



April 11, 2008

CSA Members:

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c/o Ms. Hait and Ms. Anctil-Bavas

Subject: Request for comment: CSA Concept Paper 52-402 – Possible changes to securities rules relating to International Financial Reporting Standards

Dear Ms. Hait and Ms. Anctil-Bavas:

Grant Thornton LLP and Raymond Chabot Grant Thornton LLP (we) thank you for the opportunity to comment on the possible changes to securities rules on acceptable accounting principles for financial reporting relating in particular to the changeover in Canada to International Financial Reporting Standards.

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Specific requests for comment

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?

Yes, we agree that the CSA should allow a domestic issuer to adopt IFRS-IASB at the beginning of its financial year beginning on or after January 1, 2009. However, we see the January 1, 2009 date as arbitrary and relating solely to the date of the related rulemaking. In the event that the modifications to the rule are published such that an issuer might apply it for any year ending in 2009, then we believe this should be permissible. For example, if a reporting issuer has a November year end it should be allowed to adopt IFRS for its financial year beginning on December 1, 2008.

We agree that readiness of preparers, investors, auditors, analysts and regulators is a factor which should be considered. This is why we believe that during a transition period the use of IFRS-IASB should be optional. By making the early adoption optional, entities will be provided with appropriate flexibility to convert based on readiness. We are both audit firms and as such we have audit readiness programs in place. A staggered implementation will permit individuals knowledgeable about IFRS to be assigned to such audit mandates and to help train other individuals within the firm. We believe this will aid the overall transition to IFRS and increase the number of individuals knowledgeable about IFRS at the mandatory changeover date.

Though preparers, auditors and regulators may lack depth in experience in applying IFRS, most of us affected are going to be learning through self study, attendance at seminars and hands on experience. We believe that delaying the implementation date to the CICA's Accounting Standards Board's (AcSB) mandatory changeover date would not further enhance our experience in applying IFRS.

The CSA concept paper mentions issuers likely to consider early adoption. We agree that this option will be of interest to such issuers. Cross border filers (and those considering an IPO in both countries) would not have to keep up to date with US GAAP given its complexities and could apply that effort (and related cost) to increasing their knowledge of IFRS. This would shorten the period during which a preparer has to start becoming familiar with IFRS as well as keep up to date with US GAAP.

The issue of comparability was also raised in the CSA concept paper. We do not see this as something that should prevent early adoption. Canada currently allows Canadian, US and IFRS GAAP depending on the location of the issuer rather than industry or other classifications. The market appears to have accepted these three bases of accounting. If comparability has not been a problem up to now, we do not see why it would be a problem between now and 2011.

We note that the SEC release of December 21, 2007 permits a foreign private issuer to file financial statements prepared in accordance with IFRS-IASB without having to reconcile those financial statements to US GAAP for financial years ending after November 15, 2007. We do not see a difference in the environment in Canada that would call for a significant difference in timing.

We note that foreign private issuers filing on Form 20-F or Form 40-F with the SEC do not have a requirement to file interim financial statements (though they do furnish them on Form 6-K). Nonetheless, we believe it would be appropriate in Canada to implement IFRS at the beginning of a fiscal year so that both the interim and annual financial statements would be prepared on the same basis.

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?

None other than those set out in the response to Question 1.

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?

At this time, we believe that the CSA should not prohibit the use of US GAAP for Canadian issuers who are SEC registrants as at any date. We agree that the goal of a single set of high-quality accounting standards that are accepted and applied globally is an appropriate objective. We also agree that there is cost involved in supporting multiple standards that are complex and result in a reduction in comparability for market participants. Having said that, it strikes us that despite the overall objective of having a single set of high-quality accounting standards that are accepted and applied globally, the continued use of US GAAP by domestic SEC registrants suggests that in practical terms, the overall objective will not be achieved in the near term. In reality, we are currently moving toward two sets (IFRS and US GAAP) of high-quality accounting standards being relevant in our marketplace. In such case, we wonder whether it is necessary or desirable to prohibit the use of US GAAP for Canadian issuers who are SEC registrants. We believe that a persuasive case has not been made for that in the CSA concept paper. One relevant question is whether US GAAP is an acceptable basis of accounting. If it is, then given our marketplace, its use should be permitted for Canadian issuers who are SEC registrants as it is now. Nothing has changed that makes the use of US GAAP fundamentally not acceptable.

Furthermore, we note that the full impact of IFRS is not yet known or well understood in Canada. As mentioned in the CSA concept paper there is uncertainty about IFRS. Issuers in certain industries may be disadvantaged compared to their

American counterparts who can continue to use US GAAP either because of the application of IFRS specific to their industry or because competitors are using US GAAP. Therefore, issuers may not yet have all of the information they need to properly consider all of the consequences. Given our location and the size of the American market, we believe that comparability to competitors who use US GAAP continues to be a relevant consideration.

Also, we understand that efforts are being made to converge US GAAP and IFRS so we wonder what harm there really is in letting the status quo continue. US GAAP and IFRS may naturally converge and we expect that in general differences between the two will likely diminish though we agree that there is uncertainty regarding that.

We have the following specific comments regarding your proposal. We note that your tentative conclusion would permit a five year transition period. So, despite the costs and complexity, the position in the CSA concept paper is to tolerate US GAAP until 2013. Given that the mandatory changeover is not going to occur in Canada until 2011, we do not see the reason that there is a need to limit the use of US GAAP prior to that date. Given that in order to use IFRS, the CSA staff is pointing out that a registrant will have to carefully assess the readiness of its staff, board of directors, audit committee, auditors, investors and other market participants to deal with the change, we submit that the same readiness issues apply to a cross border SEC registrant. Therefore, (and subject to our comments set out above) we believe that the use of US GAAP for a SEC issuer should not be limited prior to the changeover date of 2011. This will ensure sufficient time for the SEC registrant domestic issuer to ensure appropriate readiness before making the change to IFRS whether or not it filed US GAAP financial statements in Canada for its most recent financial year ending on or before December 31, 2008.

We also do not understand the logic for the exception permitting a domestic issuer filing US GAAP financial statements in Canada for its most recent financial year ending on or before December 31, 2008 to do so for five years to 2013. We do not see that such issuers require more time to changeover to IFRS than a Canadian company that is a reporting issuer in Canada only. If they are going to be forced to changeover (which we do not support, as set out above) we suggest that the mandatory changeover date be the same for all categories of issuers.

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?

None other than as set out in the response to Question 3.

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

Please see our comments in the response to Question 3.

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 believe it is premature for securities laws in Canada to 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. This is because several important issues, for example, the continued use of US GAAP as set out above, have not been resolved. In any event, such a requirement would only be relevant after the transition period.

We also believe that there are other considerations relevant to this question that have not been addressed in the CSA concept paper. We believe that the consequences to the AcSB and Canadian standard setting in general, of requiring a domestic issuer to prepare its financial statements in accordance with IFRS-IASB need to be considered. Has the CSA considered who would be the overseer of accounting standards for Canadian public companies? It would seem that requiring only IFRS-IASB might diminish the authority of the AcSB. The role of an overseer might include ensuring Canadian participation in the development of international accounting standards. We believe the CSA should consider the implications of these matters.

We agree that jurisdictional modifications to IFRS can be problematic for the reasons set out in the CSA concept paper. However, we believe that the continued use of the term Canadian GAAP, even if we do not actually make modifications to IFRS-IASB, may have significant positive consequences such as taking a more active role in the development of the standards themselves. In addition, we believe that there are ways to counter the unintentional impression that Canada is modifying IFRS if it continues to use the term Canadian GAAP through appropriate communications.

Secondly, we wonder whether the CSA's tentative conclusion with respect to requiring the use of IFRS-IASB is consistent with the fact that Canada has two official languages. We believe that the CSA, issuers and other stakeholders in Canada need to have a better understanding of plans for authoritative, timely French translations of IFRS-IASB prior to requiring the use of IFRS-IASB. We understand that the French translations of a significant portion of IFRS-IASB by the International Accounting Standards Committee Foundation are not authoritative. In addition, we wonder about the quality and timeliness of those translations and question whether issuers and other stakeholders would be able to rely on that process in Canada. Has the CSA obtained information regarding how other countries deal with this issue? The CICA and AcSB have a history of producing high quality, timely translations of accounting standards. In closing, there are significant issues that the CSA needs to address prior to finalizing its views.

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?

None other than as set out in our responses to the other questions.

Should you have any questions on the contents of this letter, please contact one of the undersigned.

Yours truly,

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