



VIA ELECTRONIC MAIL

August 13, 2003

Alberta Securities Commission
British Columbia Securities Commission
Manitoba Securities Commission
Securities Administration Branch, New Brunswick
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Department of Justice, Government of
the Northwest Territories
Nova Scotia Securities Commission
Registrar of Securities, Legal Registries Division, Department
of Justice, Government of Nunavut
Ontario Securities Commission
Office of the Attorney General, Prince Edward Island
Commission des valeurs mobilières du Québec
Saskatchewan Financial Services Commission – Securities Division
Registrar of Securities, Government of Yukon

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Dear CSA Member Commissions

Re: Comments on Proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, and the Companion Policy 52-107CP

Toronto Stock Exchange ("TSX") and TSX Venture Exchange ("TSX Venture", together, the "Exchanges") welcome the opportunity to comment on Proposed National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* ("NI 52-107") and its Companion Policy 52-107CP.

The Exchanges support the harmonization of accounting principles and auditing standards that will be acceptable for purposes of preparing and auditing financial statements included in documents filed with securities regulators in Canada into one stand alone national instrument. Specifically, we support the broad application of such instrument to all financial statements to be included in a prospectus, filed in connection with continuous disclosure obligations, or otherwise required to be filed with or delivered to a securities regulatory authority.

The amalgamation of accounting and auditing rules and standards into one instrument will assist issuers and their advisors in complying with such rules and standards by providing ease of reference to one instrument from the outset, and also in the event of amendments to the instrument in the future. Such ease of reference should assist in

reducing the time and cost issuers and their advisors must expend in preparing their financial disclosure and complying with rules and standards. Its application to financial statements in both prospectuses and in continuous disclosure should provide a consistent approach to both the preparation and use of financial statements of issuers.

The implementation of a permissive rule allowing certain eligible issuers to prepare financial statements and to apply auditing standards in accordance to principles and standards other than Canadian GAAP or GAAS also provides Canadian-based global issuers an opportunity to reduce their costs in financial disclosure preparation by allowing them, ultimately, to prepare only one set of financial statements as opposed to two. Many TSX issuers are Canadian-based global issuers who are inter-listed on foreign exchanges and are required to prepare or reconcile two different sets of financial statements. As a result, the Exchanges support legislation that would assist such issuers in reducing onerous costs associated with their financial disclosure, and attract foreign issuers to list on TSX.

Overall, the Exchanges support the implementation of proposed NI 52-107, subject to the following specific comments:

1. Current Filers Using U.S. GAAP and GAAS

Under current rules, certain issuers may prepare their financial statements for continuous disclosure purposes in accordance with U.S. GAAP and have them audited in accordance with U.S. GAAS upon application for relief from the current rules. It is unclear from proposed NI 52-107 how the transition under the new instrument will apply to such issuers. Will they be required to comply with the two year reconciliation requirement under s.4.1(2)?

2. Qualifications to auditor's reports concerning inventory in a Business Acquisition Report ("BAR")

With respect to business acquisition statements, the requirement in s.6.2 (6) regarding the qualification of inventory and the preparation of an audited balance sheet as at a date other than a financial year end may be too onerous for venture issuers. The cost of performing a full balance sheet audit as at a date other than a financial year end exceeds the benefit that a user of a venture issuer's financial statements will receive for this purpose.

Rather, we propose that venture issuers be exempt from the requirements in s. 6.2 (6) (a) and (b). However, the companion policy should expressly remind venture issuers that the word "qualification" under generally accepted auditing standards in paragraph 6.2 (6), specifically excludes a denial of opinion.

Although venture issuers are permitted, under section 9.1, to seek an exemption from the applicable securities commissions from paragraph 6.2 (6), it is unclear under the restriction in s.9.1(2) for Ontario issuers, whether issuers will be able to take full

advantage of the mutual reliance system to limit the costs and delays in seeking an exemption. If emerging issuers cannot fully take advantage of the mutual reliance system, such applications will contribute to excessive delays and costs for emerging issuers.

3. Effect on Development of Canadian Accounting Standards

There is some concern that the implementation of proposed NI 52-107 will negatively affect the establishment and maintenance of accounting standards that reflect the particular characteristics of smaller issuers, including venture issuers. The concern surrounds the potential drain of resources servicing these smaller issuers, particularly since it is likely that the larger, inter-listed issuers will, in the long term, be preparing their financial statements under principles and standards other than Canadian GAAP and GAAS. Notwithstanding, we believe that is an issue to be monitored, rather than a reason for not implementing proposed NI 52-107.

In summary, the Exchanges look forward to the implementation of proposed NI 52-107, subject to our comments as discussed above.

Sincerely,

A handwritten signature in black ink, appearing to read "R. M. Fabes". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Robert M. Fabes