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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

c/o

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Dear Mr. Stevenson and Ms. Beaudoin,

We are pleased to comment on the Canadian Securities Administrators' ("CSA") proposed amendments to the following securities legislation arising from the upcoming changeover to International Financial Reporting Standards ("IFRS" or "IFRS-IASB").

National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*
National Instrument 14-101 *Definitions*
National Instrument 51-102 *Continuous Disclosure Obligations*
National Instrument 41-101 *General Prospectus Requirements*
National Instrument 44-101 *Short Form Prospectus Distributions*
National Instrument 44-102 *Shelf Distributions*
National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*
National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*

We have structured our response by providing general observations and specific recommendations for improvements on the CSA proposals within the body of this letter and responses to the specific questions raised in the proposals, including specific editorial comments, in Appendix A.

General Observations

We are pleased that the CSA have taken into consideration some of the recommendations included in our response letter to the CSA Concept Paper 52-402, *Possible Changes to Securities Rules Relating to International Financial Reporting Standards* published last year. We commend the CSA in its balancing of the costs and efforts of registrants and issuers to adopt IFRS with the regulatory objectives that strive for a high level of transparency and timeliness in the filing of relevant financial information.

We agree with the CSA proposal to remove the reconciliation requirements for financial years beginning on or after January 1, 2011 for domestic issuers reporting under U.S. GAAP that are also SEC registrants. We also believe that the one-time 30 day extension to the filing deadline for the first IFRS interim financial report in respect of an interim period beginning on or after January 1, 2011 will facilitate the reporting requirements as filers transition to IFRS, while not adversely compromising the need for timely dissemination of financial information. In addition, the regulatory requirement to mirror the provisions of IAS 7, *Statement of Cash Flow* for presentation of a statement of cash flows for only year-to-date amounts in interim reports will also simplify the transition.

Although we are generally supportive of the CSA proposals, we believe that there are a number of areas that require additional guidance by the CSA to ensure a smooth transition to IFRS, as well as a few areas where we disagree with the direction of the proposed changes and recommend the CSA reassess these.

Acquisition Statements

We find it troubling that different provincial members of the CSA are prepared to mandate two different models for the preparation of acquisition statements. If the final rules mandate different models based on the geographical location of the head office of the issuer, it would produce an uneven playing field and will result in unnecessary complexity for private entities looking to be acquired by public companies, as well as for public companies that have to comply with the reporting requirements. More importantly, however, we believe that imposing two different models on issuers would be contrary to the CSA's stated objective, which is to improve, coordinate and harmonize regulation of the Canadian capital markets by achieving consensus on policy decisions which affect our capital market and its participants. We believe a dual model would reflect badly on our system of securities regulation domestically and within international circles and strongly encourage members of the CSA to re-evaluate the existing proposal on this specific issue.

As further discussed in Appendix A, we believe a uniform proposal by all CSA members to accept acquisition statements prepared using PE GAAP with a reconciliation to the issuer's GAAP will provide much needed relief to Canadian private companies that have or will adopt PE GAAP. In an effort to find a workable solution to this domestic issue, we feel that there is no reason for a lesser or

greater requirement for PE GAAP acquisition statements than for other acceptable GAAPs and believe such a proposal will result in useful financial information being disseminated, without compromising investors' needs.

Domestic Issuers – Reference to Canadian GAAP and IFRS

The proposals require that domestic issuers prepare their financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises ("Canadian GAAP"), that the notes contain an explicit statement of conformity with IFRS and that the audit opinion refers specifically to compliance with IFRS.

We have a high degree of confidence in the ability of the International Accounting Standards Board ("IASB") to continue its objective to develop IFRS as a set of global, high quality, transparent financial accounting and reporting standards. We also support the mandate of the Accounting Standards Board ("AcSB") and its objective, expressed in its Strategic Plan, *Accounting Standards in Canada: New Directions*, that Canadian enterprises be in a position to make an unqualified statement of compliance with IFRS after the changeover to IFRS. Only in the most extreme and unlikely circumstances would the AcSB contemplate any requirement in conflict with IFRS. The AcSB has also observed that, in light of federal, provincial and territorial laws, regulatory rules and other such requirements, IFRS as a practical matter will need to be described as Canadian GAAP for some time after the changeover date to IFRS.

We therefore support the CSA's proposal that domestic issuers prepare their financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and that the notes contain an explicit statement of conformity with IFRS. However, we recommend that the requirements relating to the audit opinion be revised to be consistent with that requirement. That is, that the auditors be required to express an opinion on the basis of the preparation of the financial statements, which is Canadian GAAP. We also recommend that the CSA recognize the possibility that in the most extreme and unlikely circumstances, Canadian GAAP and IFRS might diverge.

Registrant Requirements

The proposals provide certain relief to domestic registrants by allowing them to file non-consolidated financial statements and, for financial years beginning in 2011, to permit the exclusion of comparative information and establish the transition date to IFRS as the first day of the year to which the financial statements relate. In such circumstances, however, the auditor would be required to issue a modified opinion as an issuer would not be able to disclose or state compliance with IFRS. Perhaps through the provisions of Part 3.2(4), the CSA is indicating that it will accept a modified opinion related to non-consolidated financial statements on an on-going basis and a one-time modification for non-comparative information for the year 2011; however, by requiring a transition date that is not consistent with IFRS 1, *First-time Adoption of International Financial Reporting Standards* the financial statements would never be in compliance with IFRS and would appear therefore to require a recurring modified audit opinion, or perhaps a denial of opinion. Without further guidance on these issues, it is unclear if the proposals are even workable within the proposed regulatory environment or equally important, within the professional auditing standards.

Transitional Provisions

Although the CSA proposals would not be finalized until some time in 2010 and would only become effective in time for the transition to IFRS on January 1, 2011, we believe the CSA should provide additional guidance on transitional provisions of adopting these new proposals, notably for the 2010 calendar year. Without additional guidance on the acceptability of PE GAAP for acquisition statements and how to apply certain CSA exceptions such as the presentation of three-year financial statements in prospectuses, financial reporting during the year of transition may become more complex and time-consuming and may result in less than transparent information being released to the markets in the short-term.

For example, Part 4.11 (5) of the proposed 51-107 for other than Ontario appears to require that acquisition statements be reconciled to Part IV GAAP of the Handbook whereas under Part 3 of the proposal, a reconciliation from PE GAAP would not be required. In addition, Part 4 of 51-107 does not provide any guidance for early adopters of IFRS; in fact, the provisions appear to prohibit financial statements prepared in accordance with IFRS for domestic issuers, which is clearly in contrast and counterintuitive with the requirements of Part 3.

In addition, Part 3.2 (6) provides for certain relief for the presentation of three-year historical results under IFRS, however, does not provide explicit guidance on how to apply these rules. In fact, permitting comparative information not prepared using the same accounting principles may render the information less relevant or useful than if such information was not included at all. We recommend that the CSA consider adopting transitional provisions similar to those adopted by security regulators in other jurisdictions around that world (for example, the United States Securities and Exchange Commission) which eliminated certain requirements for three-year comparatives in the year of transition to IFRS. We believe that a similar exemption would be very beneficial to domestic issuers to ease the burden of transition while not resulting in a significant compromise of information available to investors in the financial markets.

We would be pleased to respond to any questions you might have. Questions can be addressed to Robert J. Muter (robert.j.muter@ca.pwc.com or 416-941-8243), James S. Saloman (james.s.saloman@ca.pwc.com or 416-941-8249) or Michel A. Charbonneau (michel.a.charbonneau@ca.pwc.com or 514-205-5127).

Yours very truly,

Pricewaterhousecoopers LLP

APPENDIX A

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)? Please give reasons for your response.

We do not agree with the proposal of jurisdictions other than Ontario. Despite our support for the development of PE GAAP for private entities and the relief it otherwise provides private entities in preparation of their financial statements, we do not believe preparation of acquisition financial statements for inclusion in a Business Acquisition Report ("BAR") or prospectus, based solely on PE GAAP, with or without certain additional constraints, would provide relevant and transparent information to users. PE GAAP was not developed for general use in the capital markets. If an acquisition is sizable enough to trigger the requirement for a BAR, investors should be able to understand the relative importance and historical results of the target using a comparable and transparent reporting model understood by the users of the issuer's financial statements.

We do not believe the use of (modified) PE GAAP pro-forma information as a substitute for a quantitative reconciliation of measurement differences or full IFRS financial statements will be in the best interests of investors, nor will it be consistent with the existing requirements placed upon acquisition financial statements prepared under another acceptable GAAP.

In addition, although the proposal may appear to reduce the time and effort required to prepare acquisition financial statements, the target company will still be required to identify, recognize and measure differences between PE GAAP and the issuer's GAAP for purposes of preparing pro-forma information. Although pro-forma information reconciled back to the issuer's GAAP may provide certain relevant information to users, pro-forma information is often presented in a condensed and aggregated manner which is not as transparent as providing such a reconciliation in the notes to the acquisition financial statements. We believe the presentation of measurement differences uniquely in the pro-forma financial information will be difficult to understand and would compromise the quality of information otherwise required to be presented to market participants.

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)? Please give reasons for your response.

We do not agree with Ontario's proposal. Although we acknowledge that there could be significant differences between PE GAAP and an issuer's GAAP, as there could be between IFRS and U.S. GAAP, in the context of a practical solution for the Canadian marketplace, we believe that PE GAAP should be considered an appropriate starting point for the preparation of acquisition statements, subject to consistent reconciliation requirements placed on issuers that prepare acquisition statements in accordance with one of the aforementioned set of principles in paragraph 3.11(1)(b) to (e).

Please refer to our response to Question 3.

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. Please give reasons for your response.

We believe there is an acceptable compromise between the two proposed models.

For the reasons mentioned earlier, we support the use of PE GAAP as a starting point for a quantitative reconciliation to the issuer's GAAP, similar to that required under the rules for acquisition statements prepared using another set of acceptable accounting standards. Given that accumulating the necessary measurement information under an issuer's GAAP for the statement of financial position and results of operation would be required under either proposal, we believe that the enhanced usefulness and transparency of PE GAAP acquisitions statements reconciled to the issuer's GAAP will exceed the incremental efforts and costs required to prepare a reconciliation note.

In addition, the inclusion of a reconciliation to the issuer's GAAP in the notes to the acquisition financial statements could be subject to audit or review by an acquired entity's auditor, consistent with existing requirements in 52-107, which is not the case for pro-forma information.

Proposed editorial changes:

Companion Policy to National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* –

- Schedule B-2 – Section 13.1 (e) – "….not accounted for by consolidation, *proportionate consolidation* or the equity method…."