



April 11, 2008

Ms. Carla-Marie Hait  
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British Columbia Securities Commission  
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Ms. Sylvie Anctil-Bavas  
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Autorité des marchés financiers  
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Dear Ms. Hait and Ms. Anctil-Bavas:

Re: CSA Concept Paper 52-402, Possible Changes to Securities Rules Relating to International Financial Reporting Standards

The Committee on Corporate Reporting of Financial Executives International (FEI Canada) is responding to the Canadian Securities Administrators (CSA) invitation to comment on the issues identified in your concept paper "Possible Changes to Securities Rules Relating to International Financial Reporting Standards".

FEI Canada is an all-industry professional association of senior financial executives, with eleven chapters across Canada and more than 2000 members. Membership is generally restricted to senior financial officers of corporations, as well as senior financial officers in public sector organizations.

The Committee on Corporate Reporting (CCR) is one of two national committees of FEI Canada. CCR membership is comprised of more than 20 senior financial executives representing a broad cross-section of FEI membership and the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of accounting, corporate reporting and disclosure issues.

We are supportive of global convergence to a single set of accounting standards for all Canadian and international market participants. We agree that the adoption of IFRS by domestic companies competing in the Canadian market place and large international companies doing business in a multitude of countries is consistent with the goal of moving to one set of international



standards. However, we believe that the circumstances which led to the inclusion of US GAAP as an acceptable accounting principle for SEC registrants in NI 52-107 remain in place and that option should not be removed until such time as the United States adopts IFRS. We believe that forced convergence to IFRS ahead of United States adoption of IFRS would disadvantage their existing shareholders and potential investors relative to their competition.

We are pleased to have the opportunity to provide our views on the very important issues raised in the CSA Concept paper. We elaborate on both our support of some of the CSA's conclusions and our concerns regarding others in the following discussion. Our specific comments are presented as responses to each of the CSA's questions.

**Questions:**

***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?***

The Accounting Standards Board (AcSB) has now confirmed that the mandatory changeover date will be for financial years beginning on or after January 1, 2011. However, we agree that early adoption of IFRS should be permitted for domestic issuers. Issuers that are prepared for IFRS ahead of the final conversion date should be permitted to realize their efficiencies and reduce their reporting costs. Other issuers as well as audit firms and securities regulators may benefit from the experiences of companies that have adopted early.

We remain concerned that the education and awareness of IFRS is not sufficiently well advanced in Canada which has the potential to cause confusion amongst analysts and investors. Early adopters will need to ensure that IFRS awareness is enhanced significantly or such a move may be detrimental to the capital markets and their investors.

***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?***

Legislative or regulatory requirements that stipulate use of Canadian GAAP would need to be amended to permit use of IFRS. These changes should be coordinated with the AcSB to ensure that a consistent approach is being adopted. Specifically it is imperative that the CSA and the AcSB agree on a consistent naming convention to avoid confusion.



**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 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 disagree with proposed changes to NI 52-107 that would disallow use of U.S. GAAP as currently permitted under NI 52-107. Companies that elect to file U.S. GAAP statements typically compete in U.S. markets and access U.S. capital and therefore need to provide investors with understandable financial information on the same basis as their competitors. In addition, companies that have adopted U.S. GAAP as permitted under NI 52-107 have done so to reduce their financial reporting costs by eliminating reporting under more than one set of standards. Requiring these companies to transition to IFRS ahead of a potential U.S. commitment and adoption timetable would disadvantage these companies and their shareholders. While we support the eventual convergence to one global standard, we believe these rules should not be modified until the United States has fully committed to the adoption of IFRS. At that time, the elimination of U.S. GAAP for Canadian issuers under NI 52-107 should be aligned with the timetable set by the U.S. for full adoption of IFRS.

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

Companies that have adopted U.S. GAAP as their sole reporting basis represent a significant (about 15 percent by market capitalization) portion of the top 100 TSX listed companies.

The SEC's decision to allow *foreign private issuers* to file financial statements in accordance with IFRS-IASB without reconciliation to U.S. GAAP will not eliminate the burden of preparing financial statements in multiple GAAPs for all of these companies. Some Canadian SEC issuers are required to file their financial statements with the SEC as *U.S. domestic issuers* and would therefore be required to continue to follow the same complete filing requirements as U.S. companies.

Companies that compete in U.S. markets and access U.S. capital may need to continue to provide their investors with the U.S. GAAP financial information on the same basis as their U.S. competitors regardless of the SEC's decision for foreign private issuers. There are differences between U.S. GAAP and IFRS which impact the understandability and comparability of reported results. Some



Canadian companies forced to adopt IFRS ahead of their U.S. competitors may choose to incur additional costs to continue to prepare complete and audited financial statements in U.S. GAAP to meet investor needs. Alternatively, companies may choose to publish earnings on an estimated U.S. GAAP basis using unaudited non-GAAP measures.

Companies adopting IFRS ahead of their U.S. competitors may be compelled to invest in costly system changes to implement new accounting rules which may be reversed by the time the U.S. agrees to require IFRS for U.S. domestic companies.

Given the potential competitive disadvantages from a commercial and capital markets perspective, some Canadian SEC filers may assess their strategic options in respect of structure and place of listing, which could lead to undesirable consequences for the Canadian securities markets.

***5. Is the proposed transitional period of five years from 2009 to 2013 appropriate?***

While consideration needs to be given to changing underlying accounting practices, financial systems, business controls, and commercial and contractual arrangements, five years would normally be sufficient to prepare financial statements under a new GAAP. However, U.S. GAAP users in Canada will have additional challenges in that the developing expertise in Canada, including support from the Canadian Institute of Chartered Accountants (CICA), is designed to help transition Canadian GAAP users to IFRS. A similar support environment does not currently exist, nor is it developing, for U.S. GAAP to IFRS transition. The answer also depends on whether Canadian companies currently reporting on a U.S. GAAP basis will fully adopt IFRS and discontinue reporting on a U.S. GAAP basis or whether they will need to produce two sets of financial statements with commensurate implications for underlying accounting process and financial systems. A five year fixed transition without further harmonization of U.S. GAAP and IFRS may prove difficult to meet.

Based on the responses to questions 3 and 4, we believe that the appropriate transitional period must consider the requirements of companies and their investors that compete in markets where their competitors have a reporting choice. To ensure Canadian companies that have adopted U.S. GAAP are not competitively disadvantaged, the proposed transition period should be directly aligned with the transition period required for U.S. companies to adopt IFRS.

The CSA should regularly monitor and review the status of U.S. plans to allow domestic filers to report on IFRS and establish an appropriate transition period



based on the U.S. timetable. Consideration should be given to establishing a Canadian and United States committee of accounting representatives that would coordinate the convergence to IFRS on a joint implementation timetable.

**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?**

The AcSB has stated that it will adopt IFRS in their entirety as published by the IASB but intend to publish these as Canadian GAAP for various reasons. We believe the CSA's approach is consistent with that proposed by the AcSB except in nomenclature. We are concerned that reference to Canadian GAAP may confuse both domestic and international investors by implying that Canada has a jurisdiction specific version of IFRS. This may be an issue for Canadian companies that file with the SEC because the SEC will only accept IFRS-IASB GAAP from foreign private issuers.

We believe the CSA should work with the AcSB to agree on a common naming convention that avoids confusion and potential issues with the use of Canadian IFRS statements in other jurisdictions. We note that financial statements and audit reports from some larger companies in Europe refer to the fact that their financial statements have been prepared in accordance with both local IFRS and IASB IFRS. If the intent is to retain "Canadian GAAP" to minimize legislative changes then this may be a compromise solution, but the CSA and the AcSB should work together to agree on this as soon as possible.

Once this is resolved, the audit certificate should follow the same approach.

**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?**

Under their IFRS-IASB proposal, the CSA should clarify for Canadian companies and auditors whether guidance or interpretations issued by the AcSB or the CSA will be required to be followed by companies filing financial statements in Canada. Such guidance or interpretations would not be part of IFRS as issued by the IASB and it is possible that a company may disagree with a certain piece of guidance or an interpretation and feel that another accounting treatment provides more relevant and transparent reporting.



Finally, we remain concerned that the CSA and the AcSB need to enhance co-ordination to reach joint conclusions on key issues. This is important to ensure that confusion in the market is avoided and the preparer community is not left with conflicting requirements.

The Committee on Corporate Reporting (CCR) trusts that you find our comments constructive and we would be happy to discuss our comments with you at any time.

Yours truly,

A handwritten signature in black ink, appearing to read "Alister Cowan".

Alister Cowan  
Chair, Committee on Corporate Reporting  
FEI Canada

cc: Fred Snell, Chief Accountant, Alberta Securities Commission

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