

## Chapter 6

# Request for Comments

---

---

### 6.1.1 Notice and Request for Comment – Proposed Amendments to NI 31-103 Registration Requirements and Exemptions and Companion Policy 31-103CP Registration Requirements and Exemptions and Proposed Amendments to NI 33-109 Registration Information

#### NOTICE AND REQUEST FOR COMMENT

#### PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 31-103 REGISTRATION REQUIREMENTS AND EXEMPTIONS AND COMPANION POLICY 31-103 CP REGISTRATION REQUIREMENTS AND EXEMPTIONS

#### AND

#### PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 33-109 REGISTRATION INFORMATION

#### Introduction

We, the Canadian Securities Administrators (CSA), except the Autorité des marchés financiers and the New Brunswick Securities Commission, are publishing for a 90 day comment period proposed amendments to:

- National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103),
- Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP), and
- National Instrument 33-109 *Registration Information* (NI 33-109).

This notice forms part of a series of notices that address proposed changes to securities legislation arising from the upcoming changeover to International Financial Reporting Standards (IFRS).

Appendix A summarizes the terminology changes that would arise with a changeover to IFRS. Appendix B sets out the proposed amendments to NI 31-103 and 31-103CP. Appendix C sets out the proposed amendments to NI 33-109.

We invite comment on the proposed amendments to NI 31-103, 31-103CP and NI 33-109 (proposed amendments). As the proposed amendments relate primarily to the upcoming changeover to IFRS in Canada and need to be in place before January 1, 2011, we are not inviting comment on the provisions of the rules and policies that would not be affected by the changeover to IFRS.

#### Background

NI 31-103 provides a harmonized registration regime across Canada. NI 31-103 sets out when a person must be registered and the obligations a person must meet once registered, including financial reporting requirements. All registered firms must deliver audited annual financial statements. In addition, all investment fund managers and registered dealers, other than exempt market dealers, must deliver unaudited interim financial information. All financial statements and interim financial information delivered under NI 31-103 must comply with National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107).

NI 52-107 requires domestic registrants to prepare financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) applicable to public enterprises. The Canadian Accounting Standards Board (AcSB) establishes Canadian GAAP and publishes it in the Canadian Institute of Chartered Accountants Handbook (the Handbook). Following a period of public consultation, the AcSB adopted a strategic plan to move financial reporting for Canadian publicly accountable enterprises to IFRS as issued by the International Accounting Standards Board (IASB). For financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

The CSA proposes to replace NI 52-107 with a new National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (Proposed NI 52-107) that addresses Canada's changeover to IFRS. We published Proposed NI 52-107 for public comment on September 25, 2009.

### **Substance and Purpose of the Proposed Amendments**

The primary purpose of these changes is to accommodate the transition to IFRS. We are proposing to update the accounting terms and references in NI 31-103, 31-103CP and NI 33-109 to reflect the fact that, for financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS as incorporated into the CICA Handbook.

Registrants will transition to IFRS (Canadian GAAP for publicly accountable enterprises in the Handbook) for financial years beginning on or after January 1, 2011. However, not all registrants have calendar year ends. Accordingly, we are proposing that the proposed amendments only apply to periods relating to financial years beginning on or after January 1, 2011. Registrants delivering financial statements and other financial information relating to financial years beginning before January 1, 2011 would be required to comply with the current versions of NI 31-103 and NI 33-109, which contain the existing Canadian GAAP terms and phrases.

### **Summary of the Proposed Amendments**

NI 52-107 sets out the accounting principles and auditing standards that apply to financial statements delivered to a securities regulatory authority or regulator in a jurisdiction. Under Proposed NI 52-107, domestic issuers and registrants would be required to use IFRS (Canadian GAAP for publicly accountable enterprises in the Handbook) for financial years beginning on or after January 1, 2011.

The proposed amendments to NI 31-103, 31-103CP and NI 33-109 would replace existing Canadian GAAP terms and phrases with IFRS terms and phrases.

The proposed amendments to NI 31-103 would also:

- Provide a 15-day extension to the deadline for registered dealers and investment fund managers to deliver their first interim financial information and completed Form 31-103F1 required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011.
- Provide an exemption from the requirement to provide comparative information in financial statements and financial information for financial years beginning in 2011. This means that for registrants relying on this exemption, their date of transition to IFRS will be the first day of their financial year beginning in 2011.

### **Accounting Terms and Phrases**

The proposed amendments include new terms and phrases that are consistent with those used in IFRS and replace terms and phrases used in existing Canadian GAAP.

The proposed amendments do not reflect the impact of exposure drafts or discussion papers from the IASB prior to their adoption into IFRS. The proposed definition of IFRS in National Instrument 14-101 *Definitions* (NI 14-101) would take into account amendments made from time to time.

The proposed amendments are not intended to substantively alter securities law requirements. For example, we are proposing to replace the existing Canadian GAAP term "balance sheet" with the corresponding IFRS term "statement of financial position". This is intended to be a change in terminology only.

A detailed list of the changes to accounting terms and phrases is set out in Appendix A to this notice.

### **Changes to Financial Statement Requirements in NI 31-103**

#### **1. Transition Provisions - Extension for delivery of first IFRS Interim Financial Information**

Subsection 12.15(2) provides an extension for filing the first interim financial information and completed Form 31-103F1 required to be delivered by a registered dealer during the year of adopting IFRS. Subsection 12.15 (3) provides a similar exemption for investment fund managers.

We think this extension should be provided as the first IFRS interim financial information will be due soon after the filing of the Canadian GAAP annual financial statements for the preceding year. We recognize that registered dealers and investment fund managers will require additional time to review and approve the first IFRS interim financial information. Other jurisdictions that transitioned to IFRS also granted filing extensions for the first IFRS filing.

## **2. Transition Provisions – Comparative information not required for financial years in 2011**

Registrants are required to provide comparative information for previous periods when preparing annual financial statements, interim financial information and Form 31-103F1 *Calculation of Excess Working Capital*. Section 12.15(1) provides an exemption from this requirement for a registrant's financial year beginning in 2011 and for interim periods relating to that financial year.

### **Alternatives Considered**

Instead of proposing these amendments, we considered leaving the existing Canadian GAAP terms and references in NI 31-103, 31-103CP and NI 33-109 and issuing a notice to the effect that registrants may interpret any reference in the rules to a term or provision defined, or referred to, in existing Canadian GAAP as a reference to the corresponding term or provision in IFRS.

We decided not to proceed with this option for several reasons. Leaving the existing Canadian GAAP terms and phrases in the rules raises the potential for significant confusion as these terms will become less well known as time passes. In addition, the use of different terminology in securities legislation and accounting rules detracts from the goal of moving to a global accounting language.

### **Unpublished materials**

In proposing the proposed amendments, we have not relied on any significant unpublished study, report, or other written materials.

### **Publications in Quebec and New Brunswick**

The Autorité des marchés financiers and the New Brunswick Securities Commission are publishing for comment today a staff notice that sets out the substantive proposed changes reflected in the proposed amendments published in the other CSA jurisdictions. Because of the legal obligation to publish amending instruments simultaneously in French and English in Québec and New Brunswick, and because the French IFRS terminology is still in a state of flux, publication for comment of proposed amendments in these provinces is presently not feasible. The Autorité des marchés financiers and the New Brunswick Securities Commission expect to publish for comment corresponding proposed amendments, in French and in English, during the first quarter of 2010. However, market participants in Québec and New Brunswick are encouraged to comment on the substantive proposed changes presented in the staff notices, and on the amendments published by the other CSA jurisdictions.

### **Comments**

We request your comments on the proposed amendments outlined above. Please provide your comments in writing by January 21, 2010. If you are not sending your comments by email, an electronic file containing the submissions should also be provided (Windows format, Word).

Address your submission to all of the Canadian securities regulatory authorities, as follows:

British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Nunavut

Deliver your comments **only** to the following address. Your comments will be distributed to the other participating CSA member jurisdictions.

Leslie Rose, Senior Legal Counsel  
British Columbia Securities Commission  
P.O. Box 10142, Pacific Centre  
701 West Georgia Street  
Vancouver, BC, V7Y 1L2  
Fax: (604) 899-6814  
Email: [lrose@bcsc.bc.ca](mailto:lrose@bcsc.bc.ca)

## Request for Comments

---

Please note that comments received will be made publicly available and posted at [www.osc.gov.on.ca](http://www.osc.gov.on.ca) and the websites of certain other securities regulatory authorities. We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

### Questions

Please refer your questions to any of:

Janice Leung  
Senior Securities Examiner, Capital Markets Regulation  
British Columbia Securities Commission  
(604) 899-6752  
[jleung@bcsc.bc.ca](mailto:jleung@bcsc.bc.ca)

Leslie Rose  
Senior Legal Counsel, Corporate Finance  
British Columbia Securities Commission  
(604) 899-6654  
[lrose@bcsc.bc.ca](mailto:lrose@bcsc.bc.ca)

Lana Workman  
Regulatory Analyst  
Alberta Securities Commission  
(403) 355-9034  
[lane.workman@asc.ca](mailto:lane.workman@asc.ca)

Carla Buchanan  
Compliance Auditor  
Manitoba Securities Commission  
(204) 945-8973  
[carla.buchanan@gov.mb.ca](mailto:carla.buchanan@gov.mb.ca)

Marriane Bridge  
Manager, Compliance  
Ontario Securities Commission  
(416) 595-8907  
[mbridge@osc.gov.on.ca](mailto:mbridge@osc.gov.on.ca)

Carlin Fung  
Senior Accountant, Compliance  
Ontario Securities Commission  
(416) 593-8226  
[cfung@osc.gov.on.ca](mailto:cfung@osc.gov.on.ca)

October 23, 2009

- |            |   |
|------------|---|
| Appendix A | Summary of Changes to Accounting Terms and Phrases  |
| Appendix B | Proposed Amendments to National Instrument 31-103 <i>Registration Requirements and Exemptions</i> and Companion Policy    |
|            | Schedule B-1 Proposed Amendment Instrument for National Instrument 31-103 <i>Registration Requirements and Exemptions</i> |
|            | Schedule B-2 Proposed Amendments to Companion Policy 31-103CP <i>Registration Requirements and Exemptions</i>             |
| Appendix C | Proposed Amendments to National Instrument 33-109 <i>Registration Information</i>   |

## Appendix A

## Summary of Changes to Accounting Terms and Phrases

## Accounting Terms or Phrases

We replaced the following terms and phrases used in the registration requirements and exemptions rule with comparable IFRS terms or phrases.

Original Term or Phrase	IFRS Term or Phrase
balance sheet	statement of financial position
cash flow statement	statement of cash flows
earnings	profit or loss (as appropriate)
income statement	statement of comprehensive income
sales/operating revenues	revenue (as appropriate)
statement of retained earnings	statement of changes in equity

## Other IFRS-related changes

Explanation of Change	Reference
We amended subsection 12.10(1) to reflect the terminology in Canadian GAAP for publicly accountable enterprises, which is IFRS.	NI 31-103 Subsection 12.10(1)
We amended subsection 12.11(1) to reflect the terminology in Canadian GAAP for publicly accountable enterprises, which is IFRS.	NI 31-103 Subsection 12.11(1)
We have added section 12.15 to provide exemptions during the first year of IFRS. One of these exemptions provides registrants with additional time to deliver their first interim financial information, completed Form 31-103F1 and description of any net asset value adjustment, if applicable. Another exemption allows registrants to exclude comparative information in annual financial statements, interim financial information and completed Form 31-103F1 for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011.	NI 31-103 12.15

## Housekeeping Changes

Explanation of Change	Reference
We added a definition of "interim period" and replaced the term "quarter" with "interim period".	NI 31-103 Section 1.1 Subsections 12.12(2) and 12.14(2)
We repealed subsection 12.10(3) because proposed amendments to National Instrument 52-107 will address what accounting principles and auditing standards apply to registrants, including the requirement that registrants prepare their financial statements and other financial information on a non-consolidated basis.	NI 31-103 Subsection 12.10(3)
National Instrument 52-107 <i>Acceptable Accounting Principles, Auditing Standards and Reporting Currency</i> is proposed to be renamed National Instrument 52-107 <i>Acceptable Accounting Principles and Auditing Standards</i> . We have updated Part 12 of NI 31-103 for this name change.	NI 31-103 Throughout Part 12
We have clarified the reference to "unconsolidated basis" in the Notes to Form 31-103F1 to refer to "non-consolidated basis; registrants must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook".	Form 31-103F1

Appendix B

Proposed Amendments to National Instrument 31-103 Registration Requirements and Exemptions  
and Companion Policy

Schedule B-1 Proposed Amendment Instrument for

National Instrument 31-103 Registration Requirements and Exemptions

1. **National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.**
2. **Section 1.1 of National Instrument 31-103 is amended by adding the following definition before the definition of “investment dealer”:**

“interim period” means a period commencing on the first day of the financial year and ending 9, 6 or 3 months before the end of the financial year.
3. **Section 12.10 of the Instrument 31-103 is amended by**
  - (a) **repealing subsection (1) and substituting the following:**
    - (1) Annual financial statements delivered to the regulator under this Division for financial years beginning on or after January 1, 2011 must include the following:
      - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
      - (b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
      - (c) notes to the financial statements.
  - (b) **repealing subsection (3).**
4. **Section 12.11 of National Instrument 31-103 is amended by repealing subsection (1) and substituting the following:**
  - (1) Interim financial information delivered to the regulator under this Division for interim periods relating to financial years beginning on or after January 1, 2011 may be limited to the following:
    - (a) a statement of comprehensive income for the 3-month period ending on the last day of the interim period and for the same period of the immediately preceding financial year, if any;
    - (b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the interim period and as at the end of the same interim period of the immediately preceding financial year, if any.
5. **Section 12.12 is amended by striking out “quarter” wherever it occurs and substituting “interim period”.**
6. **Section 12.14 of National Instrument 31-103 is amended by striking out “quarter” wherever it occurs and substituting “interim period”.**
7. **Part 12 of National Instrument 31-103 is amended by adding the following after Section 12.14:**

**12.15 Exemptions for financial years beginning in 2011**

  - (1) Despite subsections 12.10(1), 12.11(1), 12.12(1) and (2), 12.13 and 12.14(1) and (2), the annual financial statements, the interim financial information, and the completed Form 31-103F1 *Calculation of Excess Working Capital*, for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial period.

- (2) Despite subsection 12.12(2), the first interim financial information, and the completed Form 31-103F1 *Calculation of Excess Working Capital*, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45th day after the end of the interim period.
  - (3) Despite subsection 12.14(2), the first interim financial information, the completed Form 31-103F1 *Calculation of Excess Working Capital*, and the description of any net asset value adjustment, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45th day after the end of the interim period.
8. ***Form 31-103F1 Calculation of Excess Working Capital is amended in the first line following “Notes” by striking out “unconsolidated basis” and substituting “non-consolidated basis; registrants must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook.”.***
9. ***This Instrument only applies to periods relating to financial years beginning on or after January 1, 2011.***
10. ***This Instrument comes into force on January 1, 2011.***

**Schedule B-2 Proposed Amendments to Companion Policy 31-103CP  
Registration Requirements and Exemptions**

1. ***Companion Policy 31-103CP to National Instrument 31-103 Registration Requirements and Exemptions is amended by this document.***
2. ***Companion Policy 31-103CP is amended by adding the following after section 12.6:***

**12.10 Annual financial statements**

**Changeover to International Financial Reporting Standards**

Registrants are required to deliver financial statements and interim financial information prepared in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107). NI 52-107 contains transition provisions to address Canada's changeover from Canadian generally accepted accounting principles to International Financial Reporting Standards (IFRS). Depending on the financial year, a registrant will look to different parts of NI 52-107 to determine which accounting principles and auditing standards apply:

- Part 3 of NI 52-107 applies for financial years beginning on or after January 1, 2011
- Part 4 of NI 52-107 applies to financial years beginning before January 1, 2011.

Under Part 3 of NI 52-107, a registrant is required to prepare its annual financial statements and interim financial information, if applicable, in accordance with Canadian GAAP applicable to publicly accountable enterprises. This is IFRS as incorporated into the Handbook of the Canadian Institute of Chartered Accountants (the Handbook) as Part I. Registrants will be required to prepare their financial statements and interim financial information on a non-consolidated basis; they must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook.

Under Part 4 of NI 52-107, a registrant is required to prepare its annual financial statements and interim financial information in accordance with Canadian GAAP for public enterprises, which is Canadian GAAP as it existed before the mandatory effective date for the adoption of IFRS, included in the Handbook as Part IV. Section 4.2(2) of NI 52-107 specifies that financial statements and interim financial information delivered by a registrant must be prepared on a non-consolidated basis.

When preparing annual financial statements, interim financial information or Form 31-103F1 for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011, registrants may rely on the exemption in subsection 12.15(1) to exclude comparative information for the preceding financial year. If a registrant relies on this exemption, its date of transition to IFRS will be the first day of its financial year beginning in 2011.

Canadian GAAP for publicly accountable enterprises (which is IFRS incorporated into the Handbook) requires financial statements contain comparative information for the preceding financial year. For periods beginning in 2011, subsection 3.2(4) of NI 52-107 provides an exemption from the Canadian GAAP requirement to provide comparative information for the preceding financial year. The exemption in NI 52-107 requires specific disclosure to be included in the annual financial statements when a registrant is relying on this exemption.

3. ***These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.***
4. ***These amendments become effective on January 1, 2011.***

Appendix C

Proposed Amendments to National Instrument 33-109 Registration Information

1. *National Instrument 33-109 is amended by this Instrument.*
2. *Section 5.13 of Form 33-109F6 Firm Registration is amended by striking out “balance sheet” and substituting “statement of financial position”.*
3. *This instrument only applies to periods relating to financial years beginning on or after January 1, 2011.*
4. *This instrument comes into force on January 1, 2011.*