

# Capital Adequacy Return Completion Guide

April 2017 (*Revised*)

**BC Credit Unions**



Financial  
Institutions  
Commission

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# 1 GENERAL REQUIREMENTS

Section 67 of the *Financial Institutions Act* states that credit unions in British Columbia must maintain an adequate capital base at all times. The Capital Requirements Regulation outlines what constitutes adequate capital, how the capital base is determined and other details related to filing a Capital Adequacy Return (CA Return) with the Financial Institutions Commission (FICOM). In 2014 the Capital Requirements Regulation was revised and therefore was the CA Return to reflect those changes.

This updated guide is designed to help credit unions complete the current CA Return by providing descriptions and details of each CA Return line number. As preparation of the CA Return must be based on the year-end Annual Financial & Statistical Return (AFSR) of the credit union, a line-by-line cross reference to the AFSR is included on the CA Return. A copy of the current CA Return is attached at the back of this guide.

## 1.1 SUBMITTING A CA RETURN

Every year, within 90 days of their fiscal year-end, credit unions must submit a CA Return, as well as an independent auditor's report on CA Return, to FICOM.

The CA Return and audit report must be submitted to FICOM's secured FTP site.

**Note:** Any credit union not filing a CA Return and audit report annually may be subject to a penalty. To learn more about the Non-Compliant Filings Administrative Penalty (NFAP) Guideline, go to the [FICOM website](#).

## 1.2 COMPLETING THE CA RETURN

The CA Return must be prepared based on the credit union's year-end AFSR, which reports on the credit union's year-end *non-consolidated* financial statements.

**Note:** For details on completing the AFSR, see FICOM's Completion Guide for Credit Union Financial & Statistical Returns.

All dollar amounts must be rounded to the nearest dollar. All percentages must be rounded to two decimal places.

If a credit union opts to complete and submit a CA Return using a computer spreadsheet program, the document must be set up in the *exact* format as the prescribed CA Return form. None of the line numbers, fields, descriptions, or any other aspects of the return format may be altered.

## 1.3 MEETING THE ANNUAL CA RETURN AUDIT REQUIREMENT

The audit report of the CA Return must be prepared separately from the credit union's annual audit report on the financial statements, by the same auditor engaged to do the latter. The audit opinion provided must pertain to the current fiscal year-end for the CA Return. See Appendix 1 for a sample auditor's report.

## 2 LINE-BY-LINE GUIDE TO COMPLETING THE CA RETURN

### 2.1 SUMMARY

#### Line 900 – Capital Base

The aggregate amount of capital items as specified by the Capital Requirements Regulation and calculated for *Line 132*

#### Line 901 – Total Risk Weighted Assets (RWA)

The aggregate amount of on balance sheet and off balance sheet risk weighted assets, calculated as the sum of *Lines 246, 310 and 315*

#### Line 902 – Capital Adequacy Ratio (%)

The capital base on *Line 900* divided by total risk weighted assets on *Line 901* and expressed as a percentage

### 2.2 CAPITAL BASE

The capital qualifying for inclusion in the regulated capital base of a credit union must have the following fundamental characteristics:

- permanent;
- free of fixed charges against earnings (i.e., there is no obligation to pay dividends or patronage allocations); and
- subordinate in its priority on liquidation to the rights of depositors and other creditors of the credit union.

Items can be either *primary capital* or *secondary capital*, depending on whether they meet all or only some of these fundamental characteristics.

**Note:** The total secondary capital eligible for inclusion in the capital base cannot be an amount more than that of the total primary capital. In some instances, various capital items will be subject to discounting before inclusion in the capital base. Other items may need to be deducted from total capital to arrive at the capital base.

## 2.2.1 Primary Capital

### Lines 101–105 – Equity Shares, Net of Discount

All classes of equity shares that meet any of the following criteria:

- *equity shares with no redemption rights*
  - the shares have no right of redemption;
  - there is no contractual obligation to pay dividends; or
  - there is no priority over other classes of equity shares on payment of dividends.
- *equity shares with limited redemption rights*
  - any right to dividends is non-cumulative;
  - restrictive redemption rights attached to the shares are such that the credit union is not required to redeem, purchase, or otherwise acquire the shares of this class at the rate of more than 10% of issued and outstanding shares during any 1 year period; or
  - the shares may only be converted to other shares that would qualify as primary capital.

A class of equity shares will qualify for this line category if:

- a) the credit union's rules limit redemption or enable the credit union to limit redemption at the Board of Directors' discretion, to an amount no more than 10% of the issued and outstanding shares in any 1 year; and
- b) the membership does not have the right to require redemption over 10%.

The amount eligible for inclusion in the capital base is subject to discounting if there is a fixed date for repayment or redemption. See instructions in this guide's section 2.3 - Items Subject to Discounting.

### Line 106 – CUDIC/SCCU Subordinated Debt, Net of Discount

Subordinated debt owed to the Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) or Stabilization Central Credit Union of British Columbia (SCCU)

The amount eligible for inclusion in the capital base is subject to discounting if there is a fixed date for repayment or redemption. See instructions in this guide's section 2.3 - Items Subject to Discounting.

### Line 107 – Credit Union's Retained Earnings

The year-to-date retained earnings (deficit) of the credit union

The retained earnings (deficit) must be adjusted by applying the equity method of accounting (see text box) for all equity investments representing 10% or greater ownership. This adjustment must be calculated for each investment that represents a 10% or greater share of ownership or control in a corporation – *except* a corporation that carries on the business of

banking, insurance business (other than an insurance agent or insurance adjuster), trust business, deposit business, or brokerage or securities dealer/underwriter.

***The equity method of accounting***

A simplified explanation of the equity method of accounting is given here. Other adjustments may be required. It is recommended that credit unions discuss the matter with their auditor.

If such an investment is valued on the books of the credit union using the equity method of accounting, then no adjustment is necessary. Otherwise, an adjustment must be calculated.

Under the equity method of accounting, the credit union initially records its investment in the subsidiary at the original cost of the investment. The recorded value of the investment is then adjusted to include the credit union’s pro-rata share of the net income earned (or losses incurred) by the subsidiary since the date of the acquisition, less goodwill & other intangible assets impairment / amortization and dividends received from the subsidiary.

Credit unions with investments in subsidiaries are required to ensure that all asset and liability values of those subsidiaries are determined in accordance with International Financial Reporting Standards (IFRS) for each reporting period; and that any impairment in values is properly reflected in investment carrying values.

The value of the investment using the equity method of accounting and the adjustment are calculated as follows:

|  |              |
|--|--------------|
| Acquisition cost .....   | \$XXX        |
| Add: Post-acquisition pro-rata share of net income (loss), including other impairment losses of the subsidiary at the reporting date ..... | XXX          |
| Less: Goodwill & Other intangible assets impairment / amortization.....  | (XXX)        |
| Less: Dividends received from subsidiary .....   | <u>(XXX)</u> |
| Value of Equity Investment ( <i>Line 240</i> ) .....   | \$XXX        |
| Less: Book value (according to credit union’s records) .....   | <u>(XXX)</u> |
| Adjustment to Retained Earnings .....  | <u>\$XXX</u> |

A corresponding adjustment must be made to the book value of the investment, and must be reflected in the value reported on *Line 240* regarding equity investments.

The goodwill impairment loss is calculated according to the policy adopted by the credit union and IFRS.

### **Line 108 – Deferred Income Tax (Asset)/Liability**

Deferred income tax resulting from differences between taxable and accounting income

Deferred income tax assets are to be deducted from capital, and deferred income tax liabilities are to be added to capital.

If the credit union has both on the balance sheet, a net debit balance must be deducted from capital and a net credit balance is added to capital.

### **Line 109 – Contributed Surplus**

Includes contributed surplus arising from share capital transactions

### **Line 110 – Other Primary Capital**

Includes other reserves not being held for future or potential claims and losses and other types of primary capital not reported on *Lines 101 to 109*

### **Line 111 – Dividends to Be Paid as Primary Capital**

All accrued but unpaid patronage refunds and dividends on non-equity shares, primary capital, and secondary capital that will be paid as primary capital in the form of equity shares

### **Line 112 – Total Primary Capital**

The sum of *Lines 101 to 111*

## **2.2.2 Secondary Capital**

### **Line 113 – Proportion of System Retained Earnings x 50%**

Half (50%) of the credit union's proportionate share of the retained earnings of Central 1 Credit Union (Central 1), Stabilization Central Credit Union of British Columbia (SCCU), and Credit Union Deposit Insurance Corporation of British Columbia (CUDIC)

The proportionate share is to be based on the credit union's total assets in relation to the credit union system's total assets as at the date of the CA Return. FICOM will provide these figures annually to credit unions for the preparation of the CA Return.

### **Lines 114–117 – Other Equity Shares, Net of Discount**

All classes of equity shares not qualifying as primary capital on *Lines 101 to 105*

The amount eligible for inclusion in the capital base is subject to discounting if there is a fixed date for repayment or redemption. See instructions in this guide's section 2.3 - Items Subject to Discounting.

### **Line 118 – Other Debt Capital, Net of Discount**

Debt capital owed to parties other than Credit Union Deposit Insurance Corporation of British Columbia (CUDIC)

The debt capital eligible for inclusion here must meet the following requirements:

- the credit union is not required to repay, redeem, purchase, or otherwise acquire all or any part of the debt prior to maturity; and
- the debt is not convertible into or exchangeable into any security instrument that does not qualify as capital.

If there is a fixed date for repayment or redemption of the debt, the amount eligible for inclusion in the capital base is subject to discounting. See instructions in this guide's section 2.3 - Items Subject to Discounting.

### **Line 119 – Other Secondary Capital**

All other types of secondary capital not reported on *Lines 113 to 118*

### **Line 120 – Dividends to Be Paid as Secondary Capital**

All accrued but unpaid patronage refunds and dividends on non-equity shares, primary capital, and secondary capital that will be paid as secondary capital in the form of equity shares

### **Line 121 – Total Secondary Capital**

The sum of *Lines 113 to 120*

### **Line 122 – Total Eligible Secondary Capital**

Eligible secondary capital is limited to an amount equal to total primary capital. If total secondary capital from *Line 121* exceeds total primary capital from *Line 112*, then the figure from *Line 112* must be reported here. Otherwise, the figure from *Line 121* must go here.

## **2.2.3 Deductions from Capital**

### **Line 123 – Goodwill and Other Intangible Assets**

The required deductions from capital for goodwill and other intangible assets are set out in the Capital Requirements Regulation.

*Goodwill* is the excess of the amount paid to acquire an enterprise, over the book value assigned to assets acquired and liabilities assumed. *Other intangibles* are capital assets that lack physical substance (e.g., brand names, copyrights, franchises, licenses, patents, software, subscription lists, trademarks).



To determine any required deduction from capital, the current book value of goodwill and other intangibles must be compared with the maximum unamortized balance permitted by the Capital Requirements Regulation, as outlined below:

- Goodwill and other intangible assets included in the carrying value of an investment in another entity (using the equity method of accounting) are to be deducted on a straight-line basis as follows:
  - acquired on or before January 1, 1997 – the lesser of the current remaining amortization period and 10 years; or
  - acquired after January 1, 1997 – a maximum of 5 years.

These types of goodwill and other intangible assets would commonly apply to a credit union's subsidiary companies (e.g., insurance agencies).

- Goodwill and other intangible assets that are *not* included in the carrying value of an investment in another entity are to be deducted immediately to the full extent.

**Note:** The maximum amortization periods as set out in the Capital Requirements Regulation to determine the amount of any deductions from capital are for capital calculation purposes only, and an accounting change does not have to be made in the books of the credit union.

#### **Line 124 – Goodwill and Other Intangible Assets (Not Included in Investment Carrying Value)**

Goodwill and other intangible assets that are not included in the carrying value of an investment in another entity are to be deducted immediately, to the full extent.

The following examples (see text box) are provided to assist in the calculation of deductions from capital with respect to any investment in goodwill or other intangible assets:

**Example 1: Deduction from Capital – Goodwill**

This example outlines a deduction from capital calculation for a credit union that has an equity investment (valued under the equity method of accounting) in a wholly owned insurance agency subsidiary, and goodwill (acquired on January 1, 1997) is included in the carrying value of the investment:

**Per Regulation:**

Unamortized goodwill – January 1, 1997..... \$450,000  
divided by ..... 10 years  
Minimum amortization per year ..... \$45,000

As at December 31, 2014:

Minimum goodwill amort. (\$45,000 x 10 years) ...\$450,000  
Maximum unamortized goodwill ..... (\$450,000 - \$450,000) ..... \$0

**Per Credit Union Books:**

Fair value of goodwill – December 31, 2014:  
Fair value of goodwill – January 1, 2014 .....\$350,000  
Less: Goodwill impairment Loss – 2014 ..... \$37,500 ..... \$312,500

**Deduction from Capital – 2014** **\$312,500**

**Example 2: Deduction from Capital – Goodwill**

This example uses the same assumptions as in Example 1, except the goodwill was acquired on January 1, 2011.

**Per Regulation:**

Unamortized goodwill – January 1, 2011 ..... \$450,000  
divided by ..... 5 years  
Minimum amortization per year ..... \$90,000

As at December 31, 2014:

Minimum goodwill amort. (\$90,000 x 4 years) .... \$360,000  
Maximum unamortized goodwill ..... (\$450,000 - \$360,000) ..... \$90,000

**Per Credit Union Books:**

Fair value of goodwill – December 31, 2014:  
Fair value of goodwill – January 1, 2014 .....\$350,000  
Less: Goodwill impairment Loss – 2014 ..... \$37,500 ..... \$312,500

**Deduction from Capital – 2014** **\$222,500**

**Example 3: Deduction from Capital – Software**

This example outlines a deduction from capital calculation for a credit union that has intangible assets that are not included in the carrying value of an investment in another entity, and the investment is to be deducted immediately to the full extent.

The assumption in this case is that the credit union purchased computer software on January 1, 2013, for \$500,000 and the software has a definite useful life of 5 years. The software will be amortized on the credit union’s books over 5 years.

**Per Regulation:**

Unamortized software – January 1, 2013 ..... \$500,000

As at December 31, 2014:

Minimum software amort. ( $\$500,000 \times 100\%$ ) .... \$500,000

Maximum unamortized software ..... ( $\$500,000 - \$500,000$ ) ..... \$0

**Per Credit Union Books:**

Unamortized software – January 1, 2013..... \$500,000

divided by..... 5 years

Amortization per year ..... \$100,000

As at December 31, 2014:

Software amort. ( $\$100,000 \times 2$  years) ..... \$200,000

Unamortized software ..... ( $\$500,000 - \$200,000$ ) ..... \$300,000

**Deduction from Capital – 2014**

**\$300,000**

**Example 4: Deduction from Capital – Software**

This example uses the same assumptions as in Example 3, except the software is determined to have an indefinite useful life. The software will not be amortized until its life is determined to be no longer indefinite.

**Per Regulation:**

Maximum unamortized software ..... ( $\$500,000 - \$500,000$ ) ..... \$0

**Per Credit Union Books:**

No impairment loss was recognized during the period.

Fair value of software – December 31, 2014 ..... \$500,000

**Deduction from Capital – 2014**

**\$500,000**

### Line 125 – Investment – Banks, Trust or Deposit Business

If the credit union has an investment representing 10% or more of the shares of a corporation that carries on a banking, trust or deposit business, then the amount that must be deducted from capital is the lesser of

- the amount of the investment in equity (plus any investment in the debt of such a corporation that qualifies as a capital item); or
- the amount that constitutes an adequate capital base for such corporation.

**Note:** A cooperative credit society or society as defined in the *Cooperative Credit Associations Act* (Canada), or a central credit union is not considered here as a trust or a deposit business.

### Line 126 – Investment – Insurance Business, Venture Capital Corporations, etc.

If the credit union has an investment representing 10% or more of the shares of a corporation that carries on an insurance or venture capital business, then the total investment in equity (plus any investment in the debt of such a corporation that qualifies as a capital item) must be deducted.

**Notes:**

- *Insurance business* does not include an insurance agency or insurance adjuster.
- *Venture capital corporations* are defined in the *Financial Institutions Act* (s. 141). They include corporations whose activities are limited to providing corporate debt and equity financing and financial and management consulting services to other corporations in which the venture capital corporation has a financial interest or is contemplating acquiring a financial interest.
- The total investment in Credential Securities Inc. subordinated debentures must be included in the calculation for this line.

### Line 127 – Excess Investment in Prescribed Businesses

If the credit union has an investment representing 10% or more of the shares of a corporation which carries on business activities detailed in sections 6.2(1)(e) and (f) of the Investment and Lending Regulation (see text box) and section 141(2)(c) of the *Financial Institutions Act* (see text box), then the aggregate amount of all investments in equity (plus any investments in the debt of such corporations that qualifies as a capital item) which exceeds 2% of the credit union's total assets must be deducted from capital.

### ***Prescribed business activities in the Investment and Lending Regulation***

The following are the prescribed business activities listed in sections 6.2(1)(e) and (f) of the Investment and Lending Regulation:

- mutual fund investment;
- investment counseling;
- portfolio management;
- issuing and operation of credit cards and related services;
- real property acquisition, holding, development, selling or management;
- factoring;
- financial leasing;
- data processing or information services/systems;
- business management and advisory services;
- business of a financial agent;
- sale of tickets (lottery, transit or other); and
- acting as agent.

### ***Financial Institutions Act***

Section 141(2)(c) of the *Financial Institutions Act* refers to the investment in any corporation that carries on a business reasonably ancillary to the business of a financial institution, and which has received prior written consent of the Commission.

#### **Line 128 – Other**

All other deductions from capital not included on *Lines 123 to 127*

#### **Line 129 – Total Deductions from Capital**

The sum of *Lines 123 to 128*

### **2.2.4 Determination of Capital Base**

#### **Line 130 – Total Capital Available**

The sum of *Lines 112 and 122* less *Line 129*

#### **Line 131 – Credit Union’s Retained Earnings plus Contributed Surplus divided by 35%**

The sum of *Lines 107 and 109* divided by 35%

#### **Line 132 – CAPITAL BASE**

The lesser of *Lines 130 or 131*

**2.3 ITEMS SUBJECT TO DISCOUNTING**

Before being included in the capital base, items on *Lines 101 to 106* and *Lines 114 to 118* must be discounted if they have a fixed date for redemption or repayment.

Included in the amount to be discounted are any accrued interest, unpaid cumulative dividends, and declared dividends. A schedule showing the discounting calculation must be submitted with the CA Return.

| Years to date of repayment, redemption, purchase, or other acquisition        | Discount | Proportion to be included in capital base |
|---|----------|---|
| 5 or more, or no specified date of redemption, purchase, or other acquisition | Nil      | 100%                                      |
| 4 or more, but less than 5  | 20%      | 80%                                       |
| 3 or more, but less than 4  | 40%      | 60%                                       |
| 2 or more, but less than 3  | 60%      | 40%                                       |
| 1 or more, but less than 2  | 80%      | 20%                                       |
| Less than 1   | 100%     | 0%  |

**2.4 BALANCE SHEET ASSETS**

**2.4.1 Cash, Liquidity, and Other Investments**

**Line 201 – Cash**

All cash on hand (cash that is physically on the premises of the credit union), cash in transit, cash in ATMs, and foreign currency held (valued at the current exchange rate)

**Line 202 – Central 1 – Operating Account**

Operating account and accrued interest with Central 1

**Line 203 – Central 1 – Deposits**

All deposits and accrued interest with Central 1, other than Central 1 operating account on *Line 202*

**Note:** This line does not include Central 1 equity shares and equity share dividend accruals (see *Line 215*)

**Line 204 – Guaranteed Security Instruments**

Includes the principal amount and accrued interest of any federal, provincial, and municipal securities, such as Treasury Bills and marketable bonds held by the credit union; debt

securities of Crown corporations and other government entities that are guaranteed unconditionally as to principal and interest

**Note:** Municipal securities do not include credit union loans to municipalities.

#### **Line 205 – Other Deposits**

All demand and term deposits, plus accrued interest, that are on deposit with a deposit-taking institution, central bank, or federally or provincially chartered trust company

**Note:** This line does not include deposits with Central 1 (see *Lines 202 and 203*).

#### **Line 206 – Debt Security Instruments**

Any debt security instruments (but not subordinated debt security instruments) issued or guaranteed by a bank, financial institution, or extra-provincial corporation (e.g., bankers' acceptances, loans to banks, financial institutions, and extra-provincial corporations)

**Note:** This line does not include commercial paper (see *Lines 207 to 210*).

#### **Line 207 – Commercial Paper: AAA to AA (Low) or R1 (High)**

Commercial paper that has a Dominion Bond Rating Service (DBRS) rating or equivalent of AAA to AA (low) or R1 (high)

#### **Line 208 – Commercial Paper: A (High) to A (Low) or R1 (Middle)**

Commercial paper that has a DBRS rating or equivalent of A (high) to A (low) or R1 (middle)

#### **Line 209 – Commercial Paper: BBB (High) to BB (Low) or R1 (Low) to R2 (Low)/Unrated**

Commercial paper that has a DBRS rating or equivalent of BBB (high) to BB (low) or R1 (low) to R2 (low), or of unrated

#### **Line 210 – Commercial Paper: Below BB (Low) or Below R2 (Low)**

Commercial paper that has a DBRS rating or equivalent of Below BB (low) or Below R2 (low)

#### **Line 211 – Securitized and Non-Securitized Assets – Insured**

Includes:

- investments in mortgage-backed securities, mortgage pools, purchased mortgages, receivables, and other loans and leases that are secured with insured mortgages, such as *National Housing Act* (Canada) Mortgage-Backed Securities (NHA-MBS); and
- personal insured securitized and non-securitized assets originated by the credit union that have been determined to be a “financing” under IFRS and are being held pending purchase by investors.

**Note:** Unencumbered insured NHA-MBS, whether originated or not by the credit union, are to be included on *Line 204*.

#### **Line 212 – Securitized and Non-Securitized Assets – Personal Non-Insured**

Includes:

- investment in mortgage-backed securities, mortgage pools, purchased mortgages, receivables, and other loans and leases that are secured with non-insured residential mortgages; and
- personal non-insured securitized and non-securitized assets originated by the credit union that have been determined to be a “financing” under IFRS, and are being held pending purchase by investors.

#### **Line 213 – Securitized and Non-Securitized Assets – Commercial Non-Insured**

Includes:

- investment in mortgage-backed securities, mortgage pools, purchased mortgages, receivables, and other loans and leases that are secured with non-insured commercial mortgages; and
- commercial non-insured securitized and non-securitized assets originated by the credit union that have been determined to be a “financing” under IFRS, and are being held pending purchase by investors.

#### **Line 214 – Other Liquidity Investments**

Any other deposits and investments not already included on *Lines 201 to 213*

#### **Line 215 – Credit Union Centrals Equity Shares and CUDIC Debentures**

The credit union’s investment in equity shares of Central 1 and Stabilization Central Credit Union of British Columbia (SCCU) plus any accrued dividends on these shares

Also includes, any investment in Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) debentures and any accrued interest receivable on these debentures.

#### **Line 216 – Total Cash, Liquidity and Other Investments**

The sum of *Lines 201 to 215*

### **2.4.2 Loans & Leases**

The Capital Requirements Regulation defines *residential mortgage*, *farm mortgage*, as well as *commercial loan* and *commercial lease* (see text box).



### **Definitions of various types of loans in the Capital Requirements Regulation**

The Capital Requirements Regulation defines:

- a *residential mortgage* as “a loan to an individual secured by a mortgage on land or on the lessee’s interest in a lease of land on which land, in either case, there are one or more buildings that are used or will be used, to the extent of at least 80 per cent of the floor space, for residential purposes and
  - (a) that are owner occupied or are intended to be owner occupied and are ready for occupancy,
  - (b) that are under construction and are intended to be occupied by the borrower on completion, or
  - (c) that are residential rental dwellings, consisting of not more than 4 units, ready for occupancyand includes
  - (d) a loan to an individual secured by a mortgage on a hobby farm or on a recreational property or on the lessee’s interest in a lease on either.”
- a *farm mortgage* as “a loan secured by a mortgage on farm land, owned by an individual who is a farmer whose residence is on the land.”
- a *commercial loan* as
  - (a) a loan to an individual
    - (i) to finance commercial activity or a commercial investment, or
    - (ii) dependent on commercial sources for its repayment, other than a loan for the purchase of securities or for the operation of a small business so long as the debt can be serviced from independent employment income,
  - (b) a loan to an entity, partnership or joint venture for any purpose, or
  - (c) accounts receivable acquired in the course of factoring, but does not include
  - (d) a residential mortgage,
  - (e) a farm mortgage,
  - (f) a loan that under Section 5(1)(b) must be deducted from the capital base of the lender if the lender is a credit union, or
  - (g) loans itemized in items 10 to 14 in Column 1 in the Table of On Balance Sheet Items.”
- a *commercial lease* as
  - (a) a lease made to an individual for a commercial activity, or
  - (b) a lease made to an entity, partnership or joint venture for any purpose.”

### **Line 217 – Personal Real Estate Secured: Insured**

Includes:

- all personal loans and lines of credit *fully* secured by mortgages on land and that have been approved or insured under the *National Housing Act* (Canada) (NHA) or by an insurer authorized to conduct mortgage insurance business under the NHA to the extent that such loans are guaranteed by the Government of Canada; and
- Canada Mortgage and Housing Corporation (CMHC) insured loans granted under the BC Home Mortgage Assistance Program (MAP) and CMHC insured manufactured home loans.

Where a mortgage is comprehensive-insured by a private sector mortgage insurer (non-CMHC), credit unions may recognize the risk-weighting effect of the guarantee by reporting the portion of the exposure that is covered by the Government of Canada backstop, as if this portion were directly guaranteed by the Government of Canada. The remainder of the exposure must be treated as a non-insured mortgage on *Line 220, 222, 223, or 227*.

The accrued interest on these loans and lines of credit must also be included on this line.

### **Line 218 – Commercial Real Estate Secured: Insured**

Commercial loans and lines of credit *fully* secured by mortgages on land that have been approved or insured under the NHA or by an insurer authorized to conduct mortgage insurance business under the NHA to the extent that such loans are guaranteed by Government of Canada

The accrued interest on these loans and lines of credit must also be included on this line.

### **Line 219 – Securitizations: Personal and Commercial Real Estate Secured: Insured**

Personal and commercial insured securitizations originated by the credit union that have been determined to be a “financing” under IFRS and for which proceeds from investors have been received

The accrued interest on these loans and lines of credit must also be included on this line.

### **2.4.3 Personal Real Estate Residential Loans ≤ 75% of Fair Market Value (FMV)**

Non-insured residential mortgage loans, including

- any eligible farm mortgage loans, where the outstanding balance on each loan is 75% or less of the fair market value (FMV) of the property;
- non-insured residential mortgage secured lines of credit, where the authorized limit on each line of credit is 75% or less of the FMV of the property;

- certificate of title loans, non-insured loans granted under the MAP, interim construction mortgage financing on residential property where the outstanding balance is 75% or less of the FMV of the property; and
- personal non-insured securitizations originated by the credit union that have been determined to be a “financing” under IFRS and for which proceeds from investors have been received where the outstanding balance is 75% or less of the FMV of the property.

The valuation is based on the FMV at the date of the mortgage and should be supported by an appraisal or other objective evidence of value. The FMV can only be adjusted when a new mortgage is taken on the property. If a second mortgage is taken, the FMV of the mortgage at the date of the second mortgage applies. Adjustment of the FMV is permitted as long as a new appraisal or appropriate proof of current FMV is obtained at the time of mortgage renewals, mortgage blend and extend and re-advanceable mortgages.

The accrued interest, less any loss provisions (general and specific), on these loans and lines of credit must also be included on this line.

Loans and lines of credit described above must be risk weighted in accordance with the payment status of each individual loan or line of credit and included on *Line 220, 222, or 223*, as appropriate.

**Line 220 – Personal Real Estate Residential Loans ≤ 75% of FMV: Current or Past Due ≤ 90 Days, Net of Provision**

Loans and lines of credit described above that are current or past due by 90 days or less, net of any loan loss provisions (general or specific) on the loans and lines of credit

**Line 222 – Personal Real Estate Residential Loans ≤ 75% of FMV: Past Due > 90 Days, Net of Specific Provision ≥ 20%**

Loans and lines of credit described above that are past due by more than 90 days, net of any specific loan loss provisions that are greater than or equal to 20% of the loans and lines of credit

**Line 223 – Personal Real Estate Residential Loans ≤ 75% of FMV: Past Due > 90 Days, Net of Specific Provision < 20%**

Loans and lines of credit described above that are past due more than 90 days, net of any specific loan loss provisions that are less than 20% of the loans and lines of credit

#### 2.4.4 All Other Loans & Leases: Current or Past Due ≤ 90 Days, Net of Provision, and Past Due > 90 Days, Secured Portion

All loans, leases, and lines of credit of the two types described below must be risk weighted (in accordance with their individual payment status) and included in the appropriate *Lines 224 to 232*:

- *current or past due 90 days or less*, net of any loan loss provisions (general or specific); and
- *past due more than 90 days* – the secured portion (see text box for details).

##### **Loans past due > 90 days**

All loans, leases, and lines of credit more than 90 days past due must be split into their secured and unsecured portions. Only the secured portions are to be included on the appropriate *Lines 224 to 232*; and the unsecured portions, net of specific loss provisions, are to be included on *Line 233* or *234*. However, if the amount of a specific loss provision is greater than the unsecured portion, then that provision must be netted instead against the secured portion (*Lines 224 to 232*, as appropriate).

#### **Line 224 – Otherwise Secured: Fully Secured by Deposits with DTI or Central Bank of OECD Country**

All loans and lines of credit that:

- are *fully* secured by deposits at a deposit taking institution (DTI) or a central bank of an OECD country (defined in section 14 of the Capital Requirements Regulation);
- are *fully* secured by pledged credit union deposits and non-equity shares; and
- are *fully* secured by pledged bank deposits.

The accrued interest on all of these loans and lines of credit must also be included on this line.

The non-guaranteed portion of any loan or line of credit must be shown on *Lines 227 to 232*, as appropriate.

#### **Line 225 – Otherwise Secured: Guaranteed by Government or Fully Secured by Deposits and Government Securities**

All loans and lines of credit that:

- are guaranteed by the Government of Canada, a province, a municipality, or a central government of an OECD country (defined in section 14 of the Capital Requirements Regulation), including the guaranteed portions of Canada Student Loans and Business Improvement Loans granted under the *Small Business Loan Act*;

- are *fully* secured by pledged extra-provincial trust corporation or credit union deposits and non-equity shares; or
- are *fully* secured by federal, provincial, and municipal government securities such as Canada Savings Bonds or Treasury Bills.

The accrued interest on all of these loans and lines of credit must also be included on this line.

The non-guaranteed portion of any loan or line of credit must be shown on *Lines 227 to 232*, as appropriate.

#### **Line 226 – Commercial Unsecured: Governments and Municipalities**

All commercial loans and lines of credit that are granted to the federal, provincial, and municipal governments

The accrued interest on all of these loans and lines of credit must also be included on this line.

The non-guaranteed portion of any loan or line of credit must be shown on *Lines 227 to 232*, as appropriate.

#### **Line 227 – Personal Real Estate Residential Loans > 75% of FMV**

Non-insured residential mortgage loans, including

- any eligible farm mortgage loans where the outstanding balance on each loan exceeds 75% of the FMV of the property;
- non-insured residential mortgage secured lines of credit where the authorized limit on each line of credit exceeds 75% of the FMV of the property;
- certificate of title loans, non-insured loans granted under the MAP, interim construction mortgage financing on residential property where the outstanding balance exceeds 75% of the FMV of the property; and
- personal non-insured securitizations originated by the credit union that have been determined to be a “financing” under IFRS and for which proceeds from investors have been received where the outstanding balance exceeds 75% of the FMV of the property.

The accrued interest, less any loss provisions (general and specific), on these loans, and lines of credit must also be included on this line.

#### **Notes:**

- The FMV is based on the value of the property at the date of the mortgage. If the sum of any prior or equally ranking encumbrances on the property (such as a first mortgage or lien) plus the amount of a non-insured loan exceeds 75% of the FMV of the property, the entire non-insured loan must be included in this line category.

- Mortgages included in this line category can be transferred to one of the appropriate lines – *Lines 220, 222, or 223* – once the outstanding balance is reduced to below 75% of the mortgage date FMV.

#### Line 228 – Personal Otherwise Secured: Leases

Accrued interest, less any loss provisions (general and specific) on leases to individuals other than commercial leases

#### Line 229 – Personal Otherwise Secured: All Other Loans

Accrued interest, less any loss provisions (general and specific) on loans and lines of credit to individuals other than residential mortgages or farm mortgages

#### Line 230 – Personal Unsecured

Accrued interest, less any loss provisions (general and specific) on personal unsecured loans and lines of credit

#### Line 231 – Commercial Real Estate Residential Loans ≤ 75% of FMV

Any commercial loan that is secured by residential property, where the outstanding balance on the loan is 75% or less of the FMV of the property

*Residential property* includes any property that would qualify for a residential or farm mortgage as defined in the Capital Requirements Regulation (see definitions in text box in this guide’s section 2.4.2 - Loans & Leases).

- If a residential rental property consists of 4 or fewer rental units, it is considered a residential property and must be included on *Line 231*.
- If a residential rental property consists of more than 4 rental units, it is considered a commercial property and must be included on *Line 232*.

The accrued interest, less any loss provisions (general and specific) on these loans and lines of credit, must also be included on this line.

#### Line 232 – Other Commercial Loans & Leases

All commercial loans (including lines of credit) and leases as defined in the Capital Requirements Regulation (see definitions in text box in this guide’s section 2.4.2 - Loans & Leases) other than commercial loans on *Line 231*

**Note:** A residential rental property consisting of more than 4 rental units is considered a commercial property and must be included on *Line 232*.

The accrued interest, less any loss provisions (general and specific) on these loans, leases and lines of credit must also be included on this line.

## 2.4.5 All Other Loans & Leases: Past Due > 90 Days, Unsecured Portion, Net of Specific Provision

The unsecured portions of loans, leases, and lines of credit of the type described for *Lines 224 to 232* (see section 2.4.4 above) must be risk weighted based on the level of specific loss provision for each individual loan, lease, or line of credit; and included on *Line 233* or *234*, as appropriate, net of any loss provision.

See text box in section 2.4.4 above, about the need to split any loan and lease past due more than 90 days into secured and unsecured portions.

### Line 233 – Net of Specific Provision ≥ 20%

Loans, leases, and lines of credit of the type described for *Lines 224 to 232* above, but that are more than 90 days past due, net of any specific loan loss provisions equal to or greater than 20% of these loans, leases, and lines of credit

### Line 234 – Net of Specific Provision < 20%

Loans, leases, and lines of credit of the type described for *Lines 224 to 232* above, but that are past due greater than 90 days, net of any specific loan loss provisions less than 20% of these loans, leases, and lines of credit

### Line 235 – Total Loans & Leases

The sum of *Lines 217 to 234*

## 2.4.6 Other Assets

### Line 236 – Premises & Equipment – Net

Net book value, after accumulated depreciation or amortization, of the credit union's fixed assets such as land, buildings, leasehold improvements, furniture and equipment (computer and non-computer), automobiles, and ATMs (owned or leased)

### Line 237 – Property Acquired in Settlement of Loans & Leases – Net

Property, including land and buildings, acquired in settlement or partial settlement of loans and leases and held for less than 7 years, net of any allowance for property losses and accumulated depreciation or amortization

**Note:** Property held for more than 7 years must be included on *Line 238*, net of any allowance for property losses and accumulated depreciation or amortization.

### **Line 238 – Property Held for Investments – Net**

Property, including land and buildings, acquired for investment purposes or in settlement of loans and held for more than 7 years, net of any allowance for property losses and accumulated depreciation or amortization

### **Line 239 – Equity Investments: Less Than 10% Ownership**

Includes:

- equity investments (using the cost basis of accounting) in corporations where credit union ownership and control is less than 10% (e.g., shares in Open Solutions Canada, CUPP); and
- investments in Credential Securities Inc. (a national credit union brokerage corporation).

### **Line 240 – Equity Investments: 10% or Greater Ownership**

Equity investments (using the equity method of accounting) in corporations where credit union ownership or control is greater than or equal to 10% (e.g., insurance agencies, real estate subsidiaries), to the extent the investment has not been deducted from the capital base

If the equity method of accounting is not used to account for equity investments on the credit union's books, the book value must be adjusted on the CA Return.

Using the equity method of accounting to calculate the value of the equity investments that represent 10% or greater ownership is detailed in this guide's section 2.2.1 - Primary Capital.

### **Line 241 – Deductions from Capital**

The sum of the deductions from capital shown on *Lines 123 to 126*

### **Line 242 – Derivative Financial Instruments**

Includes:

- FMV adjustments of swaps;
- unrealized gains (losses are to be offset against gains only as permitted by IFRS);
- accrued receivables on foreign exchange and interest rate related off balance sheet transactions;
- accruals for derivative contracts that result in a net receivable;
- deferred losses on hedging instruments;
- margin requirements; and
- premiums paid.

### **Line 243 – Deferred Income Tax Debit**

Debit resulting from differences between taxable and accounting income



If the net result of deferred income tax is a credit position, it must be reported as a deferred income tax credit.

#### **Line 244 – All Other Assets**

All other assets recorded on the books of the credit union at book value and not otherwise included on *Lines 236 to 243* (e.g., deferred charges, prepaid expenses, accounts receivable, current income taxes receivable)

#### **Line 245 – Total Other Assets**

The sum of *Lines 236 to 244*

#### **Line 246 – TOTAL ASSETS**

The sum of *Lines 216, 235, and 245* for both unweighted and risk weighted columns

## **2.5 OFF BALANCE SHEET EXPOSURES**

An *off balance sheet exposure* is business not reported on the balance sheet of the credit union. Such exposures include credit commitments, transaction-related contingencies, interest rate contracts, and foreign exchange rate contracts.

Under the Capital Requirements Regulation, the weighted value of the off balance sheet exposures must be determined according to the Capital Adequacy Requirements Guideline issued by the Office of the Superintendent of Financial Institutions (OSFI) for Canadian banks.

The risk weighted equivalent of an off balance sheet exposure – except for an interest rate or foreign exchange contract – is calculated by converting the item to its credit risk equivalent by multiplying the nominal principal amount by a credit conversion factor, and then weighting the resulting amount according to the equivalent on balance sheet risk weight (e.g., applying the on balance sheet risk weighting criteria outlined in section 14 of the Capital Requirements Regulation to the off balance sheet items).

#### **Notes:**

- The risk-weighting factors are shown in Appendix 2.
- The credit conversion factors are shown in Appendix 3.
- The schedule on page 3 of the CA Return should be used to calculate the credit union's total off balance sheet exposures.

#### **Line 301 – Guarantees of Indebtedness**

Any written undertaking by the credit union to stand behind the financial obligations of a third party should the third party fail to meet them

### Line 302 – Letters of Credit

Any written undertaking by the credit union authorizing a third party to call upon the credit union for payment under specific terms of the undertaking

**Note:** If more than one risk-weight factor applies, a schedule showing the calculations of the credit commitment must be attached to the CA Return.

### Line 303 – Performance and Bid Bonds

Any contingency that is related to the performance of a specific transaction or act

### Line 304 – Commitments (Unconditionally Cancellable)

Any undrawn commitments that can be cancelled at any time, with no conditions, by the credit union (with the exception of securitization exposures)

### Line 305 – Commitments (Original Maturity Less Than or Equal to 1 Year)

Any commitment with an original maturity date 1 year or less

A commitment is an obligation of a credit union to fund its customer in the normal course of business should the customer seek to draw down the commitment. Commitments usually involve a written contract or agreement and may include a commitment fee or some other consideration. They obligate a credit union, at a customer's request, to:

- extend credit in the form of loans or participations in loans, lease financing receivables, mortgages, overdrafts, acceptances, letters of credit, guarantees, or loan substitutes; or
- purchase loans, securities or other assets.

**Note:** If more than one risk-weight factor applies, a schedule detailing the type of commitments and showing the calculations must be attached to the CA Return.

### Line 306 – Commitments (Original Maturity Greater Than 1 Year)

Any commitment with an original maturity over 1 year

**Note:** If more than one risk-weight factor applies, a schedule detailing the type of commitments and showing the calculations must be attached to the CA Return.

### Line 307 – Other (Specify)

Any other off balance sheet exposures not included on *Lines 301 to 306* above but required by OSFI

**Note:** If more than one risk-weight factor applies, a schedule detailing the type of other off balance sheet items and showing the calculations must be attached to the CA Return.

### Line 308 – Interest Rate Contracts

Credit unions must maintain capital for interest rate contracts (e.g., interest rate swaps, forward rate agreements, purchased options, similar derivative contracts) that have a positive value in the market and those that have a term to expiry of more than 1 year.

**Note:** The weighted value of interest rate contracts must be calculated using the schedule on page 3 of the CA Return. The total of *all* counterparty swaps must be included on the schedule even if the off balance sheet risk weight of the counterparty is 0.

Where Central 1 is the counterparty of a swap, the risk weight is 0. However, if Central 1 transfers its counterparty risk back to the credit union, then the counterparty risk weight of the third-party financial institution applies. For example, swaps purchased by credit unions through Central 1 for index-linked term deposits would require a counterparty risk weight of 0.2, where Central 1 arranges swap transactions with a bank and the risk of default by the bank is transferred from Central 1 to credit unions.

**Note:** A schedule detailing the types of contracts and the respective counterparties, and showing calculations, must be attached to the CA Return.

### Line 309 – Foreign Exchange Rate Contracts

Agreements for the purchase or sale of a fixed amount of a foreign currency at a fixed-exchange rate on a specified date, or an option to purchase or sell

The capital required for foreign exchange rate contracts must be calculated in a similar way as interest rate hedges are calculated: using the current exposure method. The value against which capital is required is calculated as the current exposure, adjusted by the appropriate on balance sheet risk weight applicable to the counterparty (see text box).

**Note:** A schedule detailing the types of contracts and the respective counterparties, and showing calculations, must be attached to the CA Return.

**Current exposure method to calculate foreign exchange rate contracts**

Under the current exposure method, the credit equivalent of a foreign exchange rate contract is equal to the sum of the current market value of the contract and the notional principal amount of the contract, multiplied by:

- 1% if the term is less than 1 year; or
- 5% if the term to maturity exceeds 1 year but less than or equal to 5 years.

The risk-weighted amount to be included on *Line 309* is calculated by multiplying the current exposure by the counterparty risk weight.

**Line 310 – TOTAL OFF BALANCE SHEET EXPOSURES**

The sum of *Lines 301* to *309*

**2.6 RISK WEIGHTED ASSETS**

The main principle underlying the Capital Requirements Regulation is that credit unions must maintain capital commensurate with the risk of their business activities. Required capital is based primarily on the credit risk of balance sheet assets and off balance sheet exposures as outlined under section 14 of the Capital Requirements Regulation.

To calculate the weighted value of the credit union’s assets, the *book value* of each asset is multiplied by a risk weight factor. If there are off balance sheet exposures, these are also risk weighted and added to the total weighted value of balance sheet assets.

In circumstances where a credit union’s portfolio is not well diversified, concentration risk factors are applied. For example, an additional risk-weighting factor is applied to commercial loan investments above a base amount.

The method of calculating each concentration risk adjustment for *Lines 311* to *314* is shown below.

**Line 311 – Excess Commercial Loans & Leases**

Calculate as follows:

|   |              |
|---|--------------|
| Unweighted value of commercial loans and leases ( <i>Line 231</i> plus <i>Line 232</i> plus unsecured portion, net of provision included on <i>Lines 233</i> and <i>234</i> ) ..... | \$xxx        |
| Less: 30% of unweighted value of total assets ( <i>Line 246</i> ) .....   | (xxx)        |
| Excess.....   | <u>\$xxx</u> |

**Line 312 – Excess Investment in Land**

Calculated as follows:

|  |              |
|--|--------------|
| Unweighted value of property held for investment - net ( <i>Line 238</i> ) . | \$xxx        |
| Less: 5% of unweighted value of total assets ( <i>Line 246</i> ) .....       | (xxx)        |
| Excess .....   | <u>\$xxx</u> |

**Line 313 – Excess Investment in Single Parcels of Land**

Calculated as follows:

|  |              |
|--|--------------|
| Unweighted value of single parcels of land .....                       | \$xxx        |
| Less: 1% of unweighted value of total assets ( <i>Line 246</i> ) ..... | (xxx)        |
| Excess .....   | <u>\$xxx</u> |

**Note:** Land is included on *Lines 237* and *238* and includes the value of buildings and other improvements to the land.

**Line 314 – Excess 3rd and Subsequent Mortgages**

Calculated as follows:

|  |              |
|--|--------------|
| Total unweighted value of 3rd and subsequent mortgages .....           | \$xxx        |
| Less: 2% of unweighted value of total assets ( <i>Line 246</i> ) ..... | (xxx)        |
| Excess .....   | <u>\$xxx</u> |

**Line 315 – Total Concentration Risk Adjustments**

The sum of *Lines 311* to *314*

**Line 316 – TOTAL RISK WEIGHTED ASSETS**

The sum of *Lines 246, 310* and *315*

## APPENDIX 1

### CA RETURN AUDIT EXPECTATION

FICOM expects, effective fiscal 2016, credit unions to submit annual CA Return that has been audited. FICOM<sup>1</sup> may make further enquiry where credit unions do not undergo a CA Return audit.

Every year, within 90 days of their fiscal year-end, credit unions must submit to FICOM a CA Return and an independent auditor's report on the CA Return.

The intent of this appendix is not to direct the audit process, but rather to provide clarification to credit unions to ensure accuracy of the CA Return.

The external auditors should develop an approach consistent with Canadian Auditing Standards (CAS). The CAS contains guidance explaining what constitutes audit evidence. It deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.

Audit procedures should focus on the key risk areas which are generally identified through a risk analysis process. If the audit testing indicates a high level of error(s) the audit process may require changes to ensure an adequate level of assurance can be obtained.

In preparing or reviewing the CA Return, credit unions might consider having their Internal Audit review the compilation process. The involvement of Internal Audit could assist credit unions in identifying and resolving reporting issues prior to the external auditors commencing their testing. External auditors may use work conducted by Internal Audit as part of their audit process and as a source of potential audit evidence.

### AUDIT REQUIREMENT

Credit unions are expected to engage their auditor appointed pursuant to section 113 of the FIA to report annually on the CA Return prepared as at fiscal year-end, in accordance with the relevant standards for such assurance engagements as promulgated by the Canadian Auditing and Assurance Standards Board.

The audit report of the CA Return must be prepared via a separate engagement from the credit union's annual audit report on the financial statements, by the same auditor engaged to do the latter. The audit opinion provided must pertain to the current fiscal year-end for the CA Return.

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<sup>1</sup> Financial Institutions Commission established under section 201 of the FIA or the Superintendent of Financial Institutions appointed under section 207 of the FIA.

## AUDITOR QUALIFICATIONS

The qualifications of an auditor are stated in section 3 of the Audit and Audit Committee Regulation of the FIA.

In addition, the external auditor should be a member in good standing with the CPABC (Chartered Professional Accountants of British Columbia).

## AUDIT OPINION

The audit opinion should include the following characteristics:

- It should be addressed to the Superintendent of Financial Institutions for British Columbia;
- It should clearly state the credit union's legal name;
- It should clearly state the date at which the opinion is being made;
- It should clearly state that the CA Return is prepared in accordance with the provision set forth in the Capital Requirements Regulation of the FIA.

A sample auditor's report has been provided for reference.

## ESTABLISHING MATERIALITY

In accordance with the CAS, a materiality level will need to be applied to the CA Return audit process.

The concept of materiality recognizes that some matters, either individually or in aggregate, are important for fair presentation of financial information, while other matters are not important. In performing the audit, the auditor is concerned with matters that, either individually or in the aggregate, could be material to the financial information being presented. The auditor's responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

The auditor's consideration of materiality is a matter of professional judgment and is influenced by the auditor's perception of the needs of users of financial statements.

The materiality level for the CA Return will differentiate from the materiality level established for the audit of the credit union's financial statements.

Given this degree of differentiation, there is still an expectation that the following general principles apply:

- misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence decisions made on the basis of the financial return; and

- judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

## SCOPE AND DEGREE OF TESTING

The scope of the auditor’s assessment and the granularity of testing should commensurate with the current capital adequacy position and the degree of change in the capital adequacy position that has occurred since the last fiscal year-end.

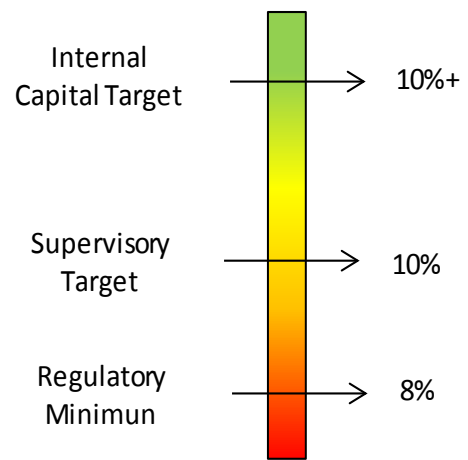
### Capital Position

When determining the scope and extent of testing the credit union and auditors should consider the current capital adequacy position. As the credit union’s capital position approaches closer to their Regulatory Minimum, the scope and intensity of testing should increase as the importance of accuracy in the figure is heightened.

### Capital Position Change

Another important consideration in establishing the scope and degree of testing is the amount of change the ratio experiences over the fiscal year. Since significant changes in the capital adequacy position can be a result of classification issues, it is imperative the root cause of the change is validated. Regardless of whether the position change positively or negatively affects the ratio, the scope and degree of testing should be sufficient to ensure the accuracy of the capital adequacy position.

The combination of a level approaching one of the aforementioned thresholds and a significant year-over-year change should result in testing to confirm the accuracy of the capital adequacy ratio.



## CAPITAL BASE

In confirming the Capital Base, auditors should obtain reasonable assurance of the control and classification systems in place at the credit union. Auditors should pay particular attention to the classification of equity shares, the allocation of dividends to be paid, and the appropriateness of deductions of goodwill and intangibles.



## **RISK WEIGHTED ASSETS**

In confirming Risk Weighted Assets (RWAs), auditors should obtain reasonable assurance of the control and classification systems in place at the credit union. RWAs are historically an area where classification errors have occurred.

Depending on the evaluation of the quality of the internal controls over the loan portfolio, including loan classification to determine risk weighting, the auditors may have to complete substantive testing, via sampling by loan types, to be assured of the accuracy of the loan classification processes and results.

Preparation of the RWAs calculation is most likely an automated process relying on data transfer from the banking system database to the accounting/reporting process. Particular attention should be paid to the quality and accuracy of the information being transferred to determine the validity of the RWAs calculation.

If under any circumstance the classification of items cannot be determined using the Capital Adequacy Return Completion Guide these items should be placed on line numbers that have more conservative capital weightings.

## **OFF-BALANCE SHEET ITEMS**

Auditors should be aware that under the Capital Requirements Regulation, the weighted value of off-balance sheet exposures must be determined according to the requirements issued by the Office of the Superintendent of Financial Institutions (OSFI). Specifically, reference should be made to OSFI's Capital Adequacy Requirements, Chapter 3.

## SAMPLE INDEPENDENT AUDITOR'S REPORT

To the Superintendent of Financial Institutions for British Columbia

We have audited the accompanying Capital Adequacy Return for British Columbia Credit Unions [the "Capital Adequacy Return"] of **name of Credit Union** [the "Credit Union"] as at Month-Day-Year [Year-End Date]. The Capital Adequacy Return has been prepared by management based on the financial reporting provisions of the Capital Requirements Regulation of the *Financial Institutions Act*, B.C. Reg. 315/90 [the "Regulation"].

### **Management's responsibility for the Capital Adequacy Return for British Columbia Credit Unions**

Management is responsible for the preparation of the Capital Adequacy Return in accordance with the financial reporting provisions of the Capital Requirements Regulation of the *Financial Institutions Act*, B.C. Reg. 315/90, and for such internal controls as management determines is necessary to enable the preparation of Capital Adequacy Return that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on Capital Adequacy Return based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Capital Adequacy Return is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Capital Adequacy Return. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Capital Adequacy Return, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Capital Adequacy Return in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Capital Adequacy Return.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the Capital Adequacy Return of the **name of Credit Union** as at Month-Day-Year [Year-End Date] is prepared, in all material respects, in accordance with the financial reporting provisions of the Capital Requirements Regulation of the *Financial Institutions Act*, B.C. Reg. 315/90.

**Basis of accounting and restriction on use**

Without modifying our opinion, we draw attention to the fact that the Capital Adequacy Return has been prepared in accordance with the basis of accounting set out in the Regulation. The Capital Adequacy Return is prepared to assist the **name of Credit Union** to meet the requirements of the Superintendent of Financial Institutions for British Columbia. As a result, the Capital Adequacy Return may not be suitable for another purpose.

Our report is intended solely for the use of the **name of Credit Union** and the Superintendent of Financial Institutions for British Columbia and should not be used by parties other than the **name of Credit Union** or the Superintendent of Financial Institutions for British Columbia.

Auditor's Signature

Date of Auditor's Report

Auditor's Address

## APPENDIX 2 – RISK-WEIGHTING FACTORS

| Capital Requirements Regulation |  | Risk-Weighting Factor | Capital Adequacy Return Line No. |
|---------------------------------|--|-----------------------|----------------------------------|
| s.14 Item No.                   | Asset Category   |                       |                                  |
| 1                               | Cash   | 0.0                   | 201                              |
| 2                               | Security instruments issued or guaranteed by the Government of Canada, by a province, by a municipality, or by a central government of an OECD country.  | 0.0                   | 204                              |
| 3                               | Loans to the Government of Canada, to a province, to a municipality or to a central government of an OECD country, and accrued interest under the loans.   | 0.0                   | 226                              |
| 4                               | Deposits in a deposit taking institution or in a central bank of an OECD country other than a cooperative credit society or association as defined in the <i>Cooperative Credit Associations Act</i> (Canada) or a central credit union described in item 7, plus accrued interest under the deposits.             | 0.2                   | 205                              |
| 5                               | Non-equity shares plus accrued dividends in credit unions.   | 0.2                   | 206                              |
| 6                               | Deposits with a cooperative credit society or an association, as defined in the <i>Cooperative Credit Associations Act</i> (Canada) whose capital base if determined under this regulation would exceed 10% of what the calculated value of its risk-weighted assets would be if determined under this regulation. | 0.0                   | 202                              |
| 7                               | Deposits with a central credit union that has a capital base in excess of 10% of the calculated value of its risk-weighted assets, as determined by reference to this section and sections 15 to 20.   | 0.0                   | 202, 203                         |
| 8                               | Debt security instruments, other than subordinated debt security instruments, issued or guaranteed by a bank, a financial institution, or an extra-provincial corporation.   | 0.2                   | 206                              |
| 9                               | Commercial paper that has one of the following Dominion Bond Rating Service ratings or equivalent:   |                       |                                  |
|                                 | (a) AAA to AA (low) or R1 (high)   | 0.2                   | 207                              |
|                                 | (b) A (high) to A (low) or R1 (middle)   | 0.5                   | 208                              |
|                                 | (c) BBB (high) to BB (low) or R1 (low) to R2 (low)   | 1.0                   | 209                              |
|                                 | (d) below BB (low) or below R2 (low)   | 1.5                   | 210                              |
|                                 | (e) unrated  | 1.0                   | 209                              |
| 10                              | Loans fully secured by deposits with a deposit taking institution or by a central bank of an OECD country, and accrued interest under the loans.   | 0.2                   | 224                              |
| 11                              | Loans fully secured by deposits with the extra-provincial trust corporation or credit union, and accrued interest under the loans.   | 0.0                   | 225                              |
| 12                              | Loans fully secured by security instruments issued by the government of Canada, by a province, by a municipality or by the central government of an OECD country and accrued interest under the loans.   | 0.0                   | 225                              |
| 13                              | Loans guaranteed by the government of Canada, by a province, by a municipality or by the central government of an OECD country and accrued interest under the loans, to the extent that the loans and interest are guaranteed.   | 0.0                   | 225                              |

| Capital Requirements Regulation |  | Risk-Weighting Factor | Capital Adequacy Return Line No. |
|---------------------------------|--|-----------------------|----------------------------------|
| s.14 Item No.                   | Asset Category   |                       |                                  |
| 14                              | Loans fully secured by mortgages on land that are approved or insured under the <i>National Housing Act</i> (Canada), or an insurer authorized to conduct mortgage insurance business under the Act, to the extent that such loans are guaranteed by the government of Canada, and accrued interest under the loans. | 0.0                   | 211, 217, 218, 219               |
| 15                              | Non-insured residential or farm mortgages other than those itemized in items 14 and 16, and accrued interest under the loans.  | 0.35                  | 212, 220                         |
| 15.1                            | Loans secured by residential property where the outstanding amount of the loan, together with any prior or equal ranking encumbrances plus any accrued interest under the loan is less than or equal to 75% of the fair market value of the property at the date of the loan.  | 0.35                  | 231                              |
| 16                              | Non-insured residential or farm mortgages if the outstanding amount of the loan, together with any prior or equal ranking encumbrances plus any accrued interest under the loans is in excess of 75% of the fair market value of the property at the date of the mortgage.   | 0.75                  | 227                              |
| 17                              | Loans or leases to individuals other than<br>(a) commercial loans or commercial leases,<br>(b) residential mortgages, or<br>(c) farm mortgages,<br>and accrued interest on the loans and leases.   | 0.75                  | 228, 229, 230                    |
| 18                              | Commercial loans, other than those itemized in item 15.1, and commercial leases and accrued interest on the loans and leases.  | 1.0                   | 213, 232                         |
| 18.1                            | The unsecured portion of any loan (other than mortgages described in items 14 and 15) that is past due for more than 90 days, net of specific provisions, will be risk-weighted at   |                       |                                  |
|                                 | (a) when specific provisions are less than 20% of the outstanding loan   | 1.5                   | 234                              |
|                                 | (b) when specific provisions are no less than 20% of the outstanding amount of the loan.   | 1.0                   | 233                              |
| 18.2                            | A mortgage described in item 15 that is past due for more than 90 days, net of specific provisions, will be risk-weighted at   |                       |                                  |
|                                 | (a) when specific provisions are less than 20% of the outstanding mortgage   | 1.0                   | 223                              |
|                                 | (b) when specific provisions are no less than 20% of the outstanding mortgage.   | 0.5                   | 222                              |
| 19                              | Equity shares in a cooperative credit society or association as defined in the Cooperative Credit Associations Act (Canada), or a central credit union and debentures issued by Credit Union Deposit Insurance Corporation of British Columbia.  | 1.0                   | 215                              |
| 20                              | Fixed business assets, including premises, land, buildings, leasehold improvements, equipment or comparable assets at book value.  | 1.0                   | 236                              |

| Capital Requirements Regulation |   | Risk-Weighting Factor | Capital Adequacy Return Line No. |
|---------------------------------|---|-----------------------|----------------------------------|
| s.14 Item No.                   | Asset Category  |                       |                                  |
| 21                              | Equity investment in another corporation, plus share of the retained earnings of the corporation calculated by the equity method of accounting, where the financial institution has a share of ownership or control of greater than 10% and to the extent the investment has not been deducted from the capital base. | 1.0                   | 240                              |
| 22                              | Equity investment in another corporation which has been deducted from the capital base of the financial institution to the extent deducted.   | 0.0                   | 241                              |
| 23                              | Equity investment in another corporation where the financial institution has a share of ownership and control of less than 10%.   | 1.0                   | 239                              |
| 24                              | At book value, land<br>(a) used for investment or revenue purposes, or<br>(b) acquired in settlement or partial settlement of loans and held for more than 7 years.   | 1.5                   | 238                              |
| 25                              | Land acquired in settlement or partial settlement of loans and held for less than 7 years, at book value.   | 1.0                   | 237                              |
| 26                              | Deferred charges.   | 1.0                   | 244                              |
| 27                              | Prepaid expenses.   | 1.0                   | 244                              |
| 28                              | All other assets recorded on the books of the financial institution.  | 1.0                   | 214, 243, 244                    |

## APPENDIX 3 – CREDIT CONVERSION FACTORS

### 100% Conversion Factor

- Direct credit substitutes (general guarantees of indebtedness and guarantee-type instruments, including standby letters of credit serving as financial guarantees for, or supporting, loans and securities)
- Bankers' acceptances, acquisitions of the credit union's participations in bankers' acceptances and participations in direct credit substitutes (e.g., standby letters of credit)
- Sale and repurchase agreements and asset sales with recourse
- Forward agreements (contractual obligations) to purchase assets, including financing facilities with certain drawdown
- Written put options on specified assets with the character of a credit enhancement (except for written put options expressed in terms of market rates for currencies or financial instruments bearing no credit risk)

### 50% Conversion Factor

- Transaction-related contingencies (e.g., bid bonds, performance bonds, warranties, standby letters of credit related to a particular transaction)
- Commitments with an original maturity exceeding 1 year, including underwriting commitments and commercial credit lines
- Revolving underwriting facilities (RUFs), note issuance facilities (NIFs), and other similar arrangements

### 20% Conversion Factor

- Short-term self-liquidating trade-related contingencies, including commercial/documentary letters of credit
- Commitments with an original maturity of 1 year or less

### 0% Conversion Factor

- Commitments that are unconditionally cancellable at any time without prior notice



|                     | [Enter Credit Union Name] | Credit Union |   |
|---------------------|---------------------------|--------------|---|
| <b>as at [Date]</b> |                           |              |   |
| Line #              | Account Name              | \$ Amount    | Annual Financial & Statistical Return (AF&SR) Line Numbers & Instructions |

**SUMMARY**

|     |                                   |  |                                  |
|-----|-----------------------------------|--|----------------------------------|
| 900 | Capital Base                      |  | * CA Return Line 132 from below  |
| 901 | Total Risk Weighted Assets (RWA)  |  | * CA Return Line 316 from Page 3 |
| 902 | <b>Capital Adequacy Ratio - %</b> |  | * Capital Base divided by RWA    |

**CAPITAL BASE**

|  |  |  |   |
|--|--|--|---|
| <b>Primary Capital</b>                                     |  |  |   |
| 101  | Equity Shares - Membership                                     |  | * 2191  |
| 102  | Equity Shares - Investment, Net of Discount                    |  | * 2192 less 2193                                    |
| 103  | Equity Shares - Transaction, Net of Discount                   |  | * 2194 less 2195                                    |
| 104  | Equity Shares - Preferred, Net of Discount                     |  | * 2196 less 2197                                    |
| 105  | Equity Shares - Other, Net of Discount                         |  | * 2198 less 2199                                    |
| 106  | CUDIC / SCCU Subordinated Debt, Net of Discount                |  | * 2250 less 2255                                    |
| 107  | Credit Union's Retained Earnings                               |  | * 2230  |
| 108  | Deferred Income Tax (Asset)/Liability                          |  | * add 2240 or deduct 1390                           |
| 109  | Contributed Surplus  |  | * 2208  |
| 110  | Other Primary Capital  |  | * 2260  |
| 111  | Dividends to be Paid as Primary Capital                        |  | * 2270  |
| 112  | <b>Total Primary Capital</b>                                   |  | * sum of CA Return Lines 101 to 111                 |
| <b>Secondary Capital</b>                                   |  |  |   |
| 113  | Proportion of System Retained Earnings x 50%                   |  | * provided by FICOM                                 |
| 114  | Equity Shares - Investment, Net of Discount                    |  | * 2271 less 2272                                    |
| 115  | Equity Shares - Transaction, Net of Discount                   |  | * 2273 less 2274                                    |
| 116  | Equity Shares - Preferred, Net of Discount                     |  | * 2276 less 2277                                    |
| 117  | Equity Shares - Other, Net of Discount                         |  | * 2278 less 2279                                    |
| 118  | Other Debt Capital, Net of Discount                            |  | * 2290 less 2295                                    |
| 119  | Other Secondary Capital  |  | * 2296  |
| 120  | Dividends to be Paid as Secondary Capital                      |  | * 2300  |
| 121  | <b>Total Secondary Capital</b>                                 |  | * sum of CA Return Lines 113 to 120                 |
| 122  | <b>Total Eligible Secondary Capital</b>                        |  | * lesser of CA Return Lines 121 and 112             |
| <b>Deductions from Capital</b>                             |  |  |   |
| 123  | Goodwill and Other Intangible Assets                           |  | * included in 6300                                  |
| 124  | Goodwill and Other Intangible Assets (Not Incl. in Inv. Value) |  | * included in 6300                                  |
| 125  | Investment - Banks, Trust or Deposit Business                  |  | * included in 6310                                  |
| 126  | Invest. - Insurance Business, Venture Cap. Corp., etc.         |  | * included in 6310                                  |
| 127  | Excess Investment in Prescribed Businesses                     |  | * 6320  |
| 128  | Other  |  | * 6330  |
| 129  | <b>Total Deductions from Capital</b>                           |  | * CA Return Lines 123 to 128                        |
| 130  | <b>Total Capital Available</b>                                 |  | * CA Return Lines 112 plus 122 less 129             |
| 131  | <b>CU Ret. Earnings plus Cont. Surplus divided by 35%</b>      |  | * sum of CA Return Lines 107 and 109 divided by 35% |
| <b>Capital Base is the Lesser of Line 130 or Line 131:</b> |  |  |   |
| 132  | <b>CAPITAL BASE</b>  |  | * lesser of CA Return Lines 130 or 131              |



| [Enter Credit Union Name] | <b>Credit Union</b> |                      |   |             |   |                        |   |
|---------------------------|---------------------|----------------------|---|-------------|---|------------------------|---|
| <b>as at [Date]</b>       |                     |                      |   |             |   |                        |   |
| Line #                    | Account Name        | Unweighted \$ Amount | x | Risk Factor | = | Risk Weighted \$ Value | Annual Financial & Statistical Return (AF&SR) Line Numbers & Instructions |

**BALANCE SHEET ASSETS**

| <b>Cash, Liquidity &amp; Other Investments</b>  |  |  |  |      |  |  | Unweighted Column Reference   |
|---|--|--|--|------|--|--|---|
| 201   | Cash   |  |  | 0.0  |  |  | * 1010  |
| 202   | Central 1 - Operating Account                            |  |  | 0.0  |  |  | * 1020 plus 1090*   |
| 203   | Central 1 - Deposits                                     |  |  | 0.0  |  |  | * 1030 plus 1090*   |
| 204   | Guaranteed Security Instruments                          |  |  | 0.0  |  |  | * 1040 plus 1090 *  |
| 205   | Other Deposits   |  |  | 0.2  |  |  | * 1050 plus 1090 *  |
| 206   | Debt Security Instruments                                |  |  | 0.2  |  |  | * 1060 plus 1090 *  |
| <b>Commercial Paper:</b>  |  |  |  |      |  |  |   |
| 207   | AAA to AA (low) or R1 (high)                             |  |  | 0.2  |  |  | * 1070 plus 1090 *  |
| 208   | A (high) to A (low) or R1 (middle)                       |  |  | 0.5  |  |  | * 1071 plus 1090 *  |
| 209   | BBB (high) to BB (low) or R1 (low) to R2 (low) / Unrated |  |  | 1.0  |  |  | * 1072 plus 1090 *  |
| 210   | Below BB (low) or Below R2 (low)                         |  |  | 1.5  |  |  | * 1073 plus 1090 *  |
| 211   | Sec. & Non-Sec. Assets - Insured                         |  |  | 0.0  |  |  | * 1074 plus 1090 *  |
| 212   | Sec. & Non-Sec. Assets - Personal Non-Insured            |  |  | 0.35 |  |  | * 1076 plus 1090 *  |
| 213   | Sec. & Non-Sec. Assets - Comm. Non-Insured               |  |  | 1.0  |  |  | * 1077 plus 1090 *  |
| 214   | Other Liquidity Investments                              |  |  | 1.0  |  |  | * 1080 plus 1090*   |
| 215   | CU Centrals Equity Shares & CUDIC Deb.                   |  |  | 1.0  |  |  | * 1140  |
| 216   | <b>Total Cash, Liquidity &amp; Other Invest.</b>         |  |  |      |  |  | * 1100 plus 1140 or sum of CA Return Lines 201 to 215                           |
|   |  |  |  |      |  |  | * includes accrued interest allocation  |
| <b>Loans &amp; Leases</b>   |  |  |  |      |  |  |   |
| 217   | Pers. R/E Secured: Insured                               |  |  | 0.0  |  |  | * 1150 plus 1290 *  |
| 218   | Comm. R/E Secured: Insured                               |  |  | 0.0  |  |  | * 1210 plus 1290*   |
| 219   | Securitized: Pers. & Comm. R/E Secured: Insured          |  |  | 0.0  |  |  | * 1287 plus 1290*   |
| <b>Personal R/E Res. ≤ 75% of FMV:</b>  |  |  |  |      |  |  |   |
| 220   | Current or Past Due ≤ 90 Days, Net of Prov.              |  |  | 0.35 |  |  | * included in 1160 and in 1288 plus 1290 * plus 1300**                          |
| 222   | Past Due > 90 Days, Net of Spec. Prov. ≥ 20%             |  |  | 0.50 |  |  | * included in 1160 and in 1288 plus 1290 * plus 1300**                          |
| 223   | Past Due > 90 Days, Net of Spec. Prov. < 20%             |  |  | 1.0  |  |  | * included in 1160 and in 1288 plus 1290 * plus 1300**                          |
| <b>All Other Loans &amp; Leases - Current or Past Due ≤ 90 Days, Net of Provision and Past Due &gt; 90 Days, Secured Portion:</b> |  |  |  |      |  |  |   |
| 224   | Fully Sec. by Dep. with DTI or OECD Central Bank         |  |  | 0.2  |  |  | * included in 1180 plus 1250 plus 1290 *  |
| 225   | Guar. By Gov't or Fully Sec. by Dep. & Gov't Sec.        |  |  | 0.0  |  |  | * included in 1180 plus 1250 plus 1290 *  |
| 226   | Comm. Unsecured: Governments & Municipalities            |  |  | 0.0  |  |  | * 1270 plus 1290 *  |
| 227   | Pers. R/E Res. >75% of FMV                               |  |  | 0.75 |  |  | * included in 1170 and in 1288 plus 1290* plus 1300 **                          |
| 228   | Pers. Otherwise Sec: Leases                              |  |  | 0.75 |  |  | * 1187 plus 1290* plus 1300**   |
| 229   | Pers. Otherwise Sec: All Others                          |  |  | 0.75 |  |  | * 1190 plus 1290* plus 1300**   |
| 230   | Pers. Unsecured  |  |  | 0.75 |  |  | * 1200 plus 1290* plus 1300**   |
| 231   | Comm. R/E Res. ≤ 75% of FMV                              |  |  | 0.35 |  |  | * included in 1220 plus 1290 * plus 1310 ***                                    |
| 232   | Other Commercial Loans & Leases                          |  |  | 1.0  |  |  | * sum (incl. in 1220, 1230, 1240, 1257, 1260, 1280, 1289, 1290 *) plus 1310 *** |
| <b>All Other Loans &amp; Leases - Past Due &gt; 90 Days, Unsecured Portion, Net of Specific Provision:</b>                        |  |  |  |      |  |  |   |
| 233   | Net of Specific Provision ≥ 20%                          |  |  | 1.0  |  |  | * split between CA Return Lines 224 to 232                                      |
| 234   | Net of Specific Provision < 20%                          |  |  | 1.5  |  |  | * split between CA Return Lines 224 to 232                                      |
| 235   | <b>Total Loans &amp; Leases</b>                          |  |  |      |  |  | * 1320 or sum of CA Return Lines 217 to 234                                     |
|   |  |  |  |      |  |  | * includes accrued interest allocation  |
|   |  |  |  |      |  |  | ** includes pers. loan allow. allocation  |
|   |  |  |  |      |  |  | *** includes comm. loan allow. allocation                                       |
| <b>Other Assets</b>   |  |  |  |      |  |  |   |
| 236   | Premises & Equipment - Net                               |  |  | 1.0  |  |  | * 1330 less assets incl. in CA Return Line 241                                  |
| 237   | Prop. Acq. in Settle. of Loans & Leases - Net            |  |  | 1.0  |  |  | * 1350  |
| 238   | Prop. Held for Investments - Net                         |  |  | 1.5  |  |  | * 1360  |
| 239   | Equity Investments <10% Ownership                        |  |  | 1.0  |  |  | * 1370 less assets incl. in CA Return Line 241                                  |
| 240   | Equity Investments ≥10% Ownership                        |  |  | 1.0  |  |  | * 1380 less assets incl. in CA Return Line 241                                  |
| 241   | Deductions from Capital                                  |  |  | 0.0  |  |  | * sum of CA Return Lines 123 to 126   |
| 242   | Derivative Financial Instruments                         |  |  | 0.0  |  |  | * 1407  |
| 243   | Deferred Income Tax Debit                                |  |  | 1.0  |  |  | * 1390  |
| 244   | All Other Assets   |  |  | 1.0  |  |  | * 1410  |
| 245   | <b>Total Other Assets</b>                                |  |  |      |  |  | * 1420 or sum of CA Return Lines 236 to 244                                     |
| 246   | <b>TOTAL ASSETS</b>                                      |  |  |      |  |  | * 1430 or sum of CA Return Lines 216, 235, 245                                  |



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

Instructions

Changes have been made to Appendix 1 of the Capital Adequacy Return (CA Return) Completion Guide in April 2017. The revised CA Return Completion Guide is effective immediately.

| Guide Reference    | Description of Change               |
|--------------------|-------------------------------------|
| <b>Appendix 1:</b> |                                     |
|                    | Add:<br>CA Return Audit Expectation |



## Financial Institutions Commission

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