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Dear Staff of the Canadian Securities Administrators (CSA):

Re: CSA Concept Paper 52-402 (“Concept Paper”)

REALpac is pleased to respond to the Concept Paper issued by the CSA February 13, 2008. REALpac is a national association comprised of the largest owners, developers, and managers of commercial real estate in Canada, including publicly traded and large private companies, banks, brokerages, Crown corporations, investment dealers, life insurance companies, pension funds, lenders and real estate investment trusts (“REITs”). Our members currently own combined, approximately \$150 billion in real estate assets across Canada. REALpac itself is a not-for-profit entity.

In this submission, we address each of the seven questions posed by the Concept Paper. In order to respond to this Concept Paper, REALpac surveyed its members and gathered the responses which have been summarized for each question. Member entities responding to our survey comprise of REITs and corporations with investments in a wide range of asset classes (retail, industrial, multi-family residential, seniors residential and office).

1. 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?

Of the survey responses received, 73% of REALpac members agreed that the CSA should allow a domestic issuer to adopt IFRS-IASB for the financial year beginning on or after January 1, 2009. Those in support of early adoption state that this will increase the comparability of Canadian financial statements in the global marketplace and that the likely impact of early adoption will be minimal as several standards issued by the Accounting Standards Board (AcSB) which go into effect prior to changeover on January 1, 2011 are already converged (e.g. Business Combinations, Intangible Assets). Some members felt that if certain entities have the resources and action plans to successfully adopt earlier, these entities should not be held back from these goals. Lastly, those members already preparing IFRS financial statements for an international parent/investor were strong advocates of early adoption as synergies in the preparation of financial statements could be realized immediately.

Alternatively, 27% of REALpac members did not agree with early adoption of IFRS stating that the lack of comparability of financial statements during the two year period prior to changeover would not be favourable to capital markets, investors and other users of financial statements. In addition, for the real estate investment industry, IFRS introduces an accounting standard significantly different from current Canadian GAAP, IAS 40 *Investment Properties*. Under IAS 40, entities may chose to measure investment properties at fair value instead of historical cost. This will lead to a significant GAAP difference between those entities that early adopt versus those that do not. Lastly, certain members felt that the real estate industry needs more time to work towards best practices or standards for the valuation of investment properties as it is felt that current practices vary widely.

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 would like to raise one additional issue that needs to be clarified. The issue is whether or not IFRS-IASB, if adopted earlier than the official changeover date of January 1, 2011, will be considered “Canadian GAAP”. It has been made very clear that when Canada moves to IFRS on January 1, 2011 IFRS will be considered “Canadian GAAP”, thus allowing entities to continue to abide by contracts with terms referring to “Canadian GAAP”. It would be helpful if the CSA and the Accounting Standards Board of Canada clarify that IFRS-IASB adopted prior to January 1, 2011 will also be deemed “Canadian GAAP” such that those entities adopting early may continue to meet contract terms without significant contract modification.

2. 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?

Of the survey responses received, 73% of REALpac members agreed that the SEC should not allow a SEC issuer to use US GAAP for financial years beginning on or after January 1, 2009 with the five year exception provided to issuers filing financial statements on or before December 31, 2008.

27% of REALpac members disagreed with this proposed rule for SEC issuers. Some members noted that IFRS does not necessarily offer the best financial reporting framework for all issuers and that US GAAP should be offered as a choice to those entities. Others that disagreed with this proposal only did so because they did not agree with the proposed transitional period. These members felt that the transitional period offered to those issuers that file a US GAAP financial statement on or before December 31, 2008, should only extend to 2011. That is, the transitional period should conclude at the same time as the IFRS changeover date.

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?

REALpac members again noted that the transitional period for those issuers that file US GAAP statements on or before December 31, 2008 should be reconsidered. The five year transitional period appears unnecessarily long and it may result in unnecessary confusion in the stakeholder community for the two year period of 2011-2013.

Secondly, some REALpac members commented that certain Canadian SEC issuers may wish to achieve comparability with U.S. based entities by issuing US GAAP financial statements. If these entities are mandated to issue IFRS financial statements for CSA filings, these entities will need to issue two sets of financial statements (US GAAP and IFRS) and incur additional financial reporting and compliance costs. The SEC has not made a decision yet with respect to allowing US domiciled entities to issue financial statements using IFRS instead of US GAAP and the CSA must consider the possibility that US based entities will continue to report under US GAAP indefinitely.

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

Of the survey responses received, 64% of REALpac Members felt the transitional period of five years to be appropriate. However, further to our comments made under Questions 4 and 5, 36% of members felt that the transitional period was too long and should only be three years ending in 2011 to coincide with the IFRS changeover date.

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?

Of the survey responses received, 82% of REALpac members agreed that a domestic issuer should be required to prepare financial statements in accordance with IFRS-IASB and also require the related audit report to refer to IFRS-IASB. All Members commented that IFRS adopted by Canada should reflect entirely the IFRS issued by the IASB and should not reflect any Canadian-made modifications. These members commented that IFRS financial statements issued in Canada should be fully comparable to global counterparts also issuing financial statements under IFRS. Other members also commented that the reference to IFRS-IASB will provide greater clarity and understanding that the standards used, although understood to be Canadian GAAP, truly represent IFRS issued by the IASB (rather than a jurisdiction specific version of IFRS).

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?

Members cited that the CSA must be confident that it will be able implement changes in securities rules to refer to IFRS rather than Canadian GAAP without other laws and requirements in Canada having to be changed. In addition, Canadian entities will need to be certain that financial statements, and related audit reports, issued with reference to “IFRS-IASB”, will be equivalent to a “Canadian GAAP” reference for all contracts and other legal documents. Further to our comments under Question 2, the CSA and the Accounting Standards Board need to clarify that for those issuers adopting IFRS early, will be able to refer to IFRS-IASB with equivalent meaning to Canadian GAAP for contract and other legal purposes.

Some members further commented that many entities are in the scoping and planning stages of their IFRS convergence plans. It is likely that additional issues will arise as entities examine in greater detail all aspects of their operations that will be affected by the convergence to IFRS. We recommend that Canadian issuers be able to continually provide feedback to the CSA and raise issues of concern throughout the next three years before the final changeover to IFRS on January 1, 2011.

REALpac and our members thank you for the opportunity to provide comments to this very important Concept Paper.

If you have any questions regarding our comments, please do not hesitate to contact me.

Sincerely,



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