

Regulatory Perspectives on IFRS Conversion

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Agenda

- What the CSA is doing to prepare for IFRS
- Current requirements relating to IFRS
- Staff Notices published
- Other regulatory changes
- Tips on meeting obligations under securities regulations



What is the CSA Doing to Prepare for IFRS?

- Thorough review of all Acts, Instruments, Policies, Forms
 - Terminology changes
 - Involvement of experts
 - Impact on bigger concepts
 - Drafting
 - Timing
 - Education



National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*

- *Definitions*
 - *SEC issuer*
 - *Foreign issuer*
 - *SEC foreign issuer*
 - *Designated foreign issuer*
 - *Designated foreign jurisdiction*
 - *Other foreign issuer*
 - *Foreign registrant*

- Acceptable Accounting Principles
 - Canadian GAAP
 - US GAAP – SEC issuers, SEC foreign issuers
 - IFRS – foreign issuers
 - Other accounting principles – designated foreign issuers

- Acceptable Auditing Standards
 - Canadian GAAS
 - US GAAS – SEC Issuers, foreign Issuers
 - ISAs – Foreign issuers
 - Other auditing standards

- Acquisition Statements
 - Accounting principles:
 - Canadian GAAP
 - IFRS
 - Accounting principles meeting certain requirements - foreign private issuers
 - Accounting principles meeting foreign disclosure requirements
 - designated foreign jurisdiction
 - Other accounting principles

- Acquisition Statements, cont.
 - Auditing Standards
 - Canadian GAAS
 - US GAAS
 - ISAs
 - Other auditing standards – designated foreign issuer

- Foreign Registrants
 - Acceptable accounting principles
 - Canadian GAAP
 - US GAAP
 - IFRS
 - Other
 - Acceptable auditing standards
 - Canadian GAAS
 - US GAAS
 - ISAs
 - Other



NI 51-102 Continuous Disclosure Obligations

- NI 51-102, Part 4B FOFI and Financial Outlooks
 - Item 4B.2 (2)(b) use accounting policies the issuer expects to use in the period covered by the FOFI or outlook
- Form 51-102F1 Management's Discussion and Analysis
 - Item 1.13 Changes in Accounting Policies Including Initial Adoption



CSA Staff Notice 52-320 – Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS

- Changeover January 1, 2011
- Form 51-102F1 MD&A section 1.13(a)
 - Description of new standard
 - Disclosure of methods of adoption
 - Effects on financial statements
 - Effects on business

- Interim & annual MD&A 3 years prior to changeover
 - If developed discuss plan
 - Accounting policies
 - Information technology and data systems
 - Internal control over financial reporting
 - Disclosure controls and procedures
 - Financial reporting expertise
 - Business activities
 - Impact on financial reporting if available

- Interim MD&A 2 years before changeover
 - Progress and changes
- Annual MD&A 2 years before changeover
 - Preparation for changeover
 - Major identified differences in policies
- Annual and interim MD&A for the year before changeover
 - More detail, quantitative impacts if available
 - Policies available under IFRS 1

- Update on CSA Concept Paper 52-402 Possible changes to securities rules relating to IFRS
- Exemptive relief required to early adopt
 - Readiness of staff, BOD, auditors, investors
 - Implications on obligations under securities law
 - Revise any interims
- Domestic SEC issuers can use US GAAP



Other IFRS Issues

- Non-GAAP performance Issues
- Publicly Accountable Entity (PAE)
- Acceptable accounting policies and auditing standards
- Filing extensions
- What is happening in the US?

Other Regulatory Changes

- Executive Compensation
- Certificates
- Forward Looking Information
- Staff Notice relating to Economic Conditions

Executive Compensation

- NI 51-102, Form 51-102F6 Executive Compensation
- Objective:
 - “...to communicate the compensation the board of directors intended the company to pay...”
- Financial years on or after December 31, 2008
- Significant change from prior requirements



Executive Compensation, Cont.

- Named Executive Officer:
 - CEO
 - CFO
 - 3 other most highly compensated executive officers with income > \$150,000
 - Executives that left partway through year
- Inclusion of all compensation
- External management companies

- Compensation Discussion and Analysis
- Performance graph
- Option-based awards
- Summary compensation table
- Incentive plan awards
- Pension plan benefits
- Termination and change in control benefits
- Director compensation

Certificates

- NI 52-109 Certification of Disclosure
- New requirements effective for annual and interim periods ending on or after December 31, 2008
- Many new certificates to deal with different situations

Certificates, cont.

- Types of certificates
 - Certification of Annual Filings Full Certificates
 - Certification of Annual Filings Venture Issuer Basic Certificate
 - Certification of Annual Filings Following an IPO, RTO or becoming a Non-Venture Issuer
 - Certification of Refiled Annual Filings
 - Certification of Annual Filings in Connection with Voluntarily Filed AIF
 - Interim certificates for first 4 categories above

Certificates, cont.

- Scope limitations
- Date of certificate
- Venture considerations: inconsistencies between MD&A and certificate
- Non-Venture issuers: conclusion on effectiveness of internal controls over financial reporting



Forward-Looking Information (FLI)

- NI 51-102 Part 4A
- Definition: qualitative and quantitative
- Applies to all FLI except oral statements
- Must have a reasonable basis
- When material FLI is disclosed:
 - Identify as FLI
 - Caution readers as to its use
 - State material assumptions
 - Discuss policies for updating

- FOFI or financial outlooks:
 - Explain purpose
 - Caution as to use
 - Disclose the date approved by management
 - Limit to period that can be reasonably estimated
 - Use accounting policies issuer expects to use
 - Does not apply to NI 51-101 or NI 43-101 disclosures

FLI, cont.

- Common errors:
 - Identify material FLI
 - State material assumptions
 - Distinguish between material assumptions and material risks

- CSA Staff Notice 51-328 CD Considerations Related to Current Economic Conditions
 - MD&A
 - Liquidity & capital resources
 - Distributed cash
 - Critical accounting estimates
 - Forward looking information
 - Going concern
 - Impairment
 - Financial instruments

Credit Crisis, cont.

- CSA Staff Notice 51-328, cont.
 - Capital disclosures
 - Defined benefit pension plans
 - Non-GAAP financial measures
 - Junior resources companies

- Be prepared & do it right the first time!
- Plan ahead

Questions?



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