



April 10, 2008

Mr. John Carchrae
Chief Accountant
Ontario Securities Commission

Mr. Fred Snell
Chief Accountant
Alberta Securities Commission

Ms. Marion Kirsh
Associate Chief Accountant
Ontario Securities Commission

c/o Ms. Carla-Marie Hait
Chief Accountant
Corporate Finance
British Columbia Securities
Commission

c/o Ms. Sylvie Anctil-Bavas
Chef comptable
Autorite des marches financiers

Re: CSA Concept Paper 52-402

Members of the Canadian Securities Administrators:

Nortel Networks Corporation ("Nortel") is pleased to have the opportunity to comment on Concept Paper 52-402, "Possible Changes to Securities Rules Relating to International Financial Reporting Standards". We support the goal of developing a single set of globally accepted, high-quality accounting standards and in that light offer the observations below on the Concept Paper. Following our general observations we provide responses to the specific questions posed therein.

About Nortel

Nortel is headquartered in Toronto and does business in most countries in the world. We supply end-to-end networking products and solutions to help telecommunications service providers and private and governmental enterprises enhance and simplify their communications.

General Observations

The original decision to permit filings under accounting principles generally accepted in the United States ("US GAAP") was very far-sighted in the direction of the goal of the Concept Paper, in that it permitted Canadian companies to report on the same basis as many other North American companies with whom they compete for business and capital. We believe it would be unfortunate to take this opportunity of further global alignment to potentially lose the benefits of the original decision, which is a possible result of the staff's recommendation to cease allowing companies to report on US GAAP. This possibility exists for two reasons:

- A key premise underlying the possible change to the ability to report on US GAAP is incorrect in respect of a number of large companies like ours that report today on US GAAP.
- The transition provision assumes continued momentum toward acceptance of International Financial Reporting Standards ("IFRS") in the United States in the face of political uncertainty and the slow pace of convergence of US GAAP and IFRS.

We explain these points further below.

The question, "Use of US GAAP by domestic issuers", is based on the premise companies like ours who report on US GAAP are now allowed to file with the US Securities and Exchange Commission ("SEC") on IFRS as issued by the International Accounting Standards Board ("IFRS-IASB"). This is only the case if they are considered "foreign private issuers" in the US. We, and a number of other large Canadian companies, do not meet the requirements to be considered "foreign private issuers" and are thus precluded from filing on IFRS-IASB at the present time. In Nortel's case, we fail to meet the requirements because of the extent of our shareholders and assets in the U.S.

In respect of timing, the transition provision that would allow companies like ours to continue to report on US GAAP for a time is appropriate (and appreciated). We have some concerns, however. As observed in the Concept Paper, the SEC seems to be giving strong consideration to establishing a process and a timeline for acceptance of domestic filings on IFRS-IASB. If this apparent momentum continues into the next US administration, it would seem such a transition provision would help address our aforementioned concern. However, the anti-globalization rhetoric in the US political environment, and recent suggestions to merge the SEC with other federal agencies in response to market volatility, cause one to question whether that apparent momentum will continue. There is an additional non-political reality that a US regulator cannot overlook: the remaining significant differences between US GAAP and IFRS-IASB. These differences are closing over time, but the convergence process is an appropriately methodical and therefore slow one, so there can be no assurance it will be complete by the end of the proposed transition period. All of this creates the risk today's momentum will slow, and companies like ours will face the onerous cost of reporting under two different sets of accounting rules, which would be an extremely unfortunate result and one contrary to the goal of one set of global standards. Further, even if IFRS-IASB is accepted in the US within the grandfathered period, a lack of complete convergence at time of acceptance may lead to non-GAAP disclosures (i.e., non-IFRS-IASB disclosures) for the benefit of US investors.

Responses to Questions

Use of IFRS by Domestic Issuers before January 1, 2011

Question 1: Do you agree we should allow a domestic issuer to adopt IFRS-IASB for a financial year beginning on or after January 1, 2009? If not, why?

We agree domestic issuers should be allowed to early-adopt IFRS-IASB, but caution the benefits may not be as strong as indicated in the Concept Paper in several respects. First, domestic issuers with significant foreign operations will find many of their larger subsidiaries, except those that are themselves public companies, are still required to follow local GAAP. Second, as mentioned earlier, a number of the larger SEC registrants in this country are ineligible to file IFRS financial statements with the SEC.

Question 2: Are there additional factors, not discussed in this paper, to consider in deciding whether to allow a domestic issuer to adopt IFRS-IASB before 2011?

We have identified no such factors.

Use of US GAAP by Domestic Issuers

Question 3: Do you agree we should not allow a SEC issuer to use US GAAP for financial years beginning on or after January 1, 2009, with the exception that a SEC issuer filing US GAAP financial statements in Canada for its most recent financial year ending on or before December 31, 2008, could continue doing so until 2013? If not, why do you disagree, and how, if at all, would you modify existing rules?

We respectfully disagree with this possible change because, as discussed earlier, it could expose a number of large Canadian companies to the onerous cost of reporting on two sets of accounting rules because we are unable to qualify as “foreign private issuers” under US securities laws. As “domestic issuers” under those laws, we remain required to report on US GAAP, a requirement recently confirmed by the International Practices Task Force of the Center for Audit Quality. We therefore propose no change to existing rules for SEC registrants that currently file US GAAP financial statements in Canada.

Question 4: Are there additional factors, not discussed in this paper, to consider in deciding whether to allow a SEC issuer to use US GAAP?

We have identified no such factors other than as noted in response to Question 3 and in our general observations.

Question 5: Is the proposed transitional period of five years from 2009 to 2013 appropriate?

The answer to this question is not knowable because the SEC has not yet set a timeline for acceptance of IFRS-IASB. We believe an appropriate approach would be to monitor developments in respect of a possible US timeline, further encourage US movement toward IFRS-IASB, and select a transition approach when more facts become available.

Reference to “IFRS-IASB” instead of “Canadian GAAP”

Question 6: Do you agree that we should require a domestic issuer to prepare its financial statements in accordance with IFRS-IASB and require an audit report on such annual financial statements to refer to IFRS-IASB? If not, why?

We agree with these possible changes as being necessary to achieve the goal of one set of globally accepted standards. As discussed in the Concept Paper, it will be important to avoid even the appearance of jurisdictional modifications.

Question 7: Are there additional factors, not discussed in this paper, to consider in deciding whether securities rules should refer to IFRS-IASB rather than Canadian GAAP?

There will likely be circumstances in which guidance or interpretations on the application of IFRS-IASB, from some Canadian or international source, will become available. These circumstances, and practice in general under IFRS-IASB, will evolve and need to be monitored, but we do not see this as a reason to refer to Canadian GAAP in the securities rules.

We hope you find our comments useful and would be pleased to discuss them at your convenience.

Yours truly,

A handwritten signature in black ink that reads "Paul W. Karr". The signature is written in a cursive style with a large initial "P" and "K".

Paul W. Karr
Controller
Nortel Networks Corporation

C: Mr. Paviter S. Binning
Executive Vice President and Chief Financial Officer
Nortel Networks Corporation