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June 28, 2001

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
The Manitoba 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 the Yukon Territory
Securities Registry, Government of the Nunavut Territory

c/o Mr. John Stevenson
Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

Dear Mr. Stevenson:

**Canadian Securities Administrators Discussion Paper 52-401:
Financial Reporting in Canada's Capital Markets**

Thank you for the opportunity to provide comments on Discussion Paper 52-401: Financial Reporting in Canada's Capital Markets. The Canadian Bankers Association (CBA) commends the Canadian Securities Administrators (CSA) and Ontario Securities Commission (OSC) for opening this issue to public debate as we believe that the issues addressed have the potential to play a vital role in the harmonization of North American accounting standards. The CBA believes that harmonization of accounting standards is necessary for Canadian banks to remain competitive in the face of the globalization of international financial markets.

Background

It is the CBA's view that harmonization of international accounting standards and practices will ultimately lead to there being two distinct sets of accounting standards in use globally, with Canadian GAAP having diminished relevance. CBA members believe that U.S. GAAP and International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC) will eventually be the two prominent standards in use worldwide. We also

believe that U.S. GAAP will become the dominant standard in North America. While there may be many users of other forms of GAAP around the world, we believe that our proximity to U.S. financial markets diminishes the relevance of these in our marketplace. Many Canadian banks are listed on the New York Stock Exchange and much of their business is transacted in the U.S. In addition, many of the major competitors of Canadian banks are listed and have operations in the U.S.

Allow Reporting in U.S. GAAP, IAS and Canadian GAAP

As a result of this move towards convergence of international accounting standards the CBA believes that the Canadian Securities Administrators should allow Canadian and foreign reporting issuers to prepare their financial statements in accordance with Canadian GAAP, U.S. GAAP or IAS. The CBA feels that this requirement should be harmonized across Canada with consistent application of the requirement by provincial and territorial securities regulators. This will allow Canadian issuers to remain competitive in the North American and global marketplace by allowing a simplification of the manner in which they report. In addition, we note that due to the business realities outlined above, there is a clear preference amongst our industry to use U.S. GAAP.

Reconciliation

As part of this allowance, we do not feel that there is any need for banks to be required to perform a reconciliation to Canadian GAAP if they have prepared their financial statements under U.S. GAAP. Such a requirement would continue the need to maintain two sets of accounting records and not be cost effective. We believe that financial statement users have become sufficiently knowledgeable about U.S. GAAP as a result of the SEC reconciliation requirement for Multi Jurisdictional Disclosure System (MJDS) filers such that they do not require a reconciliation to Canadian GAAP.

Other Reporting Requirements

While members acknowledge that there will be a continuing need to report income on a Canadian GAAP basis for tax purposes, they are comfortable in continuing to do so. The CBA and its members acknowledge there shall be a need to continue to provide financial returns to OSFI, CDIC, Statistics Canada and the Bank of Canada prepared in accordance with Canadian GAAP. This shall be necessary up until the time when harmonization of North American standards is complete, or these bodies recognize U.S. GAAP for this purpose. The CBA encourages all regulators to work together in allowing U.S. GAAP for reporting purposes.

U.S. GAAP

Although the acceptance of U.S. GAAP for reporting purposes creates a situation where Canadian issuers would have to adhere to accounting standards promulgated in a foreign jurisdiction, we believe that this situation is already in effect for those issuers listed in the U.S. Our industry believes that the interests of Canadian banks are similar to those of our U.S. banking counterparts and as a result our common issues are raised in U.S. banking industry and U.S. public accounting firm positions.

Given the trend towards convergence in North American accounting standards we feel that any significant remaining differences that would impact the comparability of financial statements, if U.S. GAAP reporting were allowed, will be addressed over time.

The term U.S. GAAP is an all-encompassing method of financial reporting that we believe is clearly defined. If Canadian issuers are to report in U.S. GAAP it should be mandatory that they comply with all relevant requirements. Although there are numerous sources of applicable U.S.

GAAP, due to the current reconciliation process, SEC Registrants are required to maintain current knowledge of these requirements. Many of the chartered banks and other Canadian companies are interlisted on the TSE and NYSE, and are therefore required to report U.S. GAAP results. As these companies have developed the relevant knowledge and expertise to be able to report in U.S. GAAP it is evident that this expertise is resident in the Canadian marketplace.

The CBA recognizes that U.S. GAAP is not currently developed with Canadian application in mind and therefore may present some challenges when addressing unique Canadian circumstances. However, we believe that this should not prevent banks from being permitted to adopt U.S. GAAP as their primary standard.

IAS

At this time the CBA does not feel it has the necessary expertise to comment on the assessment of IASC standards as requested in the discussion paper. Given the business realities and reporting requirements faced by members, we have far greater experience with the use of Canadian and U.S. GAAP.

The CBA encourages the AcSB to work closely with the FASB in the development of future accounting standards. This will ensure that unique Canadian operating circumstances are considered and will aid in the harmonization of North American accounting standards.

We thank you for considering our views on this matter and would be pleased to discuss these comments with you at your convenience. If you should have any questions, please do not hesitate to contact me.

Sincerely,

RKS/