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September 25, 2003

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

SENT TO:

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Dear Sirs/Mesdames:

Re: Proposed Multilateral Instrument 52-109

In response to your request regarding the above instrument, I am pleased to provide the following comments.

**Concept of Fair Presentation**

I lend my support to the arguments put forward in other commentaries by Mr. Lawrie and the CICA, i.e. if GAAP is not to be relied upon then it is incumbent on the rule maker to indicate what standard those responsible for making certifications may rely upon. My discussions with parties in the US working with this issue indicate they expect a revision to SEC guidance on this matter within the year as implementation feedback is received.

A further consideration in this matter concerns the SEC study on adoption by the U.S. financial reporting system of a principles based accounting system. This study was mandated by Sarbanes Oxley and publicly issued on July 25, 2003. The study concludes that the adoption of objectives-oriented principles-based accounting standards in the U.S. would be consistent with the vision of reform that was the basis for the Sarbanes-Oxley Act.

The authors of the study note in the executive summary of the report that the study is a policy study and for that purpose critically evaluates certain existing U.S. GAAP standards. They go on to say, however, that nothing in the study should be construed as indicating a belief by the staff that any current U.S. GAAP

standard is lacking in terms of providing sufficient structure, guidance, and consistency to hold preparers and auditors accountable and to be enforceable, as they do not believe that to be the case.

The study concludes this portion of the summary as follows “Recognition that there is room for improvement to the standards should not be confused with a suggestion that current standards are inadequate. As noted above, we believe that the current U.S. standards are the most complete and well developed set of accounting standards in the world. As we will demonstrate, US standard setters have begun the shift to objectives oriented standards setting and are doing so on a prospective, project by project basis. We expect that the U.S. standards setters will continue to move towards objectives oriented standard setting on a transitional or evolutionary basis.”

On the presumption there will not be any international study that refutes the findings of this study, would those responsible for making certifications be entitled to look towards U.S. GAAP if not entitled to rely on Canadian GAAP?

### **Companion Policy Part 3 – Internal and Disclosure Controls**

This part indicates the instrument does not define internal controls nor does it prescribe the degree of complexity or any specific policies or procedures that must make up those controls. The final U.S. rules do not prescribe specific policies and procedures either but they do require that evaluations be performed against the standard of a generally accepted framework.

As a minimum, the Canadian rules need to provide guidance about the objectives of internal control, what reasonable assurance means from an evaluator’s perspective and how the reporting thresholds of significant deficiencies and material weaknesses are to be interpreted. Is there a difference between these latter terms and, if so, is there a different public reporting consequence?, i.e. is one required to be reported in MD & A and the other not?

Without an evaluation standard and without an attestation requirement the Canadian proposals fall seriously short of measures taken in the U.S. This is at variance with comments of the OSC Chairman made before the Senate Committee on Banking, Trade and Commerce on October 30, 2002 when he stated that Canadian investors expect and demand the same qualitative assurances the U.S. public will receive about the adequacy of a company’s internal controls.

I am encouraged to note the CICA is taking a new look at this area. I would caution about the use of elements from COCO. My understanding is this framework was not designed with a focus on financial reporting or for results to be used in a public reporting forum. I believe we would well advised to leverage the significant investment in standard setting taking place south of the border to the benefit of Canadian investors. If there are Political objections, the investment community and the general public whose retirement funds are required by law to be 70% invested in Canadian securities, need to be fully apprised of the tradeoffs involved.

I appreciate the opportunity to comment on these important proposals.

Yours truly,

John A. Hunt, CA