



July 25, 2018
File No.: 71000-10
Ref. No.: 0755

To: CFOs/Finance Managers, BC Authorized Credit Unions

Re: Capital Adequacy Return - 2018 Revision - Final

The Financial Institutions Commission (FICOM) is issuing revisions to the Capital Adequacy Return (CA Return) for credit unions. The final 2018 CA Return template and completion guide are now posted on FICOM's [website](#). The revised CA Return is effective for annual filings starting September 2018.

On April 23, 2018, FICOM issued the draft version of the CA Return - 2018 revision template and completion guide for comment. The comment period for the draft ended on June 22, 2018. The attached table summarizes the submissions received from stakeholders and includes FICOM's response. FICOM would like to thank everyone who provided comments. Based on the comments received, no changes have been made to the draft version of the 2018 CA Return.

If you have any questions regarding the CA Return - 2018 revision, please contact Tunde Szinku at Tunde.Szinku@ficombc.ca or 604-398-5118.

Sincerely,

Sandra Vogt
Managing Director
Financial & Regulatory Reporting

Enclosure

cc: CEOs/General Managers, BC Authorized Credit Unions

TS/db

**Summary of Industry Comments and FICOM's Response on the
Credit Union Capital Adequacy Return - 2018 Revision**
Consultation period ended June 22, 2018

Industry Comments	FICOM's Response
Impact of IFRS 16 on Regulatory Capital	
<p>Addition of IFRS 16 right-of-use assets (included in Lines 236 and 238) may have a negative impact on capital when no transaction has occurred.</p>	<p>After implementing IFRS 16 (effective January 1, 2019) assets may arise from leases (right-of-use assets) that are presented on a credit union's balance sheet in the same way as assets owned. Capital requirements for right-of-use assets are determined following these accounting changes and presentation.</p> <p>Right-of-use assets have the same risk weighting as their respective assets. For example, Line 236 - Premises & Equipment right-of-use assets have the same risk weighting as Property & Equipment of 1.0.</p> <p>These changes also correspond to the changes made to the Financial & Statistical Return - 2018 revision template and completion guide, issued on January 24, 2018.</p>