Raymond Chabot Grant Thornton

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Chartered Accountants
Management Consultants

June 18, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers

Attention: John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-2318
E-mail: jstevenson@osc.gov.on.ca

Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon

Attention: Anne-Marie Beaudoin, Directrice du secrétariat
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22e étage
Montréal, Québec, H4Z 1G3
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Re: Request for comment : Notice and Request for Comments - Proposed Repeal and Replacement of MI 52-109, Forms 52-109F1, 52-109FT1, 52-109F2 and 52-109FT2, and Companion Policy 52-109CP Certification of Disclosure in Issuers' Annual and Interim Filings

Dear Sir/Madam:

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (we) thank you for the opportunity to comment on NI 52-109, the Canadian Security Administrator's (CSA) proposed replacement of MI 52-109.

Specific requests for comment

1. Do you agree with the definition of "reportable deficiency" and the proposed related disclosures? If not, why not and how would you modify it?

We see two potential challenges with the wording of the proposed definition of reportable deficiency.

1. The definition of reportable deficiency focuses on the conclusion of a thought process and does not provide guidance on the factors to consider in reaching the conclusion. Other sources, that attempt to define the underlying reportable

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deficiency concept, suggest that the evaluator considers the size and probability of a potential financial reporting misstatement.

We believe that the proposed definition will cause issuers to disclose deficiencies that are large as it is clear that doubt would exist over the design effectiveness or operating effectiveness of controls. However, excluding the concept of materiality and probability may result in issuers disclosing more deficiencies than otherwise intended under this proposed regulation. We suggest that the CSA provide issuers with guidance suggesting that officers consider the size and occurrence probably of the potential financial reporting misstatement.

2. The words imply that disclosure controls and procedures (DC&P) deficiencies are excluded from the definition of reportable deficiency. This exclusion implies that DC&P cannot have a reportable deficiency [outside of the overlap between DC&P and ICFR] as the certificate requires officers to certify design and operation of DC&P. We suggest that the CSA's guidance make this point explicit at an appropriate place in the guidance.

In addition, Section 6-b-iv of the certificate, which deals with the issuer's plans to remediate ICFR operating deficiencies, includes the word 'if any.' These words may imply that issuers do not have to fix reportable deficiencies in operation, where reportable deficiencies in design would require remediation. This result seems inconsistent with the objective of the proposed regulation. We suggest deleting the words 'if any.'

2. Do you agree that the ICFR design accommodation should be available to venture issuers? If not, please explain why you disagree.

We agree with the proposed design accommodation for venture issuers.

3. Do you agree that our proposal to provide a scope limitation in the design of DC&P and ICFR for an issuer's interest in a proportionately consolidated investment or variable interest entity is practical and appropriate? If not, please explain why you disagree.

We agree with the proposal.

4. Do you agree that our proposal to allow certifying officers to limit the scope of their design of DC&P or ICFR within 90 days of the acquisition of a business is practical and appropriate? If not, please explain why you disagree.

We agree that 90 days is an appropriate goal that issuers should strive to achieve. However, many issuers [e.g., smaller issuers lacking resources or larger issuers with more complex acquisitions] will find it challenging to achieve this goal. We suggest that the CSA consider making the rule 180 days and requiring disclosure when the issuer cannot achieve the 90 day goal.

5. Do you agree that our proposal not to require certifying officers to certify the design of ICFR within 90 days after an issuer has become a reporting issuer or following the completion of certain reverse takeover transactions is practical and appropriate? If not, please explain why you disagree.

Same response as question 4.

6. Do you agree that the nature and extent of guidance provided in the Proposed Policy, particularly in Parts 6, 7 and 8, is appropriate? If not, please explain why and how it should be modified.

We agree with the nature and extend of the provided guidance. The attached appendix contains our specific suggestions for your consideration.

7. Are there any specific topics that we have not addressed in the Proposed Policy on which you believe guidance is required?

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The Proposed Policy refers to "misstatements" in several places. Paragraph 6.5(2) discusses the concept of misstatements ["which includes misstatements due to error, fraud or omission in disclosure"]. We believe that the concept of what is included in the term "misstatement," particularly disclosure omissions may not be well understood in the marketplace. We recommend highlighting this item by including "misstatement" as a defined term.

We also believe that significant confusion exists regarding the overlap of ICFR and DC&P. This distinction has more relevance in the proposed and existing Canadian regulation, in comparison to regulation in the United States, as an issuer's certification of operating effectiveness of DC&P depends on which ICFR controls are included in the scope of DC&P. We therefore believe that increased clarity on this subject would assist issuers.

Yours truly,

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Appendix 1

Comments on Specific Paragraphs

5.2 – This paragraph refers to COBIT and we believe the intended reference was IT Control Objectives for Sarbanes-Oxley.

6.2 – The examples imply almost a complete overlap between ICFR and disclosure controls.

6.3 – The CSA's intention of the guidance regarding "reasonable assurance" is not clear. .

6.5 (3) - Including 'a combination of employees' in the definition of areas where fraud could occur significantly increases scope. Because segregation of duties is a primary fraud prevention control, the inclusion of 'a combination of employees' perhaps makes it impossible to for many issuers, particularly smaller issuers, to design controls to the standard implied by including this concept in the policy.

6.10 (d) – The last sentence of the first paragraph appears to contradict the last sentence of the second paragraph in 7.4. Suggest that the sentence in 6.10 (d) *could provide a suitable review of the control to address a lack of qualified personnel.*

6.10 (d) – Some of the examples of services that might be performed by an issuer's external auditor are specifically prohibited under auditors' rules of professional conduct. Suggest redrafting and eliminating the examples.

6.13 –(d) Suggest ending the sentence at "auditors" [deleting in connection with an audit of financial statements] as an issuer's auditor may perform other services such as quarterly reviews or an audit of ICFR.

6.15 – We believe that the use of the word "generally" is problematic as the guidance should provide a clear requirement for documentation and then provide leeway over the nature and / or extent of the documentation. Suggest that the guidance will be clearer by removing "generally" in (1), (2), (3) and (4).

7.4 – We agree with the statement "Generally, the individuals who evaluate the effectiveness of specific controls or procedures should not be the same individuals who perform the specific controls or procedures." However, issuers could struggle with how to apply this concept as there will be situations, for example, in the financial reporting process, where the certifying officers perform the control. The companion policy could provide guidance on the activities of the audit committee or the board of directors where senior management are the people that perform DC&P and ICFR functions. Such guidance could be similar to the last paragraph of 8.7 (2).

7.5 – we suggest that third parties, other than the auditor, do not necessarily need to be independent. Suggest deleting the word 'independent.'

7.12 – similar comment to paragraph 6.15. The use of the word "generally" appears to take away from the need for documentation. Suggest that the guidance require documentation and that the nature and/or extent of the documentation vary with the issuer's circumstances.

8.1 (3) – an example would enhance the guidance.

8.3 – The companion policy's guidance results in two classifications of deficiencies [deficiencies and reportable deficiencies]. The sentence in 8.3-a-iii indicates that deficiencies that have been identified and remain unaddressed after some reasonable period of time is a strong indication of a reportable deficiency. However, issuers could have many deficiencies that are of a less severe nature and, as such, there may not be a cost benefit reason to correct them. For these deficiencies, their unremediated state over an extended period would not necessarily be a strong indicator of a reportable deficiency. We suggest that the

guidance wording should focus on control deficiencies that are significant enough to warrant the attention of the audit committee and remain unaddressed after a reasonable period.
8.7 (2) – suggest adding the concept of "another service provider" to the penultimate and last sentence in this paragraph. For example, "a venture issuer could also mitigate the risks associated with a reportable deficiency by having its external auditor or another service provider perform…"

10.2 We have a concern that the proposed guidance could provide some certifying officers with an excuse to use the MD&A discussion to undermine their GAAP based financial statements when they don't like the outcome of the application of GAAP [for example, the taking on debt when consolidating a VIE].

10.3 (6) Consider providing guidance to consider the significance of the underlying entity as some entities may not be significant to an issuer's ICFR.