

Change Control Log
Capital Adequacy Return & Completion Guide (BC Credit Unions)
2017 Updates

Instructions

Changes have been made to the Capital Adequacy Return (CA Return) template and completion guide to include guidance on audit expectations in Appendix 1 and other housekeeping changes and to reflect recent changes to the Capital Requirements Regulation of the *Financial Institutions Act* reducing the capital requirements for commercial loans and leases. The revised CA Return is effective immediately. All readers are encouraged to review the complete 2017 revised version of the CA Return template and completion guide.

Return Template Reference	Description of Change
Concentration Risk Adjustments:	
Line 317 - Excess Comm. Loans & Leases (>30% & ≤35%)	Add New Line: - Report the unweighted aggregate value of commercial loans and leases exceeding 30% but not exceeding 35% of the unweighted total assets with risk weighting factor of 0.5
Line 311 - Excess Comm. Loans & Leases (>35%)	Change: - Report the unweighted aggregate value of commercial loans and leases exceeding 35% of the unweighted total assets with risk weighting factor of 1.0

Completion Guide Reference	Description of Change
2.2 CAPITAL BASE	
2.2.3 Deductions from Capital	
Line 123 - Goodwill and Other Intangible Assets (Included in Investment Carrying Value)	Delete: - Wording “acquired on or before January 1, 1997 – the lesser of the current remaining amortization period and 10 years”, as this section is no longer relevant - “Example 1 - Deduction from Capital – Goodwill”, as it is no longer relevant
Line 124 - Goodwill and Other Intangible Assets (Not Included in Investment Carrying Value)	Add: - Wording “(and reported on the non-consolidated balance sheet of the credit union)”

Completion Guide Reference	Description of Change
2.4 BALANCE SHEET ASSETS	
2.4.3 Personal Real Estate Residential Loans ≤ 75% of Fair Market Value (FMV)	
	<p>Add:</p> <ul style="list-style-type: none"> - Wording “The percentage of FMV calculation must incorporate all loans and lines of credit secured on the same property.” - Example to clarify the percentage of FMV calculation
2.5 OFF BALANCE SHEET EXPOSURES	
	<p>Add:</p> <ul style="list-style-type: none"> - Note: “Both unweighted \$ amounts and risk weighted \$ values must be reported together with the appropriate credit conversion and risk-weighting factors.”
Line 304 - Commitments (Unconditionally Cancellable)	<p>Add:</p> <ul style="list-style-type: none"> - Wording “A material adverse change clause is not considered to give sufficient protection for a commitment to be considered unconditionally cancellable. Long-term commitments must be cancellable without notice to be eligible for the 0% conversion factor.” - Note: “Open-ended commitments that are cancellable by the credit union at any time subject to a notice period do not constitute unconditionally cancellable commitments and must be reported in Line 306.”
Line 305 - Commitments (Original Maturity ≤ 1 Year)	<p>Add:</p> <ul style="list-style-type: none"> - Wording “The maturity of a commitment should be measured from the date when the commitment was accepted by the customer, regardless of whether the commitment is revocable or irrevocable, conditional or unconditional, until the earliest date on which: <ul style="list-style-type: none"> • the commitment is scheduled to expire, or • the credit union can, at its option, unconditionally cancel the commitment.” - Wording “Where the credit union commits to granting a facility at a future date (a forward commitment), the original maturity of the commitment is to be measured from the date the commitment is accepted until the final date that drawdowns are permitted.”

Completion Guide Reference	Description of Change
<i>Line 306</i> - Commitments (Original Maturity > 1 Year)	Add: <ul style="list-style-type: none"> - Note: “Unfunded mortgage commitments are treated as commitments for risk-based capital purposes when the borrower has accepted the commitment and all conditions related to the commitment have been fully satisfied.”
2.6 RISK WEIGHTED ASSETS	
Concentration Risk Adjustments:	
<i>Line 317</i> - Excess Comm. Loans & Leases (>30% & ≤35%)	Add New Line: <ul style="list-style-type: none"> - Wording “If the unweighted value of the credit union’s commercial loans and leases exceeds 30% of the unweighted value of the credit union’s total assets, an additional risk-weighting factor of 0.5 is applied to the proportion of value exceeding 30% but not exceeding 35%.” - Calculation - Note: “Unweighted value of the credit union’s commercial loans and leases that exceed 35% of the unweighted value of the credit union’s total assets should be reported in <i>Line 311</i>.”
<i>Line 311</i> - Excess Comm. Loans & Leases (>35%)	Change: <ul style="list-style-type: none"> - Line description - Excess calculation from 30% to 35%
Appendix 1:	
	Add: <ul style="list-style-type: none"> - CA Return Audit Expectation