

## Regulatory Easing Measures Update – Credit Unions

**DATE: September 30, 2020**

**DISTRIBUTION: CEOs/General Managers, CFOs, Finance Managers, BC Credit Unions**

**ADVISORY NUMBER: CU-20-001**

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In response to the continuing COVID-19 pandemic and resulting disruptions, BC Financial Services Authority (“BCFSA”) is updating the regulatory easing measures that were previously announced to support the credit union sector, credit union members and local communities.

The updates, including adjustments to the capital treatment of loan deferrals, are set out as follows:

Appendix 1 - COVID-19 Easing Measures Update

Appendix 2 - COVID-19 Regulatory Filing Deadline Extensions Update

Please note that any credit union availing itself of the easing measures being provided by BCFSA are still required to follow their internal policies and to comply with applicable accounting standards.

We encourage credit unions to maintain regular communications with their BCFSA Relationship Managers. For specific questions or comments on this Advisory, credit unions can also contact Sandra Vogt, Acting Director, Financial Reporting and Standards at [Sandra.Vogt@bcfsa.ca](mailto:Sandra.Vogt@bcfsa.ca) or (604) 218-6548.

**Attachments:** Appendix 1 - COVID-19 Easing Measures Update  
Appendix 2 - COVID-19 Regulatory Filing Deadline Extensions Update

## APPENDIX 1 - COVID-19 Easing Measures Update

### Easing Measures - Amendments

#### 1. Loan Payment Deferrals

On April 1, 2020, BCFSA announced that for a maximum period of up to six (6) months, it would provide favorable treatment for regulatory reporting on loans for which credit unions have granted borrowers a payment deferral. This temporary measure allowed credit unions to exclude loans with payment deferral arrangements from the Loans and Leases in Arrears Section of the *Financial and Statistical Returns* and report qualified deferred loans as current in the *Capital Adequacy Return*.

**Effective immediately and until June 30, 2021, BCFSA will continue to apply favourable treatment for regulatory reporting of all loans with deferral arrangements due to hardship from COVID-19. BCFSA may revisit availability of this treatment in the future.**

BCFSA expects all credit unions extending payment deferrals to continue to meet the requirements included in our letter issued on [April 1, 2020](#).

Specifically, any provision for losses on loans must be based on the International Financial Reporting Standards and reported accordingly on credit unions' regulatory returns and their audited financial statements. Credit unions are expected to assess the credit quality of their loan portfolios and maintain sound credit risk management practices, including regular reporting to their Boards of Directors on the status of its deferred loan portfolio.

#### 2. Commercial Lending Thresholds

On March 23, 2020, BCFSA announced that regulatory forbearance (i.e. discretion) would be exercised for credit unions exceeding the current threshold for commercial loans of 30 per cent of assets. Under this forbearance, credit unions would be allowed to apply a 100 per cent risk-weight to commercial loans up to 40 per cent of assets.

**Effective immediately, BCFSA will extend its forbearance on the commercial lending thresholds until June 30, 2021.**

#### 3. Central 1 Credit Union Leverage

On March 23, 2020, BCFSA announced a temporary increase to Central 1's Wholesale Financial Services ("WFS") borrowing multiple limit from 15:1 to 18:1. Effective May 31, 2020, BCFSA authorized a further temporary increase to Central 1's WFS borrowing multiple limit to 20:1 until December 31, 2020.

**As of January 1, 2021, and until further notice, BCFSA will set Central 1's borrowing multiple limit at 18:1 and will apply the multiple to Central 1's consolidated balance sheet.**

BCFSA will continue to monitor Central 1's borrowing multiple limit and will revisit the limit as needed and in any event no later than June 2021.

## Easing Measures - No Amendments

### Internal Capital Targets

Subject to prior written communication from your BCFSa Relationship Manager, BCFSa will continue to permit a credit union to operate with a capital position that is below its Internal Capital Target if the credit union's capital ratio remains above the 10 per cent supervisory target.

### APPENDIX 2 - COVID-19 Regulatory Filing Deadline Extensions Update

Temporary filing deadlines for the following regulatory returns and forms have been updated and are effective immediately. Late filing penalties may apply for submissions received after the updated extension deadlines. Credit unions requiring further extensions should contact BCFSa at [filings@bcfsa.ca](mailto:filings@bcfsa.ca).

Filing	Frequency	Maximum Extension (Announced on March 23, 2020)	Update
Annual filings	Annually	30 days (for example, for credit unions with a December 31, 2019 year end, the filing deadline is April 30, 2020)	Filing deadlines for fiscal years ending during 2020 will not be extended.
Net Cumulative Cash Flow ("NCCF") (for credit unions with more than \$1 billion in assets)	Quarterly	30 days	This filing extension will be discontinued and will not apply after the September 30, 2020 quarterly filing.
Residential Mortgage Loans Report ("RMLR")	Quarterly	30 days	This filing extension will be discontinued and will not apply after the September 30, 2020 quarterly filing.
Internal Capital Adequacy Assessment Process ("ICAAP")	Annually	153 days (for credit unions with a December 31, 2019 year end, the filing deadline is September 30, 2020)	Filing deadlines for fiscal years ending during 2020 will not be extended.
Personal Information Returns ("PIR")	Ad hoc	30 days	Extension remains in effect until December 31, 2020 (for Directors and Senior Officers commencing duties on or before December 31, 2020).
Investment and Lending Policy Amendments	Ad hoc	30 days	Extension remains in effect until December 31, 2020 (for amendments approved by the Board on or before December 31, 2020).