructions are revised to clarify that any categories that are not applicable to the credit union should be reported as N/A. |

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| Capital Adequacy Return ("CAR") | |
| Section 6010 - Capital Base: AOCI | |
| <ul style="list-style-type: none"> Credit unions asked whether BCFSA planned to include accumulated other comprehensive income ("AOCI") in the capital base, consistent with the Capital Adequacy Requirements Guideline of the Office of the Superintendent of Financial Institutions (Canada) ("OSFI"). | <ul style="list-style-type: none"> Current Capital Requirements Regulation ("CRR") does not include AOCI in the calculation of a credit union's capital base. BCFSA intends to address AOCI as part of its future capital rules and will be consulting with the credit unions as part of the capital modernization process. |
| Section 6030 - Off Balance Sheet Exposures | |
| <ul style="list-style-type: none"> Credit unions recommended considering optional disclosure of letters of credit details. They noted the proposed breakdown was not readily available in banking systems. | <ul style="list-style-type: none"> BCFSA provides the breakdown for letters of credit to assist credit unions in reporting the appropriate credit conversion factor ("CCF") in the risk weighted letters of credit calculation. If the breakdown is not available, credit unions should report letters of credit using the most conservative credit conversion factor, such as CCF = 1. |
| Section 6040 - Derivatives | |
| <ul style="list-style-type: none"> Credit unions requested clarification on how netting of derivative assets and liabilities should be applied where the credit union has both positive and negative exposures with a single counterparty. Few credit unions requested clarification on submitting additional schedules where more than one add-on factor applies. | <ul style="list-style-type: none"> For CAR reporting purposes, the notional principal should not be netted. The positive market value may be netted, if the credit union has a legally enforceable right that permits offsetting of assets and liabilities and an intent to settle on a net basis. BCFSA may request an additional schedule showing the detailed risk weighting calculation for derivatives, but credit unions do not need to submit a schedule with each CAR filing. |
| Liquidity Adequacy Return ("LAR") | |
| Reporting Instructions | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on submitting two returns at year end (monthly and annual LAR) given that the returns provide point-in-time data. | <ul style="list-style-type: none"> BCFSA requests two LAR filings at year end: the monthly and the annual LAR. The annual LAR is based on the credit union's final non-consolidated financial statements. It captures potential changes to liquid asset fair values |

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| | or deposit and other debt liabilities that are posted after the due date of the monthly LAR. This is similar to the FSR and the CAR filings. |
| Section 5010 - Liquidity Available: Bankers' Acceptances | |
| <ul style="list-style-type: none"> Few credit unions noted that including bankers' acceptances ("BAs") in statutory liquidity was an exception to the High Quality Liquid Assets ("HQLA") general rule and requested rationale for this exception. | <ul style="list-style-type: none"> According to the Liquidity Requirement Regulation ("LRR"), limited to two per cent of the credit union's aggregate deposit and other debt liabilities, cash on hand held by the credit union, cash deposits and specific BAs held in trust with Central 1 Credit Union ("Central 1") may be counted as part of statutory liquidity. Rationale is that these BAs are assessed to be an interest earning alternative to cash deposits held in trust until funds are invested in HQLA. |
| Section 5010 - Liquidity Available: HQLA | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on reporting both encumbered and unencumbered HQLA given that encumbered assets do not qualify as a component of statutory liquidity reserves. Credit unions recommended specifying that HQLA assets should be reported in accordance with IFRS. | <ul style="list-style-type: none"> Credit unions may use the excess above the minimum statutory requirement of their liquid assets held in trust with Central 1, including encumbering it as part of normal business activities. BCFSA requires reporting of all HQLA assets held in trust with Central 1 (encumbered and unencumbered) for comprehensive supervisory oversight. BCFSA updated the reporting instructions to clarify that credit unions should report HQLA assets in accordance with IFRS but not greater than their current market value. LAR is a liquidity metric, and market values of investments represent monetary values more closely. |
| Section 5010 - Liquidity Available: Level 1 HQLA: <i>National Housing Act</i> Mortgage Backed Securities (NHA MBS) | |
| <ul style="list-style-type: none"> Credit unions requested clarification on including securitized but unsold mortgages in Level 1 HQLA, such as <i>National Housing Act</i> Mortgage Backed Securities ("NHA MBS"). | <ul style="list-style-type: none"> Securitized mortgages, underlying the NHA MBS, do not qualify as HQLA. Note: NHA MBS that have been issued by the credit union but not yet sold to third parties should not be included in statutory liquidity, as these are also debt liabilities of the credit union (once sold to investors). This is consistent with the LRR. |

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| Section 5020 - Deposit and Other Debt Liabilities | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on whether securitizations are excluded from the credit union's deposits and borrowings in the liquidity ratio calculation. | <ul style="list-style-type: none"> Borrowing from securitizations is part of the credit unions' borrowing and is included in the total deposit and debt liabilities amount used in the liquidity adequacy ratio calculation. |
| Liquidity Coverage Ratio ("LCR") | |
| Reporting Instructions | |
| <ul style="list-style-type: none"> Credit unions noted that developing the capability to produce the LCR with an increased frequency as well as weekly reporting (if requested by BCFSA) have significant resource implications. | <ul style="list-style-type: none"> BCFSA revised the reporting instructions to change this requirement to monthly frequency applicable to credit unions filing the LCR quarterly. Credit unions should follow the Liquidity Management Guideline ("LMG") and supervisory expectations on producing liquidity data on a spot basis. |
| Section 5110 - HQLA | |
| <ul style="list-style-type: none"> Credit unions recommended reviewing definitions for Level 1 and 2 HQLA with reference to OSFI's Liquidity Adequacy Requirements Guideline to avoid inconsistent application among credit unions. Credit unions recommended specifying that HQLA assets should be reported in accordance with IFRS. | <ul style="list-style-type: none"> BCFSA aligned its HQLA definitions with OSFI's Liquidity Adequacy Requirements Guideline and international regulatory standards. BCFSA updated reporting instructions to clarify that credit unions should report HQLA assets in accordance with IFRS but not greater than their current market value. LCR is a liquidity metric, and market values of investments represent monetary values more closely. |
| Section 5110 - HQLA: Level 1 Assets: <i>National Housing Act</i> Mortgage Backed Securities (NHA MBS) | |
| <ul style="list-style-type: none"> Credit unions requested clarification on reporting issued but unsold NHA MBS in the LCR but not in the FSR. | <ul style="list-style-type: none"> BCFSA recognizes the liquidity value of NHA MBS that have been issued by the credit union but not yet sold to third parties. Therefore, these securities (but not the underlying securitized mortgages) may be included in HQLA for the purposes of the LCR if they meet the HQLA requirements. Note: NHA MBS that have been issued by the credit union but not yet sold to third parties are not reported as assets on the credit unions' balance sheet and should not be included as investments in the FSR. |

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| Section 5110 - HQLA: Level 1 Assets: Securities from Sovereigns [Rated AAA to AA-], Gov't of Canada and Provincial/ Territorial Governments | |
| <ul style="list-style-type: none"> Credit unions requested clarification on reporting federal and provincial government securities. | <ul style="list-style-type: none"> BCFSA updated the LCR template and reporting instructions to clarify that credit unions should report qualifying securities issued or guaranteed by the Government of Canada (or its central bank) or by provincial and territorial governments as Level 1 HQLA. Note: HQLA definitions in the reporting instructions should be consistent with OSFI's HQLA definitions. Credit ratings of these Level 1 assets relate to zero per cent risk-weight under the Basel II Standardised Approach in OSFI's Capital Adequacy Requirements Guideline. |
| Section 5110 - HQLA: Level 2A Assets: Securities from Sovereigns [Rated A+ to A-], Municipalities and Other PSEs/ MDBs [Rated AAA to AA-] | |
| <ul style="list-style-type: none"> Credit unions requested clarification on reporting securities from public sector enterprises ("PSEs") and multilateral development banks ("MDBs"). | <ul style="list-style-type: none"> BCFSA updated the LCR template and reporting instructions to clarify that credit unions should report qualifying securities representing claims on or guaranteed by municipalities, other PSEs (e.g., universities, school boards, and hospitals), and MDBs that are rated AAA to AA-, as Level 2A HQLA. Note: HQLA definitions in the reporting instructions should be consistent with OSFI's HQLA definitions. Credit ratings of these Level 2A assets relate to 20 per cent risk-weight under the Basel II Standardised Approach in OSFI's Capital Adequacy Requirements Guideline. |
| Section 5120 - Cash Outflows: Brokered Deposits | |
| <ul style="list-style-type: none"> Credit unions recommended considering optional disclosure of brokered deposits details in retail, small business, and wholesale categories, as these have the same run-off rate. They noted the proposed breakdown into these categories was not readily available in banking systems. | <ul style="list-style-type: none"> BCFSA revised the LCR template and reporting instructions to continue to request reporting of brokered deposits on a single line. This is consistent with current reporting. |
| Section 5120 - Cash Outflows: Unsecured Wholesale Funding - Non-Financial Corporation Deposits | |
| <ul style="list-style-type: none"> Credit unions requested clarification and rationale on the increase of run-off rate for non-operational MUSH | <ul style="list-style-type: none"> BCFSA explored increasing the run-off rate for non-operational MUSH deposits in the LCR. Based on feedback from the credit unions, it was |

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| <p>(municipalities, universities, schools, and hospitals) deposits from 10 per cent to 30 per cent. They indicated that these deposits were more stable and did not require increased run-off rates. They suggested reducing the rate to 20 per cent.</p> <ul style="list-style-type: none"> Credit unions requested clarification on the requirement to categorize operational deposits as non-operational (with the appropriate run-off rate) if the credit union is unable to determine the amount of the excess that is not required to fulfill clearing, custody, or cash management activities. | <p>determined that a run-off rate of 20 per cent would be more appropriate, as these deposits behave similarly as other non-financial corporation non-operational deposits in a liquidity stress situation.</p> <ul style="list-style-type: none"> The LCR reporting instructions state that, "Where amounts cannot be readily determined for any specific category, the credit union must report amounts using the more conservative or higher run-off rate category for each funding source." In BCFSA's view, it is prudent to follow the more conservative approach in regulatory reporting. |
| <p>Section 5120 - Cash Outflows: Other Contractual Obligations to Extend Funds [within a 30-day period]</p> | |
| <ul style="list-style-type: none"> Credit unions requested clarification on the reporting requirements and the calculation for other contractual obligations to extend funds. | <ul style="list-style-type: none"> Cash outflows from other contractual lending obligations (that are not reported on other lines in the LCR) can be reduced by 50 per cent of contractual inflows from loans and leases (that are used to continue to extend loans and not included in total cash inflows). Only the excess amount of these contractual lending obligations is included in the LCR calculation with 100 per cent outflow rate. |
| <p>Section 5130 - Cash Inflows: Loans by Counterparty</p> | |
| <ul style="list-style-type: none"> Credit unions requested clarification on excluding balances at maturity from loans maturing within 30 days that are expected to be renewed from cash inflows. Credit unions noted that the maturing mortgage must, by contract, be repaid. | <ul style="list-style-type: none"> For LCR reporting purposes, credit unions should assume to continue to extend loans to retail and business members (loan origination/rollover) at a rate of 50 per cent of contractual inflows. Excluding cash inflows from mortgages that are expected to be renewed simplifies reporting, as opposed to reporting both cash inflows from maturing mortgages and the corresponding cash outflows for mortgage renewals. This more closely reflects the actual inflows that the credit union will experience. |
| <p>Section 5130 - Cash Inflows: Deposits with Central 1 and Other Financial Institutions</p> | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on a general principle for classifying deposits as operational that is noted in the reporting instructions. | <ul style="list-style-type: none"> Credit unions should determine their own breakdown for operational and non-operational deposits for LCR cash outflows and may use the general principal noted in the reporting instructions. |

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| Net Cumulative Cash Flow ("NCCF") | |
| Section 5200 - Cash Inflows: Residential Mortgages | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on reporting cash inflows from securitized and unsold residential mortgages. | <ul style="list-style-type: none"> Credit unions should report securitized and unsold residential mortgages, the balance at maturity as well as the balance of periodic amortization payments as cash inflows in week 1 after the appropriate haircut is applied (i.e., haircut of the NHA MBS issued but unsold related to the underlying securitized mortgages). |
| Section 5200 - Cash Outflows: Non-Financial Corporation Deposits - Non-Operational | |
| <ul style="list-style-type: none"> Credit unions recommended separating non-financial corporation non-operational deposits into non-operational demand and term deposits, as these have different run-off rates. Credit unions recommended separating non-financial corporation non-operational deposits into stable and less stable deposits as well as assigning run-off rates according to the stability of the deposits. Credit unions noted that many business deposits with long-term members were stable, which would justify a much lower run-off rate. | <ul style="list-style-type: none"> BCFSA added a new line to the NCCF template (<i>Line 5200-560: Non-Financial Corporation Deposits - Term</i>), so credit unions can report non-financial corporation term deposits with 100 per cent run-off at contractual maturity. BCFSA intends to review and refine the NCCF assumptions in a separate consultation with credit unions. |
| Residential Mortgage Loans Report ("RMLR") | |
| Section 1320 - Total Debt Service (TDS) Ratio | |
| <ul style="list-style-type: none"> Few credit unions requested clarification on whether CMHC's Total Debt Service ("TDS") ratio formula must be used or whether credit unions can use their own TDS formula. | <ul style="list-style-type: none"> BCFSA expects credit unions to use the TDS ratio calculation formula prescribed by CMHC, as a consistent standard helps credit unions in determining appropriate risk exposures and improves risk management. |

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| Section 1340 - Beacon Score | |
| <ul style="list-style-type: none"> • Credit unions requested clarification on whether the latest Beacon Score must be used or whether credit unions can report based on Beacon Score as at origination. • Credit unions requested clarification on how to report the Beacon Score when there is more than one borrower. | <ul style="list-style-type: none"> • BCFSA expects credit unions to report based on the latest available Beacon Score, as using the latest Beacon Score provides the most current breakdown on the borrower's credit quality. • BCFSA updated the reporting instructions to clarify that credit unions should use the primary borrower's Beacon Score. |