

Carla-Marie Hait
Chief Accountant, Corporate Finance
British Columbia Securities Commission
email: chait@bcsc.bc.ca

Fred Snell
Chief Accountant
Alberta Securities Commission
email: fred.snell@seccom.ab.ca

John Carchrae
Chief Accountant
Ontario Securities Commission
e-mail: jcarchrae@osc.gov.on.ca

Marion Kirsh
Associate Chief Accountant
Ontario Securities Commission
email: mkirsh@osc.gov.on.ca

Sylvie Anctil-Bavas
Chef comptable
Autorité des marchés financiers
e-mail: Sylvie.anctil-bavas@lautorite.qc.ca

April 14, 2008

Dear Sirs/Mesdames:

CSA Concept Paper 52-402, *Possible changes to securities rules relating to International Financial Reporting Standards (the “Concept Paper”)*

We are pleased provide our comments on the issues raised in the Concept Paper and would welcome any opportunity to discuss them with you in greater detail.

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Yours very truly



Gordon C. Fowler
Partner, KPMG LLP
National Assurance and Professional Practice
416-777-3490



Alan G. Van Weelden
Associate Partner, KPMG LLP
National Assurance and Professional Practice
416-777-8080

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?

Response: We agree. Given the complexities of the conversion process we do not expect many issuers to early adopt IFRS. However, we agree that some issuers will want to early adopt for valid reasons such as those listed in the Concept Paper. We particularly support early adoption for entities considering an initial public offering of their securities as discussed in more detail in the next paragraph. We also believe that many investors, investment managers and analysts are already familiar with financial statements prepared in accordance with IFRS as a result of investing in or tracking the performance of foreign entities such as those based in the European Union.

We believe the ability to adopt IFRS early will be increasingly important to IPO issuers as the mandatory implementation deadline of January 1, 2011 approaches. The prospect of going public in Canada requires an entity to have a financial reporting system capable of meeting the continuous and timely disclosure obligations of a reporting issuer. This system should include internal control considerations such as designing and maintaining accounting records, and selecting and applying appropriate accounting policies. In some cases these considerations require modification to an existing financial reporting system, but in other cases they require development and implementation of a new system. To build a financial reporting system on a Canadian GAAP platform and then face an IFRS conversion process within a relatively short timeframe may be inefficient and potentially disruptive to the business. An IPO candidate in 2009 or 2010 may be wise to adopt IFRS-IASB beginning with the financial statements included in its IPO prospectus. The IPO process would entail recruiting an accounting group that can build and sustain a financial reporting system on an IFRS platform and recruiting one or more audit committee members with IFRS credentials.

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?

Response:

We have no additional factors for consideration.

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?

Response:

We do not agree. Like the CSA we support the goal of establishing IFRS-IASB as the globally accepted and applied basis of financial reporting. However, we continue to believe that one of the acceptable paths for attaining this goal should include aligning the timing of the conversion process with that of our “next door neighbour”. Accordingly, at a minimum, we support the retention of the exemptions for Canadian SEC issuers in Part 4 of NI 52-107.

The SEC’s elimination of the US GAAP reconciliation requirement for foreign registrants reporting under IFRS-IASB removes one compelling reason for allowing Canadian domestic issuers to use US GAAP. We believe other compelling market-based factors remain for the continued use of US GAAP by Canadian reporting issuers. Canada’s close proximity to the United States has naturally resulted in a substantial degree of cross-border trading and many Canadian issuers compete directly with US entities in both the US capital markets and the markets for their products and services. The decision to become or continue to be an SEC registrant requires an entity to carefully weigh the potential benefits against the costs, including the incremental costs of compliance with the SEC’s stringent rules and regulations. In some cases the ability to attract or maintain a wide base of investor and investment community interest may require an entity to use US GAAP to allow its performance to be directly benchmarked against US-based competitors. We believe this financial reporting decision should continue to rest with the Canadian SEC issuer in light of its particular facts and circumstances.

We also believe the CSA should expand the availability of US GAAP reporting (without reconciliation) to all reporting issuers. While substantial improvements to IFRS-IASB have been made in recent years, there are specialized industries for which IFRS-IASB presently does not have high-quality accounting standards, e.g., extractive industries (particularly oil and gas); insurance companies; high-technology companies; regulated industries. Both US GAAP and Canadian GAAP have high quality accounting standards for such entities and in some cases an interim transition to US GAAP would better facilitate an ultimate conversion to IFRS-IASB. Rather than restrict the availability of US GAAP to domestic issuers in select industries, we advocate an exemption for all

reporting issuers believing that market forces will effectively limit the use of the exemption to a relatively small number of reporting issuers.

Finally, we do not believe it is necessary to place a timeframe on the option provided in Part 4 of NI 52-107 for reasons explained in our response to Question 5. If a timeframe is imposed for a transition to US GAAP, we believe it should be extended by one year. This would allow the issuers to make a transition to US GAAP reporting in a more orderly manner and would provide additional time to monitor and consider financial reporting developments in the United States.

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?

Response:

We have no additional factors for consideration.

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

Response:

We do not believe it is necessary to specify a fixed transitional period. Permission to use US GAAP for a Canadian reporting issuer should exist for as long as US GAAP continues to be accepted by the SEC. The uncertainty about the direction of future US reporting standards is a matter that all SEC registrants (including Canadian SEC issuers) will have to consider and address. If and when US GAAP converges with, or adopts IFRS, Canadian issuers reporting on a US GAAP basis would be able to make the necessary conversion at the same time as their US-based competitors.

We expect the SEC's ongoing public consultations and discussions to result in an SEC rule permitting some US public companies to adopt IFRS-IASB as the sole basis for their US domestic financial reporting obligations. We continue to expect that all US public companies eventually will be required to adopt IFRS-IASB. If we are wrong and US GAAP continues to thrive in the long run as a competing alternative to IFRS-IASB, we do not see any need for a regulatory ban on its use by domestic issuers.

3. 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?

Response:

We agree in part. We support a “dual compliance” approach whereby IFRS-IASB and Canadian GAAP would be the basis of accounting required under NI 52-107’s general rules and that an audit report on such annual financial statements would refer to both IFRS-IASB and Canadian GAAP.

In order to be readily accepted for use in all of the world’s major capital markets it is essential for the reference to GAAP in the audit report accompanying a domestic issuer’s annual financial statements to be unequivocal. We believe the reference to IFRS-IASB will achieve this objective. The additional reference to Canadian GAAP should ensure the acceptability of the report for purposes of compliance with applicable corporate law and contractual provisions.

We believe the AcSB fully appreciates the futility of attempting to create and sustain a “Canadian version” of IFRS and will not take actions that could potentially undermine the integrity of the application of IFRS-IASB by domestic issuers. We foresee a continuing need for the AcSB to assist Canadian issuers, auditors and regulators in understanding and applying IFRS-IASB in Canada. For example, IAS 12, *Income Taxes*, contains the following provision: “...in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws)”. The application of this provision of IAS 12 by a Canadian-based issuer requires a detailed knowledge and understanding of the process by which federal and provincial income tax laws and regulations are established. Under the dual compliance approach, the issuance of guidance by the AcSB that is considered to be (i) Canadian GAAP and (ii) in accordance with IFRS-IASB would ensure that the effects of a substantively enacted change in tax rates or tax laws are recognized by Canadian issuers in a consistent manner. Without a dual compliance approach a Canadian issuer could choose to ignore the AcSB’s guidance and establish its own point of recognition. We recognize that differences in legislative processes throughout the world will result in different points of recognition under IFRS-IASB in different jurisdictions, but we see little or no merit to tolerating multiple points of recognition within a single legislative process.

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?

We have no additional factors for consideration.