

**PROVINCE OF BRITISH COLUMBIA**  
**ORDER OF THE LIEUTENANT GOVERNOR IN COUNCIL**

Order in Council No. **794**, Approved and Ordered **NOV 22 2007**

  
\_\_\_\_\_  
Lieutenant Governor

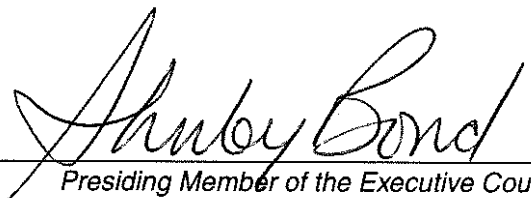
**Executive Council Chambers, Victoria**

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and consent of the Executive Council, orders that

- (a) sections 39, 46 to 60, 62, 66 and 68 of the *Finance Statutes Amendment Act, 2006*, S.B.C. 2006, c. 12, are brought into force, and
- (b) the Capital Requirements Regulation, B.C. Reg. 315/90, is amended as set out in the attached Appendix.



\_\_\_\_\_  
Minister of Finance



\_\_\_\_\_  
Presiding Member of the Executive Council

*(This part is for administrative purposes only and is not part of the Order.)*

**Authority under which Order is made:**

Act and section:- Finance Statutes Amendment Act, 2006, S.B.C. 2006, c. 12, section 82

Financial Institutions Act, 2006, R.S.B.C. 1996, c. 141, s. 289

Other (specify):- oic 1332/90

May 16, 2007

R 280/2007/48

## APPENDIX

*1 Section 2.1 of the Capital Requirements Regulation, B.C. Reg. 315/90, is amended*

*(a) in subsection (5), by striking out “5 years” and substituting “10 years”, and*

*(b) in subsection (6), by striking out “5 year” and substituting “10 year”.*

*2 Section 5 is repealed and the following substituted:*

**Deductions from capital**

5 (1) For the purposes of determining the capital base of a financial institution, the assets described in Column 1 of the Table of Assets and Deductions are to be deducted to the extent indicated opposite the asset in Column 2.

(2) For the purposes of Item 5 of the Table of Assets and Deductions, an adequate capital base of a corporation that carries on deposit business, trust business or both deposit business and trust business, or the business of banking, must be determined in accordance with the Act and this regulation as if that corporation is

(a) a British Columbia credit union, if the corporation is a deposit business or both a trust business and a deposit business, or

(b) a British Columbia trust company, if the corporation is a trust business.

(3) In the following Table of Assets and Deductions:

**“back to back placement”** means a transaction whereby the financial institution places new issues of shares or indebtedness that qualify for inclusion under section 3 of the regulation with other financial institutions or banks in exchange for issues of securities of those other institutions that also qualify for inclusion under section 3;

**“investment”**, for the purpose of Items 5 to 7 of this Schedule, includes an investment by a financial institution in the following:

(a) equity that has been included in the financial institution’s financial statements;

(b) indebtedness that qualifies for inclusion under section 3 of the regulation as a capital item;

**“substantial investment”** means an investment of a financial institution in equity in another corporation if the investment, including the other corporation’s retained earnings or deficit assigned to the financial institution under the equity method of accounting, is an amount that is 10% or more of the equity of the other corporation.

## TABLE OF ASSETS AND DEDUCTIONS

Item	Column 1 Type of Asset	Column 2 Deduction
1	Goodwill and other intangible assets that on January 1, 1997 were included in the carrying value of an investment in another entity, if that investment is valued under the equity method of accounting.	To be deducted on a straight line basis over the lesser of the following: (a) the current amortization period applied to the goodwill and other tangible assets; (b) 10 years.
2	Goodwill and other intangible assets that are acquired after January 1, 1997 and included in the carrying value of an investment in another entity, if that investment is valued under the equity method of accounting.	To be deducted on a straight line basis over a maximum of 5 years.
3	Goodwill and other intangible assets that are not included in the carrying value of an investment in another entity.	To be deducted immediately, to the full extent.
4	An asset acquired as a result of a back-to-back placement.	To be deducted to the full extent.
5	An investment in a corporation, in which the financial institution has a substantial investment, that (a) is not a cooperative credit society or an association, each as defined in the <i>Cooperative Credit Associations Act</i> (Canada), or a central credit union, and (b) carries on trust business, deposit business or both or the business of banking.	To be deducted to the extent of an amount that is at least equal to the amount that constitutes an adequate capital base for the corporation.
6	An investment in a corporation, in which the financial institution has a substantial investment, that (a) carries on insurance business, other than as an insurance agency, or the business of a (i) broker, (ii) underwriter, or (iii) dealer in securities, or (b) is a venture capital corporation.	To be deducted to the full extent.

Item	Column 1 Type of Asset	Column 2 Deduction
7	<p>An investment in a corporation, in which the financial institution has a substantial investment, that</p> <p>(a) carries on a mutual fund investment or a type of business or activity listed in section 2 of the Prescribed Types of Business Regulation, or</p> <p>(b) is a corporation in respect of which the commission has given written consent under section 141 (2) (c) of the Act and that carries on a business reasonably ancillary to the business of the financial institution</p>	<p>To be deducted only to the extent that the aggregate of the financial institution's investment in all such corporations exceeds 2% of the financial institution's total assets.</p>

**3** *Section 10 is repealed and the following substituted:*

**Restrictions on credit unions maintaining only the minimum level of adequate capital**

- 10**
- (1) In this section, “**credit union**” includes an extraprovincial credit union from a non-designated jurisdiction.
  - (2) If the amount of a credit union’s capital base does not, at all times after its financial year end, comprise at least 8% of the calculated value of the credit union’s risk weighted assets, then, unless it first receives the written approval of the commission, the credit union must not
    - (a) locate one or more additional offices,
    - (b) directly or indirectly acquire or acquire control of more than 10% of the voting shares in any corporation,
    - (c) make or invest in commercial loans or, in respect of commercial activity, give guarantees or indemnities if, as a result, the aggregate amount outstanding under all such loans, investments, guarantees and indemnities would exceed 7.5% of the total amount of the credit union’s assets,
    - (d) acquire land for investment purposes, except in settlement or partial settlement of loans, if, as the result of the acquisition, the aggregate book value of land held by the credit union would exceed 2% of the credit union’s assets.
  - (3) The commission must not give approval under subsection (2) unless the commission is satisfied that
    - (a) the approval will assist the credit union to improve its capital base, and
    - (b) the approval is not likely to increase the risk of claims against the fund.

**4** *Section 14 is amended by striking out “insured by the GE Capital Mortgage Insurance Company (Canada)” in item 14 in Column 1 in the Table of On Balance Sheet Items and substituting “an insurer authorized to conduct mortgage insurance business under the Act.”.*