

August 7, 2018
File No.: 71000-10
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To: CEOs / General Managers, BC Credit Unions

Re: ICAAP Guide and ICAAP Submission Instructions

The Financial Institutions Commission (FICOM) has finalized its Internal Capital Adequacy Assessment Process (ICAAP) reporting requirements. The final ICAAP Guide and ICAAP Submission Instructions are now posted on FICOM's [website](#). Credit unions in Asset Groups 1, 2, and 3 are required to submit their first ICAAP report within 120 days of their 2018 fiscal year-end.

In 2017, FICOM issued draft ICAAP reporting requirements for comment and launched a formal consultation with BC credit unions. Meetings were held with credit union representatives from Asset Groups 1, 2, and 3 to discuss and finalize the proposed ICAAP reporting requirements. FICOM would like to thank everyone who participated and provided comments. The attached table outlines the substantive changes resulting from the consultation.

At this time, credit unions in Assets Groups 4, 5, and 6 are not required to submit ICAAP reports to FICOM. However, ICAAP is a valuable tool for all credit unions when assessing their internal capital targets and FICOM may extend the ICAAP reporting requirements to all credit unions in the future.

Please direct any questions or comments to Tunde Szinku at Tunde.Szinku@ficombc.ca, or your FICOM relationship manager.

Sincerely,



Mehrdad Rastan
Executive Director
Risk, Analytics, and Reporting
Regulation

Enclosure

cc: CFOs/Finance Managers

- Superintendent of Financial Institutions
- Superintendent of Pensions
- Registrar of Mortgage Brokers

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Summary of Substantive Changes to ICAAP Guide and ICAAP Submission Instructions

Section	Description of Change	Rationale for Change
ICAAP Submission Instructions		
4. Material Risks	Clarification – Risks to be included	Enhanced the language to indicate that credit unions may include additional risks, and that the risk types provided by FICOM are considered a minimum for inclusion in a credit union’s ICAAP submission.
6. Stress Testing	Moved – Stress test description	Moved description of stress testing to the ICAAP Guide, leaving only the required stress tests, in order to ensure consistency across documents.
9. Key Metrics Report	Format enhanced	FICOM has developed an Excel template, and has enhanced the section on credit risk reporting, including the credit union’s own assessment of capital required for credit risk. The greater of the regulatory minimum of 8% or the credit union’s own assessment of capital required for credit risk will be recorded and used in the ICAAP capital calculation. Also added Internal Capital Target line and notes for clarification.
ICAAP Guide		
Introduction	Text added	Text added on the benefits and intention of introducing standardized ICAAP reporting.
Introduction	Text added	Text added to remind credit unions to apply their expert professional judgement to assess risks at an appropriate level given the size, scope and complexity of their business activities.
1. Board and Management Oversight	Text added – accountability for third party providers	Text added to remind management and the board that they retain ultimate accountability for all outsourced ICAAP related activities.
3. Comprehensive Assessment of Material Risks – Credit Risk	Text added – credit risk	Credit risk section modified to clarify that the greater of the regulatory minimum of 8% or the credit union’s own assessment of capital required for credit risk should be used. Also added to the Key Metrics Report.
3. Comprehensive Assessment of Material Risks – Operational Risk	Text removed – operational risk	Language referring to regulatory requirements for operational risk removed.
4. Stress Testing	Text added	Stress testing section enhanced.