

April 15, 2008

Mrs. Carla-Marie Hait
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British Columbia Securities Commission
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Mrs. Sylvie Anctil-Bavas
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Subject: CSA Concept Paper 52-402
Possible changes to securities rules relating to International Financial Reporting Standards

Dear Mrs. Hait and Mrs. Anctil-Bavas:

Thank you for the opportunity to provide our comments on the proposed rule "Concept Paper 52-402 Possible changes to securities rules relating to International Financial Reporting Standards" issued by the Canadian Securities Administrators ("CSA").

Zi Corporation develops and markets intelligent interface solutions designed to enhance the usability of mobile handsets and consumer electronic devices. Our shares are publicly traded on both the Toronto Stock Exchange and Nasdaq Capital Market with a current market capitalization of approximately \$26 million. Our corporate headquarters are in Calgary, Canada with offices in the United States of America, Sweden, China, Hong Kong and Japan; and a sales team that markets our products to customers around the globe. Zi Corporation has approximately 90 employees worldwide, with approximately 40 located in Calgary.

Prior to 2003 we issued our financial statements in accordance with Canadian generally accepted accounting principles ("CDN GAAP"), with an annual reconciliation to U.S. generally accepted accounting principles ("US GAAP"). In order to provide information on a more comparable basis with our industry peers and to better assist with the understanding of the financial statements to the majority of our shareholders, who are in the United States, effective December 31, 2003, we began reporting our financial position, results of operation and cash flows under US GAAP in our consolidated financial statements.

We support the harmonization of accounting principles for financial reporting. As globalization progresses rapidly, the initiative to move towards one common set of accounting standards worldwide has to be commended. The major challenge is how to achieve that objective without causing any detrimental effects on Canadian companies, including implementation and financial reporting costs. The implementation timeline is the concern that we would like to raise. The CSA's tentative conclusion that would, after the year 2013, not allow an SEC Issuer, like us, the option to prepare one set of financial statements under US GAAP would, in our view, be a step backwards and needs to be reviewed

considering all factors. For instance, it is important for all companies to be allowed to adopt IFRS at the same time as their competitors in order to maintain comparable financial statements. To not allow this would impose additional financial reporting costs on all companies, which seem inappropriate and unfair.

At the very least, we believe that the Canadian companies that have availed themselves of the choice given to them by the Canadian regulators to file US GAAP financial statements should be grandfathered until the U.S. companies are required to adopt IFRS. It would be unfair to take away a choice recently given by the regulators and effectively penalize to those companies.

Zi Corporation and other SEC Issuers in Canada will need to continue reporting under US GAAP until the SEC adopts IFRS-IASB for all U.S. domestic filers. Therefore, the proposed CSA rule requiring financial statements under IFRS-IASB would increase the financial reporting costs of Canadian companies that are SEC filers. In our case, as well as in the case of other Canadian Companies, it would mean producing two sets of financial statements. Companies who do not produce a second set of financial statements would run the risk of having investors discount the value of their shares. When faced with such increasing costs, companies will be asked to explore options to eliminate such costs, which in this case may include such actions as de-listing on the Toronto Stock Exchange or re-organizing to become a U.S. based company. We urge the regulators to work with the accounting profession in both Canada and the U.S. to ensure an even playing field for companies competing within North America and determine an appropriate timeline to have all such North American companies convert to IFRS.

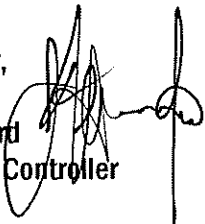
Considering the convergence of Canadian and U.S. business activity, investor benchmarking of financial performance within North American industry groups, the reliance by Canadian companies on U.S. capital markets for liquidity and financing and the cost of preparing financial statements, a Canadian company, who is an SEC Issuer should be permitted the option to file one set of financial statements in accordance with US GAAP, beyond the year 2013 or until U.S. companies are required to use IFRS, in order to be competitive with and comparable to U.S. companies.

It seems most appropriate that the CSA continue to permit SEC Issuers in Canada to prepare and file their financial statements using US GAAP until such time as the SEC adopts IFRS-IASB for its domestic filers in the United States. The Canadian and U.S. economies are so inter-twined that we propose that the accounting regulators in both Canada and the U.S. work together to maintain an even playing field in both countries by ensuring that all North-American SEC filers convert to IFRS at the same time. We have also attached to this letter an appendix with answers to those specific questions included in the discussion paper.

If you wish to discuss our comments please feel free to contact me at (403) 231-0721.

Yours truly,

Jack Hilliard
Corporate Controller
For:
Blair Mullin
Chief Financial Officer



Appendix 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?

- We agree with providing domestic issuers the option to early adopt IFRS-IASB on or after January 1, 2009.

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?

- Some domestic issuers might decide to list in the U.S. only.
- Any requirement to use Canadian GAAP during the early adoption period would need to be amended to also allow IFRS.
- Whether or not there is sufficient time to grasp the requirements of IFRS and early adopt.

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 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 believe that an SEC issuer filing US GAAP financial statements in Canada should be allowed to continue to file US GAAP financial statements until all domestic U.S. companies are required to file under IFRS. Most companies filing US GAAP financial statements in Canada do so because their direct competitors are required to file under US GAAP. Consequently, not allowing Canadian companies to use US GAAP may result in investors discounting the value of their shares unless such companies decide to incur the additional costs associated with also producing US GAAP financial statements.

Question 4: Are there additional factors, not discussed in this paper, to consider in deciding whether to allow an SEC issuer to use US GAAP?

- While the objective of one set of accounting rules covering the world is an objective that we support, the CICA's shift in direction from US GAAP to IFRS is alarming. Is there a possibility that IFRS revert to US GAAP sometime in the future? Is the CICA absolutely certain that they will be able to adopt pure IFRS without requiring localization from and into the foreseeable future?

- Canadian investors and analysts can only make informed investment decisions if an entity is benchmarked against its competitors, which in our case are in the U.S. and report under US GAAP. The adoption of IFRS would have a negative impact on us because our investors and analysts would not be able to compare us against our most comparable U.S. competitor. As mentioned before, if we do not produce a second set of financial statement to appease our investors and analysts we run the risk of having our shares discounted.
- The preparation of financial statements is a cost that must be borne by the Company and is an expensive undertaking. If we were required to adopt IFRS then we would have to produce two sets of financial statements until such time the SEC adopts IFRA. The preparation of two sets of financial statements would place an intolerable cost burden on the Company and put the company at a competitive disadvantage with respect to our U.S. peers.
- While there have been significant improvements in IFRS over the past few years, the IFRS guidance does not provide the same in depth guidance and rigorous consistent application as found in US GAAP. As a result, there is the need for improved guidance on complex topics such as derivatives, stock based compensation, income taxes, and etc. Due to the litigious nature of the U.S. without the additional guidance we would be exposed to additional liability.
- Our shareholders in both Canada and the U.S. have come to understand and depend on US GAAP financial statements issued by the Company. If our financial statements were to be converted to IFRS it would create an atmosphere of unfamiliarity and confusion for our shareholders as they have limited exposure to IFRS. Although Canadian shareholders will over time become familiar with IFRS, our U.S. shareholders will not until the SEC adopts it.

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

- IFRS appears to have major differences with both Canadian and US GAAP. Normally, a five-year time period is a sufficient time period to implement accounting systems, controls, educate preparers and perform testing. However, because of the major differences between Canadian GAAP and IFRS, we suggest that the CSA regularly review the progress on converting to IFRS by Canadian companies, investors, analysts, auditors, educators and governments.
- In our view the transitional period should be directly linked with the transitional period that will be required for U.S. companies to convert to IFRS. There should be no time limit until that decision is made in the U.S. Otherwise, the CSA will be putting some companies at a cost and competitive disadvantage.

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?

- A domestic issuer should prepare its financial statements in accordance with IFRS-IASB and require an audit report on such financial statements to refer to IFRS-IASB. Continued usage of the term "Canadian GAAP" will give the impression that Canada has a jurisdiction specific version of IFRS. To allow this impression would defeat the purpose of the Canadian Standards Board to adopt a single set of high-quality accounting standards accepted globally.

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 would like to see the establishment of a special committee, which would be comprised of Canadian and U.S. accounting representatives, with the sole objective of working on a coordinated implementation schedule.**