



April 14, 2008

**VIA E-MAIL**

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Dear Members of the Canadian Securities Administrators;

**Re: CSA Concept Paper 52-402 – Possible Changes to Securities Rules Relating to International Financial Reporting Standards (“IFRS”)**

TSX Group Inc. welcomes the opportunity to comment on behalf of both Toronto Stock Exchange (“TSX”) and TSX Venture Exchange (“TSX Venture”) (collectively, the “Exchanges”) on the Concept Paper 52-402, *Possible Changes to Securities Rules Relating to IFRS* (the “Concept Paper”) as published by the Canadian Securities Administrators (the “CSA”) on February 15, 2008.

All capitalized terms have the same meanings as defined in the Concept Paper, unless otherwise defined in this letter.

Overall, the Exchanges support the adoption of IFRS in Canada. Like the CSA, the Exchanges also support the goal of a single-set of high-quality accounting standards that are accepted and applied globally. We therefore support the proposed early voluntary adoption of IFRS by issuers for financial years beginning on or after January 2009, to smooth the transition for industry and enable new issuers to avoid any unnecessary transition costs. The Exchanges are actively building awareness of IFRS among our issuers. With the cooperation and support of the Canadian Institute of Chartered Accountants (CICA), we recently distributed the CICA publication, *20 Questions Directors and Officers Should Ask About IFRS Conversion*, to our listed issuers in order to assist in their preparation for the introduction of IFRS.

With respect to the use of US GAAP by domestic issuers that are SEC issuers, the Exchanges do have concerns with the tentative conclusion supporting the elimination of the current provisions in

NI 52-107 relating to the use of US GAAP by domestic issuers to a mandatory transition date in 2013.

When the CSA initially proposed allowing domestic issuers that are SEC issuers to use US GAAP only, the CSA stated that it expected issuers to realize significant cost reductions since issuers need not prepare two sets of financial statements to meet their regulatory obligations. While the SEC will now accept financial statements prepared in accordance with IFRS with no reconciliation to US GAAP from foreign private issuers, the Exchanges understand that many interlisted issuers, particularly larger issuers, will have, for all intents and purposes, to report their financial statements in both US GAAP and IFRS.

Interlisted issuers have a number of industry and competitive reasons for reporting in US GAAP:

- Industry peers report in US GAAP.
  - These issuers believe they benefit by reporting in US GAAP since it increases comparability with peers, and can attract analyst coverage and investors.
- US GAAP is their industry accounting standard.
- Fulsome industry standards are still being developed for IFRS and given it is uncertain how IFRS may be implemented in certain situations going forward, these issuers are duly concerned about the potential negative impact of prematurely adopting IFRS.

The cost and burden associated with the preparation of financial statements using two sets of accounting standards (IFRS and US GAAP) in addition to the substantial transition cost to IFRS will impact not only issuers, but investors and other market participants. These factors must be weighed against the speed of achieving one set of accounting standards applied globally.

The Exchanges believe that these powerful business reasons should be given more weight by the CSA in reaching its final conclusion, particularly in light of the fact that there would not be any apparent public harm in permitting the extension.

We are also uncertain that Canadian shareholders will be confused by the existence of three sets of accounting standards in Canada for a limited time. Canadian shareholders currently receive US and Canadian GAAP financial statements as a result of NI 52-107, and will learn to use and understand IFRS financial statements in the coming years. Permitting shareholders to continue to receive US GAAP financial statements which they already understand should not be problematic for shareholders.

The Exchanges, therefore, arrive at a different conclusion than the CSA when weighing the relevant factors. On balance, we therefore support extending the permitted use of US GAAP by domestic issuers reporting in US GAAP until such time as the SEC mandates the use of IFRS by US issuers.

The Exchanges further wish to note that there remain important conversion issues for Canadian issuers in certain businesses and sectors. One such critical example concerns the oil and gas industry. In connection with considering our support for the adoption of IFRS, we have also read the submissions of the Oil & Gas Industry IFRS Oversight Committee and of the Canadian Association of Petroleum Producers and the Small Explorers and Producers Association of Canada (all included as Observer Note 5B to the March, 2008 IASB Board Meeting) concerning the application of IFRS 1 to the Canadian Oil and Gas Industry. We would like to take this opportunity to express our support for the proposals for amendment to IFRS 1 contained therein. We believe these proposals for amendment would provide for a cost effective transition to IFRS while maintaining a fair and efficient capital market.

Attached as Schedule A to this letter are responses to the specific questions set out in the Concept Paper.

Thank you for the opportunity to comment on the Concept Paper. Should you wish to discuss any of the comments with us in more detail, we would be pleased to respond.

Yours truly,

**TSX INC.**

“Richard Nadeau”

**TSX VENTURE EXCHANGE INC.**

“Kevan Cowan”

## Schedule A

**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 early voluntary adoption of IFRS should be permitted as it will ease the strain of transition to IFRS and enable new issuers to avoid transition costs.

**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?**

**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 the existing rules?**

We recognize the concerns of issuers currently reporting in US GAAP under the existing provisions of NI 52-107, many of whom would, for all intents and purposes, be forced to use two sets of accounting standards under this proposed timeline. We support enabling such issuers to continue reporting in US GAAP for market and competitive reasons and do not see significant detriment in permitting that to continue until such time as the SEC mandates the use of IFRS. We propose maintaining the existing provisions in NI 52-107 that permit reporting in US GAAP for those domestic issuers that are SEC 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?**

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

See 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?**

Yes, we agree with the proposal regarding references to IFRS-IASB and the goal of transparency. We further agree that the French translation issue is of importance and are hopeful that it will be resolved satisfactorily.

**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?**