



November 25, 2015

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**To: British Columbia (BC) Trust Companies and Non-Federally Regulated  
Extrajurisdictional Trust Companies**

**Re: Consultation on Adoption of OSFI Guidelines**

The purpose of this letter is to inform the BC incorporated trust companies, and non-federally regulated extra-provincial trust companies authorized in BC, of the Financial Institutions Commission's (FICOM) intention to adopt certain guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI).

FICOM uses a risk-based supervisory framework which can be accessed at: <http://www.fic.gov.bc.ca/pdf/aboutus/FICOMSupervisoryFramework.pdf>. Under this framework FICOM reviews and considers the application of guidance set by OSFI, and other provincial regulators. FICOM looks to the board and senior management of financial institutions to be proactive in identifying, understanding, and mitigating risks associated with their business. Guidelines set out expectations regarding specific risks and risk mitigating practices.

FICOM is seeking feedback from trust companies on the proposed adoption of the guidelines set out in the attached table. The table notes which guidelines FICOM is intending to adopt and Appendix 1 sets additional details regarding specific guidelines. Please note that the OSFI guidelines can also be accessed through OSFI's website at: <http://www.osfi-bsif.gc.ca/eng/fi-if/rg-ro/gdn-ort/gl-ld/Pages/default.aspx>.

Stakeholders' input is sought in order to obtain opinion to assist us in our policy decision making process. The period for providing comments will be open until January 22, 2016. FICOM will treat submissions as confidential records and will not publish individual submissions or attribute content. However, please note that all submissions received are subject to the *Freedom of Information and Protection of Personal Privacy Act*.

FICOM will review all comments before making a decision on the extent to which the guidelines will be applied to trust companies and will communicate an appropriate transition period for implementation. If guidance is adopted, trust companies will be expected to adhere to it.

FICOM is aware that not all trust companies are engaged in activities covered by some of the proposed guidelines. FICOM only expects financial institutions to apply guidance that is relevant to the activities they are engaged in.

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

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FICOM will consider future OSFI-released guidelines for adoption if they pertain to trust companies.

Please direct any comments or questions to Harry James, Policy Initiatives at [harry.james@ficombc.ca](mailto:harry.james@ficombc.ca) by January 22, 2016.

Yours truly,



Harry James  
Director, Policy Initiatives

Enclosures (2)

EJ/db

## APPENDIX 1

Please view the table below for additional details on the intended application of some guidelines

Guideline		Application Notes
B-1	<a href="#">Prudent Person Approach</a>	The Financial Institutions Act (FIA) exempts trust companies from the requirement of a written investment and lending policy. However, trust companies need to be aware of the risks they face in investment and lending activities and have in place adequate controls and oversight of those activities. Trust companies should take guidance from the procedures section of this guideline.
B-8	<a href="#">Deterring &amp; Detecting Money Laundering</a>	FICOM has signed a memorandum of understanding for exchanging information with FINTRAC. In order to meet FINTRAC obligations, trust companies should observe the general policies, principles and processes for a sound AML/ATF program outlined from page 7 onwards in this guideline. Specific references to OSFI legislation, processes and measures contained in pages 1 – 6 are not applicable to trust companies at this time.
D-1	<a href="#">Annual Disclosures</a>	Specific references to Basel II Pillar 3 disclosures and requirements related to liquidity, market and currency risk are not applicable to trust companies.

<b>OSFI GUIDELINES - TRUST</b>			
<b>Capital Adequacy Requirements</b>		<b>B.C. Incorporated Trust Companies</b>	<b>Non-Federally Regulated Extraprovincial Trusts</b>
A-3	<a href="#">Transitional Period Capital Floor Requirement for Institutions Using the Internal Ratings Based Approach to Credit Risk</a>	Not Adopting	Not Adopting
CAR	<a href="#">Capital Adequacy Requirements 2014 (Banks, T&amp;L and Retail Associations)</a>	Not Adopting	Not Adopting
LAR	<a href="#">Liquidity Adequacy Requirements</a>	Not Adopting	Not Adopting
LR	<a href="#">Leverage Requirements</a>	Not Adopting	Not Adopting
<b>Prudential Limits and Restrictions</b>		<b>B.C. Incorporated Trust Companies</b>	<b>Non-Federally Regulated Extraprovincial Trusts</b>
B-1	<a href="#">Prudent Person Approach</a>	Intention to Adopt*	Intention to Adopt*
B-2	<a href="#">Large Exposure Limits</a>	Not Adopting	Not Adopting
B-4	<a href="#">Securities Lending</a>	Not Adopting	Not Adopting
B-6	<a href="#">Liquidity Principles</a>	Not Adopting	Not Adopting
B-11	<a href="#">Pledging</a>	Not Adopting	Not Adopting
E-2	<a href="#">Commercial Lending Criteria</a>	Intention to Adopt	Intention to Adopt
E-6	<a href="#">Materiality Criteria for Related Party Transactions</a>	Not Adopting	Not Adopting
<b>Accounting and Disclosure</b>		<b>B.C. Incorporated Trust Companies</b>	<b>Non-Federally Regulated Extraprovincial Trusts</b>
C-1	<a href="#">Impairment - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost</a>	Not Adopting	Not Adopting
C-5	<a href="#">Collective Allowances - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost</a>	Not Adopting	Not Adopting
D-1	<a href="#">Annual Disclosures</a>	Intention to Adopt*	Intention to Adopt*
D-6	<a href="#">Derivatives Disclosure</a>	Intention to Adopt	Intention to Adopt
D-10	<a href="#">Accounting for Financial Instruments Designated as Fair Value Option</a>	Not Adopting	Not Adopting
D-12	<a href="#">Public Capital Disclosure Requirements related to Basel III Leverage Ratio</a>	Not Adopting	Not Adopting
<b>Sound Business and Financial Practices</b>		<b>B.C. Incorporated Trust Companies</b>	<b>Non-Federally Regulated Extraprovincial Trusts</b>
	<a href="#">Corporate Governance Guideline</a>	Intention to Adopt	Intention to Adopt
B-7	<a href="#">Derivatives Sound Practices</a>	Not Adopting	Not Adopting
B-8	<a href="#">Deterring &amp; Detecting Money Laundering</a>	Intention to Adopt*	Intention to Adopt*
B-10	<a href="#">Outsourcing of Business Activities, Functions and Processes</a>	Intention to Adopt	Intention to Adopt
B-12	<a href="#">Guideline - Interest Rate Risk (IRR) Management</a>	Not Adopting	Not Adopting
B-20	<a href="#">Residential Mortgage Underwriting Practices and Procedures</a>	Intention to Adopt	Intention to Adopt
E-13	<a href="#">Regulatory Compliance Management (RCM)</a>	Intention to Adopt	Intention to Adopt
E-17	<a href="#">Background Checks on Directors and Senior Management of FREs</a>	Not Adopting	Not Adopting
E-18	<a href="#">Stress Testing</a>	Not Adopting	Not Adopting
E-19	<a href="#">Internal Capital Adequacy Assessment Process (ICAAP)</a>	Not Adopting	Not Adopting

\*FICOM has the intention to adopt this guideline but not all sections apply. See Appendix 1 for details.