

July 13, 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 the Northwest Territories**  
**Registrar of Securities, Government of the Yukon Territory**  
**Securities Registry, Government of the Nunavut Territory**  
c/o John Stevenson, Secretary  
Ontario Securities Commission  
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Claude St. Pierre, Secrétaire  
**Commission des valeurs mobilières du Québec**  
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**Re: Canadian Securities Administrators Discussion Paper 52-401 – Financial Reporting in Canada’s Capital Markets**

BCE is pleased to offer its comments on the CSA Discussion Paper “Financial Reporting in Canada’s Capital Markets” and welcomes the CSA’s initiative to address the use of alternative accounting standards for financial statements that are filed with the CSA. With the current business environment of increased Canada/U.S. trade, globalization and the movement to harmonize accounting standards, the topics raised by the Discussion Paper are timely for the CSA and other interested parties to address.

#### **Summary Comments**

BCE supports the continued use of Canadian generally accepted accounting principles (Canadian GAAP) as the principal basis of accounting for public companies that are Canadian based. We also recognize the needs of certain Canadian based public companies that currently file financial statements based on Canadian GAAP with the CSA concurrently with the filing of financial statements based on foreign generally accepted accounting principles (foreign GAAP) in foreign jurisdictions. For such Canadian public companies, we support the relaxation of financial reporting requirements and recommend the allowance of filing certain foreign GAAP financial statements in Canada with an appropriate reconciliation to Canadian GAAP.

With regard to foreign based companies that file concurrently in Canada, we recommend that these companies continue to be required to file a reconciliation of their foreign GAAP results to Canadian GAAP consistent with current practices. We would recommend extending such reconciliation reporting requirement to the continuous disclosure filings of interim and annual financial statements by foreign-based companies.

BCE has knowledge and expertise with respect to United States generally accepted accounting principles (US GAAP), however, our expertise in other foreign GAAP, inclusive of International Accounting Standards (IAS), is limited. We believe that the majority of the Canadian accounting profession, investors and other users of financial statements are in a similar position and do not have extensive knowledge with foreign GAAPs and IAS GAAP. Therefore, before the CSA agrees to any significant relaxation of the current filing standards, it should assess the additional costs associated with the training and education of accounting professionals, investors and other users of financial statements in non-Canadian GAAP.

The CSA's initiative to address alternative accounting standards for financial statements filed with the CSA is necessitated due to differences in accounting standards across jurisdictions. Minimizing differences in accounting standards in major countries through the convergence of accounting standards would, therefore, also address the CSA's issues. BCE supports the convergence project underway to harmonize global accounting standards through the IAS. Recognizing, however, that this process takes time and will not likely be completed for several years, BCE believes that there is an urgency to address the harmonization of Canadian and US accounting standards in a more timely manner. Accordingly, we propose that a greater emphasis be placed on the convergence of Canadian and US accounting standards by the Accounting Standards Board with a view to accelerating the timeline towards eliminating all significant differences.

### **Specific Comments**

Our views on certain questions included in the Discussion Paper are provided below. As our knowledge of and experience with IAS is limited, we have not commented on Discussion Paper Questions 11 through 17.

Our views on Questions 1 through 10 are summarized as follows:

- We continue to support the use of Canadian GAAP as the main basis of accounting for companies that are Canadian based and that do not concurrently file in foreign jurisdictions;
- Canadian based public companies that concurrently file in foreign jurisdictions should generally be given the option to file foreign GAAP financial statements with a reconciliation to Canadian GAAP. With regard to the use of foreign GAAP, the CSA with the aid of the CICA, should establish whether there is enough confidence and compatibility in foreign countries' standard setting systems with our own, as well as an adequate knowledge level on the part of the financial community prior to allowing Canadian filers to use such GAAP in their CSA filings. We believe that US GAAP currently meets these requirements and therefore should be accepted as an alternative basis for companies to file financial statements;
- There should be no relaxation of current CSA requirements for foreign filers. The requirement for foreign filers to file a reconciliation of foreign GAAP to Canadian GAAP should be extended to apply to continuous disclosure filings in addition to offering documents and information circulars; and
- Reconciliations to Canadian GAAP from foreign GAAP should take the format of a reconciliation of net income and shareholders' equity for annual reports, prospectuses and similar types of offering circulars; a less onerous reconciliation (i.e. narrative format) may be appropriate for interim financial statements.

**Question 1:** *Should we relax the current requirements for reporting issuers participating in Canada's capital markets to provide financial information prepared in accordance with Canadian generally accepted accounting principles? By reference to your own experience, please explain why Canadian GAAP as a consistent benchmark does or does not have continuing relevance to Canadian investors in the current environment. (If you believe the CSA should relax the current requirements to provide Canadian GAAP financial information, please address Question 2.)*

We continue to support the use of Canadian GAAP as the main basis of accounting for companies that are Canadian based. We feel that the average Canadian investor is generally comfortable and familiar with Canadian GAAP and that Canadian GAAP does have continuing relevance to Canadian investors in the current environment. It should be noted that Canada is fortunate enough to have a well thought out conceptual framework that forms the core of Canadian GAAP and that has been developed in the context of the Canadian business environment with little or no government intervention, which is not always the case in other countries. Additionally, Canadian GAAP maintains respect for professional judgement, which we believe provides for fairer presentation of information in financial statements and which has paved the way for the formulation of clearer standards that are easier to understand by accounting professionals and investors.

However, given the current business environment, we also recognize the needs of certain Canadian based public companies that currently file financial statements based on Canadian GAAP with the CSA concurrently with financial statements based on foreign GAAP in foreign jurisdictions. For these types of Canadian public companies, we support the relaxation of financial reporting requirements and would recommend the allowance of filing of foreign GAAP financial statements in Canada with an appropriate reconciliation to Canadian GAAP. We believe that such companies should therefore be given the option to continue to file financial statements prepared in accordance with Canadian GAAP, or to alternatively file foreign GAAP financial statements with a reconciliation to Canadian GAAP. However, as we discuss in our response to Question 7, we recommend that the ability to utilize a foreign GAAP needs to be assessed to ensure that it meets Canadian standards for producing high quality, relevant, reliable and understandable financial information.

With regards to foreign based companies that concurrently file in Canada, we would not support any relaxation of current CSA requirements. We would recommend that the requirement to file a reconciliation of their foreign GAAP to Canadian GAAP not only apply to an offering of securities, but that it also be extended to include continuous disclosure filings of interim and annual financial statements.

**Question 2:** *Should any relaxation in current requirements address (a) foreign issuers; or (b) Canadian issuers; or (c) both foreign and Canadian issuers? Please explain the basis for your views, including addressing the basis for any distinction you believe should be made between the requirements for foreign issuers and those for Canadian issuers. If you believe a requirement for foreign issuers to reconcile their financial statements to Canadian GAAP should be retained, please comment on whether that requirement should apply to continuous disclosure as well as offering documents and information circulars. In addressing Question 2, please comment on: (i) your experience with the quality and usefulness of the information included in Canadian GAAP reconciliations provided by foreign issuers; (ii) whether, from your viewpoint as a preparer, user, or auditor of non-Canadian GAAP financial statements, the reconciliation has enhanced the usefulness or reliability of the financial information and how you have used the reconciliation; (iii) any consequences that could result from reducing or eliminating the reconciliation requirement, including your assessment of the magnitude of any decrease or increase in costs or benefits to preparers or users of financial statements.*

As explained in our response to Question 1, we believe that any relaxation in current requirements should only address Canadian issuers. With this type of relaxation, Canadian issuers and foreign issuers in Canada would be placed on an equal footing: a) both types of issuers would have filings in Canada as well as filings in a foreign jurisdiction; b) both types of filers, if using certain foreign based GAAP, would be allowed to file the foreign GAAP financial statements with the CSA; and c) assuming that a requirement to reconcile to Canadian GAAP was established for Canadian filers on the same basis as that required of foreign filers, both types of filers would have to reconcile their foreign GAAP to Canadian GAAP.

We also expressed in our response to Question 1 that Canadian GAAP is the current widely accepted and understood basis of accounting in Canada. We therefore recommend retaining the requirement for foreign issuers to reconcile their financial statements to Canadian GAAP. We also believe that this requirement apply to continuous disclosure as well as offering documents and information circulars that are prepared in conjunction with a major transaction (i.e.: purchase of a company by a foreign filer).

From our experience as users of non-Canadian GAAP financial statements, we believe that a reconciliation from foreign GAAP to Canadian GAAP for foreign filers does enhance the usefulness and reliability of the financial information as such reconciliations aid us to assess foreign filers' performance using a basis of accounting that we are most familiar with. We believe that the reduction and/or elimination of the reconciliation requirement would make it more difficult for Canadian users of foreign GAAP financial statements to assess the financial performance of a company given that Canadian users' experience with foreign GAAP could be, dependant on the foreign GAAP used, limited, as well there being as a loss of comparability to other Canadian companies or foreign filers in Canada.

**Question 3:** *In your view, how should the CSA implement any relaxation in the requirement for a reconciliation from foreign GAAP to Canadian GAAP? Please consider at least the following possibilities: (i) elimination of all reconciliation requirements, regardless of the basis on which a foreign issuer prepares its financial statements; (ii) elimination of the requirement for a full reconciliation and its replacement with a requirement to reconcile only specified financial statement items. If you believe such an approach is appropriate, please describe how you believe it could be implemented; (iii) elimination of all quantitative reconciliation requirements, regardless of the basis on which a foreign issuer prepares its financial statements, and introduction of a narrative discussion of qualitative differences between the basis of accounting used in preparing the financial statements and Canadian GAAP; (iv) elimination of the reconciliation requirement for only those foreign issuers that prepare financial statements in accordance with specified bases of accounting, e.g., IAS and US GAAP. If you recommend this approach, please set out the criteria you believe should be applied in making this determination and indicate which bases you believe would meet these criteria; (v) identification of specific reconciliation requirements depending on the type of transaction, type of security or proportionate interest of Canadian investors. If you believe such an approach is appropriate, please describe how you believe it could be implemented.*

There should be no difference in reporting requirements for Canadian filers and foreign filers in performing a reconciliation from foreign GAAP to Canadian GAAP.

For prospectuses and similar types of offering circulars, the current requirement to prepare a reconciliation between Canadian GAAP and foreign GAAP should be maintained and should, as a minimum, take the form of reconciling foreign GAAP to Canadian GAAP for net income and shareholders' equity. Furthermore, we recommend that this requirement be extended to include continuous disclosure filings of interim and annual financial statements. Annual financial statement filings should contain a reconciliation of net income and shareholders' equity, similar in format to that required for prospectuses and similar types of offering

circulars. For interim financial statement filings, a reconciliation should still be required but the format could be less onerous (for example, such a reconciliation can take a narrative form that would only discuss the changes in principles since the last quarterly and/or annual filing).

While we acknowledge the continued efforts in the convergence of US GAAP, IAS GAAP and Canadian GAAP, we are not, at this juncture, ready to support the elimination of reconciliations between these types of foreign GAAPs and Canadian GAAP. As we noted in our response to Question 1, we believe Canadian accounting professionals, investors and users of financial statements are most comfortable with Canadian GAAP, with varying expertise in other foreign GAAP, inclusive of US GAAP and IAS GAAP. Therefore, reconciliations to Canadian GAAP are the only way to ensure that most investors, users and accounting professionals in Canada, regardless of their expertise in these types of foreign GAAPs, are able to make the most informed decisions based on financial information received from these type of foreign GAAP financial statements filed in Canada.

**Question 4:** *If you believe Canadian companies should no longer be required to prepare financial statements in accordance with Canadian GAAP, what alternatives do you believe should be available and why are they an appropriate basis for a Canadian company to participate in Canadian capital markets? Please comment on the impact of the concessions you propose on the comparability of financial information available about Canadian companies in the Canadian capital markets. Is it important that Canadian investors have access to financial information prepared on a comparable basis? If not, why not?*

As stated in our response to Question 1, we continue to be supportive of Canadian GAAP standards and currently use Canadian GAAP as the basis for our financial statement reporting for BCE and most of our subsidiaries as most of our stakeholders are based in Canada and are therefore most familiar with current Canadian GAAP accounting standards.

We believe that the use of an alternate non-Canadian basis of GAAP when a company has no foreign stakeholders (i.e. such as foreign public debtholders) or when it does not publicly file in a jurisdiction outside of Canada does not make sense in the current Canadian business environment given Canadian stakeholders familiarity and comfort with Canadian GAAP. We believe that it is important that Canadian investors have access to financial information prepared on a comparable basis. Therefore, we do not support the use of foreign GAAP by Canadian public companies that only file their statements in Canada and that are primarily owned by Canadian investors. We further believe that allowing the use of foreign GAAP by exclusively Canadian filers could lead to the mass production of financial statements that would be non-comparable to other companies' financial statements and that may lead to confusion among stakeholders. We also question whether there would be sufficient expertise in Canada from accounting professionals and others to prepare, on a mass scale, separate basis of accounting financial statements.

It should be noted that in the event that Canadian securities authorities agree on relaxation of the filing of Canadian GAAP financial statements by exclusively Canadian filers, the preparation of such statements could still be required by other authorities such as the various Canadian tax authorities and others (i.e.: such as the CRTC and Statistics Canada), and lenders.

**Question 5:** *On the basis of your own knowledge and experience, what is your assessment of the ability of Canadian issuers, auditors and users to prepare, audit and make use of financial statements prepared on bases other than Canadian GAAP?*

We believe that there is a growing understanding among Canadian professionals and investors of US GAAP, which is probably due to Canadian companies' involvement in the U.S. market

and the proliferation of U.S. stakeholders in Canadian companies who ask for US GAAP financial statements and/or a Canadian GAAP to US GAAP reconciliation. We also acknowledge that there is a strong desire on the part of the business and investment community to move towards convergence of US GAAP and Canadian GAAP standards. With continued convergence, we believe that accounting professionals and users of financial statements will become more knowledgeable as to US GAAP.

However, we believe that, with the exception of US GAAP, there is little expertise in Canada with foreign GAAP and therefore do not believe that there are sufficient qualified personnel to prepare, audit and understand financial statements prepared in a foreign GAAP. The proposed convergence of Canadian standards to IAS may be of help to Canadian accounting professionals and users; however, we do not believe that this will occur in the near future (i.e. the European Union is deferring implementation of IAS principles until 2005). Users, auditors and preparers would also have to be trained in the differences, if any, between Canadian GAAP and IAS GAAP, in measurement, presentation and disclosure.

We also question whether there would be sufficient staff at the various Canadian securities commissions proficient enough in US and other foreign GAAP to deal with significant numbers of US and other foreign GAAP filings.

In conclusion, we believe that prior to allowing the mass proliferation of non-Canadian GAAP statements, the CSA would need to assess whether it, the audit firms, financial statement preparers and users, and other stakeholders have the sufficient knowledge to engage in non-Canadian GAAP activities. If adequate resources do not exist, then they would have to be outsourced outside of Canada, or more preferably Canadian accounting professionals and others would need to be trained in foreign GAAP.

**Question 6:** *If you believe alternatives to Canadian GAAP should be permitted, what specific steps should the CSA, the accounting profession or others take to facilitate implementation in a way that overcomes the issues identified in section 5 of the paper and ensures Canadians are provided with high quality, relevant, reliable and understandable financial information? Please comment on: (i) the steps you believe the CSA should take to ensure their ability to provide appropriate regulatory oversight over the financial statements provided to participants in Canada's capital markets; and (ii) changes to incorporating statutes that would be required to facilitate the financial reporting environment you envisage.*

As indicated in our comments to the previous questions, the only alternatives to Canadian GAAP that we would support would be limited to Canadian filers that file externally and foreign filers who file in Canada, that would wish to file foreign GAAP financial statements with an appropriate form of reconciliation to Canadian GAAP.

In order to ensure that Canadians are provided with high quality, relevant, reliable and understandable financial information in the “alternatives to GAAP” context that we raise above, we recommend that the CSA, the CICA and the audit firms take the lead to ensure that adequate training programs are put into place in order to educate those individuals requiring the extra training in the alternatives to GAAP. Such individuals should not only include the accounting profession but also the investor community at large.

The CSA may also wish to survey current Canadian public filers with concurrent foreign filings as to how many of them would file foreign GAAP statements in Canada, if so allowed. This may enable the CSA to determine if it has sufficient staff available to enable the review of foreign GAAP financial statements. The CSA also needs to consider a transition plan which would allow sufficient time for financial statement preparers, auditors and users to understand the nature of any potential GAAP change and take appropriate training measures.

We also believe that shareholders should be notified in advance of any impending change in its main basis of accounting.

**Question 7:** *If you believe the accounting standards of certain foreign countries, e.g., US GAAP, should be acceptable for use by Canadian companies while other foreign GAAP should not, what is your basis for this distinction?*

In general, due to our limited experience with foreign GAAP, we believe that we cannot fairly evaluate at this juncture the suitability of the use of most foreign GAAPs in Canada as an alternate basis of accounting by a foreign or Canadian filer.

We are more familiar with US GAAP. We can support the use of US GAAP by Canadian filers, but only if they are using US GAAP as their primary basis of accounting for their filings with the SEC (or other foreign jurisdictions). Use of US GAAP can be supported given the proximity of the U.S. market, large likelihood of U.S. stakeholders in Canadian public companies, and large volume of business/investing activities carried on by Canadian companies in the U.S. Furthermore, as stated above, there is reasonable expertise and familiarity in Canada with US GAAP, thus allowing users of US GAAP statements to have a basic (but not thorough) understanding of US GAAP prepared statements and to obtain help from US GAAP experts in understanding such statements. Furthermore, while US GAAP statements are prepared on a more “rules based” basis, we believe that there is enough comfort in the US standard setting system that enables US GAAP to be an acceptable alternative to Canadian GAAP.

We are of the opinion that before a foreign GAAP is accepted as an alternative to Canadian GAAP, the CSA must take a lead role, with the aid of the CICA, to establish whether there is enough confidence and compatibility of the foreign countries’ standard setting system with our own. The quality of statements prepared using a foreign basis of GAAP should be comparable to the high standards that we have set for Canadian GAAP statements.

**Question 8:** *If you believe US GAAP should be permitted as an alternative basis for preparation of a Canadian company's financial statements, should that alternative be available to all Canadian companies or to only a limited group such as those that are SEC registrants and are therefore required to provide either US GAAP financial statements or a reconciliation to US GAAP? Similarly, if you believe Canadian companies should be permitted to use other bases of accounting such as IAS or UK GAAP, should those alternatives be available to all or to a limited group only? If you believe the alternatives should be available to a limited group only, what criteria should be applied to determine eligibility?*

As indicated in our responses to questions 1, 2, and 7 above, Canadian companies should be able to file US GAAP financial statements with the CSA, only if they already are SEC registrants and only if they file some form of reconciliation to Canadian GAAP with their statements filed with the CSA. We also agree that Canadian filers should be allowed to file other foreign GAAP statements with the CSA, provided that the other foreign GAAP is one deemed suitable/compatible by the CSA, that the Canadian filer in question also concurrently files in another foreign jurisdiction, and that it includes with its CSA filed statements a form of reconciliation to Canadian GAAP.

However, the simple fact that a Canadian filer is concurrently a SEC or other country filer should not be the only determining factor in allowing the filer to use an alternative basis of accounting. We recommend that the CSA develop as a benchmark certain criteria in order to allow the concurrent Canadian/foreign filer to avail itself of the alternative basis of accounting exemption. Otherwise, Canadian filers that are not foreign filers that wish to use an

alternative basis of accounting would be able to use a loophole and thereby make a minimal filing in a foreign jurisdiction in order to avail themselves of the alternative basis of accounting. Examples of benchmark criteria could include size tests, % of debt held outside of Canada tests, foreign ownership tests, etc...

**Question 9:** *Regardless of which bases of accounting you consider acceptable as alternatives to Canadian GAAP, should a Canadian company using one of those alternatives be required to present a reconciliation to Canadian GAAP in some or all cases? If so, in what form should the reconciliation be presented, e.g., a full quantified reconciliation or something less, such as a reconciliation of only specified financial statement items or a qualitative discussion of differences?*

In our response to Question 3, we indicated that for prospectuses and similar types of offering circulars, there should be a reconciliation between Canadian GAAP and foreign GAAP which would, as a minimum, take the form of reconciling foreign GAAP to Canadian GAAP for net income and shareholders' equity. Furthermore, we believe there should be some form of reconciliation between foreign GAAP and Canadian GAAP on a continuous basis. Annual report filings should contain a reconciliation similar in format to that required for prospectuses and similar types of offering circulars. For quarterly statement filings, reconciliations should still be required but the format should be less restrictive (for example, such a reconciliation can take a narrative form that would only discuss the changes in principles since the last quarterly and/or annual filing).

**Question 10:** *If the CSA permits alternatives to Canadian GAAP, what transitional issues would need to be addressed to facilitate implementation of the change? For example, in the first period in which a Canadian company presents financial statements prepared in accordance with a basis of accounting other than Canadian GAAP should comparative information for all prior years presented be required on a consistent basis?*

We believe that there are two methods that could be used by a company wishing to change its basis of accounting from Canadian GAAP to a foreign GAAP. The first method ("retroactive") would require the company to retroactively restate its financial statements. Thus, the current year and prior year financial information would be presented in the foreign GAAP. The second method ("prospective") would require a company to produce, for two years in a row, both Canadian and foreign GAAP financial information.

Use of either of these two methods should have the appropriate disclosure in the notes to the financial statements as well as the Management Discussion and Analysis and annual Management Proxy Circular and, for those companies that prepare them, Annual Information Forms. Additionally, an appropriate form of foreign GAAP to Canadian GAAP reconciliation should be performed.

We thank you for giving BCE the opportunity to make this submission. We would be pleased to meet with members of the CSA or its staff in order to discuss further any of the issues raised in this letter.

Yours truly,

Siim Vanaselja  
Chief Financial Officer, BCE Inc.