



December 18, 2009

John Stevenson, Secretary  
Ontario Securities Commission  
20 Queen Street West  
Suite 1900, Box 55  
Toronto, Ontario M5H 3S8

Anne-Marie Beaudoin, Secrétaire  
Autorité des marchés financiers  
Tour de la Bourse  
800, square Victoria  
C.P, 246, 22<sup>e</sup> étage  
Montreal, Québec H4Z 3S8

Via [jstevenson@osc.gov.on.ca](mailto:jstevenson@osc.gov.on.ca)

Via [consultation-en-cours@lautorite.qc.ca](mailto:consultation-en-cours@lautorite.qc.ca)

**Re: Request for Comments 6.1.1 (NI 52-107, Companion Policy 52-107CP and NI 14-101)**

We appreciate the opportunity to provide our comments on the Proposed National Instrument 52-107, Proposed Companion Policy 52-107CP and Proposed amendments to National Instrument 14-101.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 2,000 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

The Committee on Corporate Reporting (CCR) is one of two national advocacy committees of FEI Canada. CCR comprises more than 30 senior financial executives representing a broad cross section of the FEI Canada membership and of the Canadian economy who have volunteered their time, experience and knowledge to consider and recommend action on a range of issues related to accounting, corporate reporting and disclosure. In addition to advocacy, CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

In general, we are in agreement with most of the proposals included in the Request for Comments. We appreciate the efforts of the CSA in addressing some of the challenges associated with a transition to IFRS. Our comments are restricted to the proposals affecting issuers, and have been indexed with reference to the Summary of the Proposed Materials included in the Request for Comments.

## 1. Requirements for Acquisition Statements

### Question 1

*Do you agree with the proposal of jurisdictions other than Ontario that acquisition statements should be permitted to be prepared in accordance with Canadian GAAP for private enterprises where the specified conditions are met in accordance with paragraph 3.11(1)(f)?*

We agree with the proposal that acquisition statements should be permitted to be prepared in accordance with Canadian GAAP for private enterprises, and agree with the proposed conditions.

The Committee believes that a requirement to restate the financial statements of an acquired business in accordance with a different set of accounting principles would be an unreasonable burden within the time available for the filing of the business acquisition report. We also believe the cost to convert the financial statements of the acquired business would significantly outweigh the benefit to investors.

We believe that acquisition statements prepared in accordance with Canadian GAAP for private enterprises, in conjunction with the other information required in the business acquisition report, will provide sufficient information to investors. In determining our comments, we considered the following factors:

- The *pro forma* financial statements will provide financial information regarding the acquired business that has been prepared using accounting principles consistent with the accounting standards of the issuer (for example IFRS).
- The *pro forma* financial information will include reconciliations of the significant financial information within the acquisition statements to the appropriate figures using accounting principles consistent with the accounting standards of the issuer.
- The issuer will file actual interim or annual financial statements before or shortly after the date the business acquisition report is required to be filed (within 75 days of the acquisition), and these financial statements will include the financial performance and financial position of the acquired business. These financial statements will be prepared in accordance with the accounting standards of the issuer, and include note disclosure of changes significant to the combined business from the last reporting period.

### Question 2

*Do you agree with Ontario's proposal that acquisition statements should be permitted to be prepared only in accordance with a set of accounting principles specified in paragraphs 3.11(1)(a) to (e)?*

We strongly disagree with Ontario's proposal for the reasons included in our response to Question 1.

### Question 3

*Do you think that any other options would better balance the cost and time for issuers to provide acquisition statements and the needs of investors to make investment decisions? For example, one option identified by Ontario would be to permit acquisition statements to be prepared in accordance with Canadian GAAP applicable to private enterprises where they are accompanied*

*by an audited reconciliation quantifying and explaining material differences from Canadian GAAP applicable to private enterprises to IFRS and providing material IFRS disclosures.*

We agree with the proposal that acquisition statements should be permitted to be prepared in accordance with Canadian GAAP for private enterprises where the specified conditions are met, and are not aware of another option that would provide a better balance of the cost and time for issuers to provide acquisition statements and the needs of the investors.

The Committee strongly disagrees that the option identified by Ontario would provide a better balance of cost and benefit. We believe that in many cases the cost and time involved in providing an audited reconciliation from Canadian GAAP applicable to private enterprises and material IFRS disclosures would not be significantly less than the cost and time involved to convert the financial statements of the acquired business.

## **2. Accounting and Auditing Framework**

We agree with the proposed requirements related to the accounting and auditing framework.

We strongly support the proposal that reference to Canadian GAAP applicable to publicly accountable enterprises is optional for issuers and their auditors.

## **3. Structure of Proposed Instrument**

We agree with the structure of the proposed instrument to allow issuers and registrants with non-calendar year-ends to refer to current Canadian GAAP until their fiscal 2012 year.

We note that the Accounting Standards Board is now proposing that the section of the Handbook proposed to be referenced in Part 4 of NI 52-107 will be Part V (previously proposed to be Part IV). Part V of the Handbook will contain the primary sources of current Canadian GAAP (for use by entities until the mandatory effective date of each of the other parts).

## **4. Use of different accounting principles for different periods**

The committee noted that the use of financial information that does not comply with IFRS (e.g. current Canadian GAAP) in certain comparative information is not ideal. However, we believe issuers will find it difficult to prepare comparative information prior to their transition date in accordance with IFRS. As such, we agree with the proposed exemption allowing certain comparative information to be prepared using current Canadian GAAP in the first year of IFRS adoption.

## **5. Removal of “same core subject matter”**

We agree with the proposal to remove the exemption that currently allows foreign issuers to use accounting principles that cover substantially the same core subject matter as Canadian GAAP.

## **6. SEC Issuers**

We agree with the proposal to maintain the option for domestic issuers that are also SEC registrants to use US GAAP, and with the proposal to remove the requirement to reconcile from US GAAP to Canadian GAAP.



**7. Amendments to NI 14-101**

We agree with the proposed amendments to NI 14-101, including the definition of IFRS. We also agree with the fact that the proposals do not permit the use of national variations of IFRS or “jurisdictional” IFRS.

**8. Acquisition statements and audit standards**

We agree with the proposal to permit International Standards on Auditing to be used on auditor’s reports accompanying acquisition financial statements.

We appreciate the opportunity to comment on the proposed instrument, companion policy and amendments.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Victor Wells'.

Victor Wells  
Chair  
Committee on Corporate Reporting  
FEI Canada