



Jan. 19, 2017
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**To: British Columbia (BC) Trust Companies and Non-Federally Regulated
Extraprovincial Trust Companies**

Re: Adoption of OSFI Guidelines

The purpose of this letter is to inform BC incorporated trust companies, and non-federally regulated extra-provincial trust companies authorized in BC, that the Financial Institutions Commission (FICOM) has adopted the supervisory guidelines issued by the Office of the Superintendent of Financial Institutions (OSFI) in the attached table.

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.

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

FICOM understands that trust companies will require a period of time to implement the guidelines' standards and principles and expects application of guidelines to vary based on a trust's size, scope and complexity.

If you have any questions regarding the application or implementation of these guidelines, please contact your relationship manager.

Sincerely,

Melanie Achtemichuk
Executive Director, Policy and Approvals

MOB/db

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

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OSFI GUIDELINES - TRUST COMPANIES			
Capital Adequacy Requirements		B.C. Incorporated Trust Companies	Non-Federally Regulated Extra-provincial Trusts
A-3	Transitional Period Capital Floor Requirement for Institutions Using the Internal Ratings Based Approach to Credit Risk	N/A	N/A
CAR	Capital Adequacy Requirements 2014 (Banks, T&L and Retail Associations)	N/A	N/A
LAR	Liquidity Adequacy Requirements	N/A	N/A
LR	Leverage Requirements	N/A	N/A
Prudential Limits and Restrictions		B.C. Incorporated Trust Companies	Non-Federally Regulated Extra-provincial Trusts
B-1	Prudent Person Approach	Applicable*	Applicable*
B-2	Large Exposure Limits	N/A	N/A
B-4	Securities Lending	N/A	N/A
B-6	Liquidity Principles	N/A	N/A
B-11	Pledging	N/A	N/A
E-2	Commercial Lending Criteria	Applicable	Applicable
E-6	Materiality Criteria for Related Party Transactions	N/A	N/A
Accounting and Disclosure		B.C. Incorporated Trust Companies	Non-Federally Regulated Extra-provincial Trusts
C-1	Impairment - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost	N/A	N/A

TABLE CURRENT AS OF JAN. 16, 2017

C-5	Collective Allowances - Sound Credit Risk Assessment and Valuation Practices for Financial Instruments at Amortized Cost	N/A	N/A
D-1	Annual Disclosures	Applicable*	Applicable*
D-6	Derivatives Disclosure	Applicable	Applicable
D-10	Accounting for Financial Instruments Designated as Fair Value Option	Applicable	Applicable
D-12	Public Capital Disclosure Requirements related to Basel III Leverage Ratio	Applicable	Applicable
Sound Business and Financial Practices		B.C. Incorporated Trust Companies	Non-Federally Regulated Extra-provincial Trusts
	Corporate Governance Guideline	Applicable	Applicable
B-7	Derivatives Sound Practices	N/A	N/A
B-8	Deterring & Detecting Money Laundering	Applicable*	Applicable*
B-10	Outsourcing of Business Activities, Functions and Processes	Applicable	Applicable
B-12	Guideline - Interest Rate Risk (IRR) Management	N/A	N/A
B-20	Residential Mortgage Underwriting Practices and Procedures	Applicable	Applicable
E-13	Regulatory Compliance Management (RCM)	Applicable	Applicable
E-17	Background Checks on Directors and Senior Management of FREs	N/A	N/A
E-18	Stress Testing	Applicable	Applicable
E-19	Internal Capital Adequacy Assessment Process (ICAAP)	N/A	N/A
E-13	Operational Risk Management	Applicable	Applicable

* FICOM has adopted this guideline but not all sections apply. See [Appendix 1](#) for additional details.

APPENDIX 1

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

Guideline		Application Notes
B-1	Prudent Person Approach	The Financial Institutions Act (FIA) exempts trust companies from the requirement of a written investment and lending policy. However, FICOM believes it is a good practice, under the Corporate Governance Guideline, for the Board to have an investment policy to set out its risk appetite and oversight of investment activities. Trust companies should take guidance from the procedures section of this guideline.
B-8	Deterring & Detecting Money Laundering	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	Annual Disclosures	Specific references to Basel II Pillar 3 disclosures and requirements related to liquidity, market and currency risk are not applicable to trust companies.