

October 24, 2017
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To: All CEOs/General Managers of British Columbia Authorized Credit Unions

Re: Second IFRS 9 Readiness Self-Assessment Follow Up

In our letter dated [June 8, 2017](#), the Financial Institutions Commission (FICOM) asked BC credit unions to complete the second International Financial Reporting Standards (IFRS) 9 Readiness [Self-Assessment](#). All submissions have been received and a summary of responses is attached to this letter. Thank you for your contributions.

Based on survey responses, IFRS 9 implementation projects have progressed significantly since the previous survey and credit unions are working diligently on their IFRS 9 transition. However, their implementations have not advanced to the stage where reliable estimates can be provided to assess the regulatory capital impact. As only ten per cent of credit unions were able to provide preliminary estimated figures at the time of the survey, FICOM may collect this information at a later date.

FICOM encourages credit unions to continue to devote time and resources to IFRS 9 transition. Boards and audit committees should continue to oversee and monitor the process.

Please direct any questions to Tunde Szinku by email Tunde.Szinku@ficombc.ca or phone 604-660-2390.

Sincerely,



Sandra Vogt
Managing Director
Financial and Regulatory Reporting

Enclosure

cc: CFOs/Finance Managers

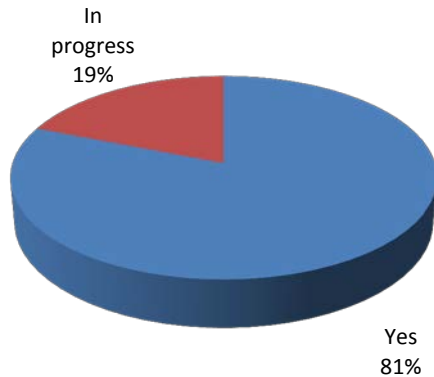
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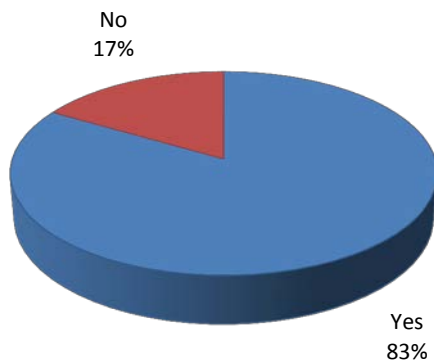
Summary of responses received for the Second IFRS 9 Readiness Self-Assessment Survey

Question #1 - Has the credit union developed an IFRS 9 implementation project plan?



Most credit unions (81%) have completed their IFRS 9 implementation project plan. The remaining credit unions (19%) are currently in the process of finalizing their formal project plan with expected completion dates in Q3 2017 (12%), in Q4 2017 (5%), and in Q1 2018 (2%)¹.

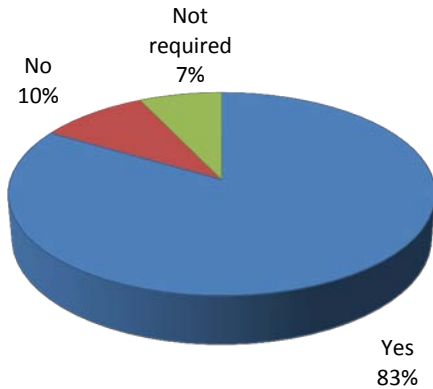
Question #2 – Has management been providing progress reports on IFRS 9 implementation to board and/or finance committee to facilitate effective governance over IFRS 9 transition?



Most credit unions (83%) have been providing progress reports on IFRS 9 implementation to their boards. The remaining credit unions (17%) had initial discussions with their boards and have scheduled to provide progress reports as their implementation project develops.

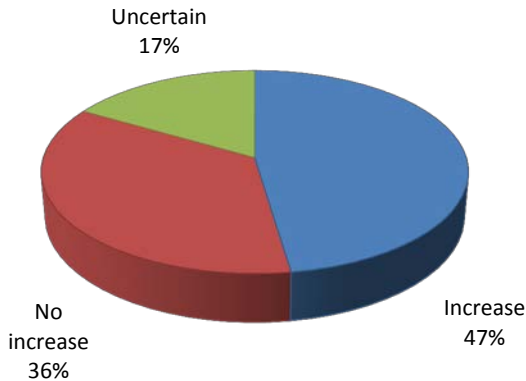
¹ Three BC credit unions have September year-ends and are not required to transition to IFRS 9 until October 2018.

Questions #3 – Have any consultations been done with your banking and financial reporting system providers to ensure these systems are ready?



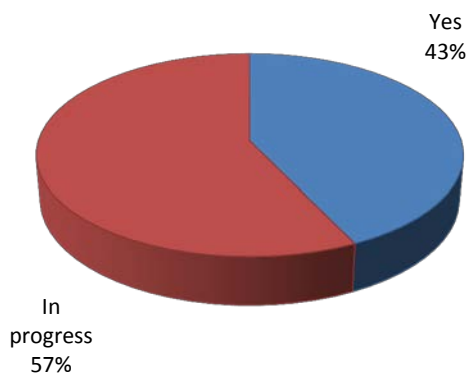
Most credit unions (83%) have consulted with their banking and financial reporting system providers to ensure their systems are ready for the IFRS 9 transition. Seven per cent (7%) of credit unions do not anticipate changes to system functionality or have alternative solutions in place, so no consultation is required. The remaining credit unions (10%) will consult with their system providers after required system changes have been identified.

Question #4 – Has management estimated the total cost and staffing increase (if any) as a result of IFRS 9?



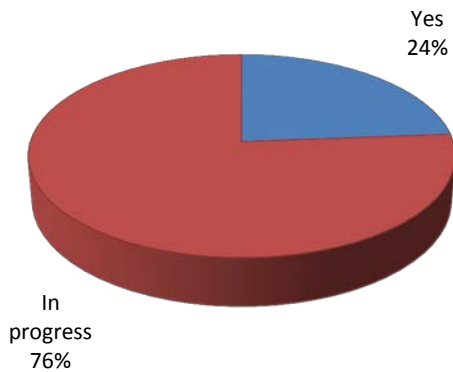
Approximately half of credit unions (47%) expect increases in cost and staffing as a result of IFRS 9 implementation. Over one third of credit unions (36%) anticipate no additional cost and will utilize existing resources. The remaining credit unions (17%) are uncertain and will estimate additional cost and staffing later in the project.

Question #5 – Has the credit union developed processes to assess financial assets and liabilities in order to determine classification and measurement under IFRS 9?



Forty three per cent (43%) of credit unions have assessed changes in classification and measurement of financial instruments under IFRS 9. Less than one third of these credit unions estimated small or no changes to their financial instruments at transition. The remaining credit unions (57%) are in the process of determining changes with expected completion dates in Q3 and Q4 2017.

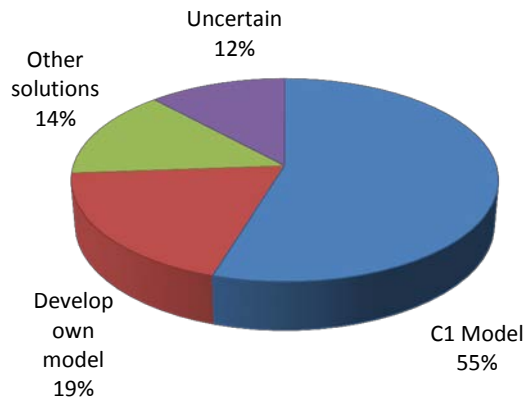
Question #6 – Has the credit union developed processes to measure impairment of financial instruments under IFRS 9 using expected credit loss (ECL) model?



Almost one quarter of credit unions (24%) have developed processes to measure impairment losses on financial instruments. Less than half of these credit unions estimated immaterial changes to their impairment provision. The remaining credit unions (76%) are in the process of developing their processes with expected completion dates ranging from Q3 2017 to Q2 2018.

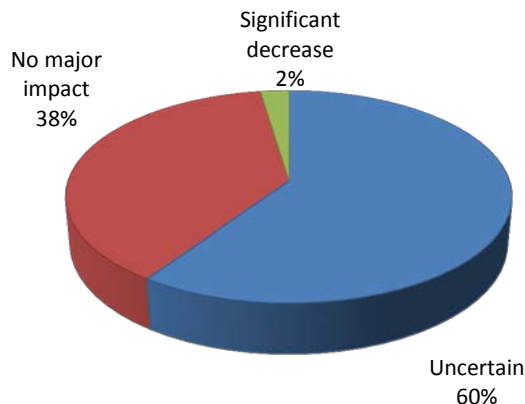
Question #7 – Regarding the ECL model, does the credit union plan to:

- a) use Central 1 Credit Union’s IFRS 9 National Loan Loss Model?
- b) develop the credit union’s own ECL model?
- c) use other solutions?



Over half of credit unions (55%) plan to use Central 1 Credit Union’s IFRS 9 National Loan Loss Model. Nineteen per cent (19%) of credit unions will develop their own models while fourteen per cent (14%) will use other solutions, such as contracting out model construction. The remaining credit unions (12%) are in the process of assessing feasibility of available solutions to adopt.

Question #8 – How will the credit union’s regulatory capital likely change at transition to IFRS 9?



Over half of credit unions (60%) were not able to estimate the impact of IFRS 9 changes on their regulatory capital at the time of the survey. Thirty eight per cent (38%) of credit unions are not expecting significant changes to their regulatory capital. Only two per cent (2%) of credit unions are expecting a significant decrease in regulatory capital at transition to IFRS 9.