



Canadian Securities
Administrators

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CSA Staff Notice 33-314
International Financial Reporting Standards and Registrants

July 10, 2009

Purpose

This notice updates registrants on the position of staff of the Canadian Securities Administrators (CSA staff) on whether all non-SRO registrants should be required by securities legislation to use International Financial Reporting Standards (IFRS) for financial years beginning on or after January 1, 2011.

Background

Currently under National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, all registrants who are required to deliver financial statements to securities regulatory authorities are required to prepare those financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) for public enterprises. The Canadian Accounting Standards Board (AcSB) has confirmed that Canadian GAAP for public enterprises will be replaced with IFRS for financial years beginning on or after January 1, 2011 and that IFRS would be required for all publicly accountable enterprises, as defined by the AcSB.

On September 12, 2008, we published CSA Staff Notice 33-313 *International Financial Reporting Standards and Registrants*. In that notice, we announced that many registrants would be required to use IFRS under the AcSB definition of publicly accountable enterprise. We also announced that we were considering whether securities rules should require registrants to prepare financial statements using IFRS, regardless of whether they meet the definition of publicly accountable enterprise.

We focused on those registrants (non-SRO registrants) that are regulated directly by the Canadian securities regulatory authorities, that is, those that are not members of a self-regulatory organization, such as the Investment Industry Regulatory Organization of Canada (IIROC) and the Mutual Fund Dealers Association of Canada (MFDA). Non-SRO registrants include investment counsel and portfolio managers, limited market dealers, exchange-contracts dealers, scholarship plan dealers, restricted dealers and, in Québec, mutual fund dealers. Proposed National Instrument 31-103 *Registration Requirements* contemplates new registration categories, including exempt market dealers and investment fund managers.

Requirement to change to IFRS

CSA staff have concluded our consideration of this issue. We propose that all non-SRO registrants will be required to use IFRS for financial years beginning on or after January 1, 2011. We propose that this requirement will apply regardless of whether the non-SRO registrant fits the definition of publicly accountable enterprise set by the AcSB. We propose that this requirement

will also apply to the new registration categories set out in proposed NI 31-103, if those new categories are adopted.

We expect to publish for comment later this year amendments to NI 52-107 to include this requirement, together with other amendments necessary to the rule as a result of Canada's changeover to IFRS.

Members of self-regulatory organizations

The MFDA and IIROC will provide notice separately to their members on requirements for the use of IFRS.

Mutual fund dealers in Québec

In Québec, oversight of mutual fund dealers operating in the province is performed by the Autorité des marchés financiers (AMF) and not by the MFDA. A mutual fund dealer that operates in Québec and one or more other jurisdictions in Canada is required to be a member of the MFDA under the securities legislation of the other jurisdictions.

The AMF will provide guidance to mutual fund dealers operating in Québec on the applicability of IFRS separately.

Implications of the changeover to IFRS

As we set out in our previous notice, changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect a registrant's reported financial position and results of operations. Registrants will need to provide comparative information for reporting periods in their first year under IFRS. For example, a registrant's financial statements for its year ended December 31, 2011 must include comparative IFRS information for the period ended December 31, 2010. Registrants will need to maintain appropriate records to prepare this comparative information. In addition, registrants with financial years ending December 31 will be required to prepare their working capital calculations on a basis consistent with IFRS beginning on January 1, 2011.

Changing from current Canadian GAAP to IFRS may also affect certain business functions. As a result, significant planning for the changeover, if not already started, should start as soon as practicable. Registrants may want to discuss the changeover to IFRS with their auditors to ensure readiness for the changeover to IFRS by 2011. CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards* provides guidance to issuers on certain factors they should consider in developing their changeover plan. Registrants may want to consider similar factors when developing their changeover plans.

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