

To:  
British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Superintendent of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Securities Commission of Newfoundland and Labrador  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Nunavut

**Attention:**

John Stevenson, Secretary  
Ontario Securities Commission  
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**RE: Request for Comments on Proposed Amendments to National Instrument 81-106  
*Investment Fund Continuous Disclosure***

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The Canadian Advocacy Committee<sup>1</sup> of the CFA Institute<sup>2</sup> Societies of Canada (the CAC) appreciates the opportunity to comment to the Canadian Securities Commissions on the proposed amendments to NI 81-106.

The CAC generally supports the proposed changes to NI 81-106. The CAC fully supports the adoption of IFRS for publicly accountable enterprises. None-the-less, the CAC is concerned about the potential for consolidation of some investments by Investment Funds and more generally by Investment Companies. The CAC is concerned that the application of the new

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<sup>1</sup> The CAC represents the 12,000 Canadian members of CFA Institute<sup>1</sup> and its 12 Member Societies across Canada. The CAC membership includes portfolio managers, analysts and other investment professionals in Canada who review regulatory, legislative, and standard setting developments affecting investors, investment professionals, and the capital markets in Canada.

<sup>2</sup> With offices in Charlottesville, VA, New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of more than 96,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 133 countries, of whom nearly 83,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 136 member societies in 57 countries and territories. <http://www.cfainstitute.org/aboutus/index.html>

consolidation standard proposed by the IASB will not provide the most decision-useful information to users.

IASB's exposure draft on Consolidated Financial Statements (ED 10) assumes that consolidation provides the most decision-useful information to users of the financial statements. While we agree with that assumption in general, it may not be true in all cases.

An investment company's primary business activity is buying, holding, and selling investments. ED 10 would require investment companies to consolidate many of their investments because the investment company either has control or significant influence over the investee company.

Consolidated financial statements for investment companies, however, do not provide decision-useful information. On the contrary, consolidation would make evaluating the performance of investment companies more difficult. Net asset value and the change in net asset value (often in comparison with a benchmark) is the primary metric that shareholders use to evaluate the performance of investment companies and to make buy and sell decisions.

Under the present Canadian regime, investment companies as defined in "Accounting Guideline AcG-18" are required to show their investments on their financial statements using "fair value" rather than consolidating those investments. There is no IFRS equivalent to AcG18. CFA Institute and the CAC are in favor of fair value accounting since it provides more decision useful information for investors and creditors.

We do agree that fair value may not fully meet user needs in some cases. When the entity bears legal responsibility (as general partner or guarantor, for example) for some or all of the liabilities of an investee, then supplementary disclosures should be required to inform shareholders of the additional risk.

The CAC does not believe that the IASB will implement an acceptable solution in time for transition to IFRS by Canadian Investment Funds and Companies. We would encourage the CSA to explore alternatives to the approach set out in the proposed amendments to NI 81-106. We believe that users should continue to be provided with non-consolidated information on a fair value basis in substantially the same manner as is now provided by AcG-18.

### **Concluding remarks**

We thank you for the opportunity to provide the foregoing comments. We would be happy to address any questions you may have and we appreciate the time you are taking to consider our point of view. Please feel welcome to contact us at [chair@cfaadvocacy.ca](mailto:chair@cfaadvocacy.ca).

(signed 'Robert Morgan')

Robert F. Morgan CFA CGA  
Member, Canadian Advocacy Council

(signed 'Ross Hallett')

Ross E. Hallett, CFA  
Chair, Canadian Advocacy Council