

April 16, 2020

**File No.:** 71000-10

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**VIA EMAIL**

**To: CFOs, BC Credit Unions**

**RE: COVID-19 – Capital Treatment of Loans under the Business Credit Availability Program**

We are writing to advise of the capital treatment and the regulatory reporting requirements for loans that qualify under the Business Credit Availability Program (BCAP).

In response to the economic impact of the COVID-19 pandemic, the Government of Canada announced the BCAP to help Canadian businesses obtain financing during this period of significant uncertainty. The Canada Emergency Business Account program and the Small and Medium-sized Enterprises (SME) Loan and Guarantee program are the components of the BCAP. Please refer to Appendix A for a summary of BCAP. Loans issued by BC credit unions under the BCAP are to be reported to BCFSa and risk-weighted as detailed below.

Canada Emergency Business Account

This program will provide interest-free loans to small businesses and not-for-profits, to help cover their operating costs during a period when revenues have decreased temporarily due to the economic impacts of COVID-19.

- These loans are to be reported as commercial loans guaranteed by the government.
- They are to be risk-weighted at zero per cent in the Capital Adequacy Return.

Small and Medium-sized Enterprises (SME) Loan and Guarantee Program

Export Development Canada (EDC) and Business Development Canada (BDC) are offering a loan and guarantee program for SMEs. To participate in this program, a credit union must apply to the EDC to become an approved financial institution. The two components of the SME program are the EDC Guarantee and the BDC Co-lending Program.

### *Export Development Canada Guarantee*

To support the operations of small and medium-sized enterprises, EDC will guarantee 80 per cent of new operating credit and cash flow term loans that financial institutions extend to SMEs.

- The guaranteed portion of the loans are risk-weighted at zero per cent in the Capital Adequacy Return and reported as commercial loans guaranteed by the government.
- The remainder of the loan should be reported as commercial loans and risk-weighted according to the *Capital Requirements Regulation*.

### *Business Development Bank of Canada Co-lending Program*

This co-lending program will bring the BDC together with financial institutions to provide term loans to SMEs for their operational cash flow requirements. Under this co-lending program with BDC, approved financial institutions would hold a portion of the loan that is made to the borrower.

- The portion of the loans included in the credit union's assets is to be reported as commercial loans and risk-weighted according to the *Capital Requirements Regulation*.

If you have any questions or concerns, please contact Sandra Vogt, Acting Director, Financial Reporting and Standards at [sandra.vogt@bcfsa.ca](mailto:sandra.vogt@bcfsa.ca) or 604 218 6548, or your BCFSA Relationship Manager.

Regards,



Frank Chong  
VP and Deputy Superintendent, Financial Institutions Regulation

cc: CEOs, BC Credit Unions

## APPENDIX A

### *Business Credit Availability Program (BCAP) Summary*

To be eligible for these programs, businesses must have been impacted directly or indirectly by recent events and have been financially viable before the impact of COVID-19.

<b>Measures</b>	<b>Eligibility and Terms</b>	<b>Government Support</b>
<b>Canada Emergency Business Account</b>	<ol style="list-style-type: none"><li>1. Up to \$40,000 for small businesses and not-for-profits</li><li>2. Demonstrate that they paid between \$50,000 to \$1M in total payroll in 2019</li><li>3. Zero interest for 1<sup>st</sup> year</li></ol>	Repay before December 31, 2022 will result in loan forgiveness of 25% (up to \$10,000)
<b>SME Loan and Guarantee program</b>		
<b>EDC Guarantee</b>	EDC will guarantee new operating credit and cash flow term loans that FI extends to SMEs, up to \$6.25M	These loans will be 80% guaranteed by EDC
<b>BDC Co-Lending Program</b>	BDC and FI will co-lend term loans to eligible SME for their operational cash flow requirements, up to \$6.25M	80% of loan would be provided by BDC, with the remaining 20% by FI, at a commercial interest rate