



June 26, 2001

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission
Office of the Administrator, New Brunswick
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland
Securities Registry, Government of Northwest Territories
Registrar of Securities, Government of Yukon Territory
Securities Registry, Government of Nunavut Territory
c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
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Claude St. Pierre, Secrétaire
Commissions des valeurs mobilières du Québec
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Stock Exchange Tower
P.O. Box 246, 22nd floor
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Dear Sirs:

Sun Life Financial Services is pleased to provide the following comments on the Discussion Paper "Canadian Securities Administrators Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets".

Overall comments:

Sun Life Financial is very supportive of the overall initiative to harmonize accounting standards across the globe. Different measurement systems for each country impede comparability, are expensive, and are confusing. Given today's trends toward a global economy, the need has emerged for one standard of measurement. Sun Life supports the work of the IOSCO and the IASC in moving toward one acceptable set of standards for all.

Having said this, much work remains to be done before one standard is sufficiently comprehensive and of sustainable quality to adopt it and potentially abandon specific country standards for all industries. In particular, IAS do not yet exist for the insurance industry. Further, needs of sovereign nations beyond financial reporting will likely mean that specific unique standards for a particular country will likely remain and each country will surely want to maintain its legislative authority over standard setting, at least to some degree. Current high costs of companies providing financial reporting under more than one standard can be best minimized in the future by continued work toward harmonization to reduce the number and complexity of differences.

Particular responses to questions follow. To frame our responses, the reader should keep in mind that IAS do not yet address particulars of the insurance industry. Further, the United States is Canada's largest trading partner. Anything Canada does has to be evaluated in this context as is evident in Canada's AsB progression toward U.S. GAAP in much of its recent standard setting projects.

Questions 1, 2, 3 and 4:

Companies should be able to choose which GAAP is the most applicable to their needs. For an insurance company there are very significant differences between Canadian and U.S. G.A.A.P. A company can only use one of these bases as its measurements basis, as they require different (and at times opposing) approaches to management.

Consequently the management discussion and analysis can only be meaningfully reported on one basis.

If a Canadian insurance company were to choose U.S. GAAP as its reporting basis, it would still be required to prepare financial statements under Canadian GAAP for regulatory and taxation purposes. However, the timing of these requirements would be different to those required for shareholder purposes.

Several Canadian insurance companies now include a reconciliation of their results to U.S. GAAP from Canadian GAAP. Because the two GAAPs are so different, these reconciliations have put the companies to considerable cost and diverted considerable resources within the companies. However despite the considerable efforts of all involved, the result cannot provide useful information to a reader. From a business perspective, the published results under U.S. GAAP for these companies cannot provide even a knowledgeable reader with relevant information. This is probably not true for other industries as in those cases the two GAAPs have much greater similarities.

Question 5:

The analyst community in Canada already evaluates U.S. based companies to provide investment recommendations to their clients. Given the high quality of U.S. GAAP, such analysts are typically not concerned that the basis of measurement is different than Canadian GAAP. Financial statements are one piece of an overall evaluation. The market, quality of management and many other factors also contribute toward investment recommendations.

Question 6:

The CSA should continue to encourage Canadian standard setters such as the CICA to adopt standards which are in harmony with US and IAS standards where such standards are reasonably up-to-date and not subject to significant amendment in the near term.

Question 7:

The suggestions in this response generally suggest that US GAAP and IAS be accepted in some circumstances while other foreign GAAPs not be accepted. There are several reasons for this. First the issue of sustainable quality. US GAAP is of high, sustainable quality. IAS are moving toward such high quality but admittedly have some distance to go. The will and infrastructure seem to suggest that sustainable quality will be achieved. Secondly, Canada's economy is massively dependent on trade with the US. Canadian companies often turn to US markets to raise capital, and US companies turn to Canada for financing opportunities as well. With this massive dependency, it seems natural that the high quality of US standards be accepted in Canada. Again, further and continued harmonization will reduce the differences between the two countries over time.

We have no additional comments to those provided above.

Yours truly,

NIH:jhc