

Appendix B

Proposed Amendments to National Instrument 31-103 *Registration Requirements and Exemptions and Companion Policy*

Schedule B-1

Proposed Amendment Instrument for National Instrument 31-103 *Registration Requirements and Exemptions*

1. *National Instrument 31-103 Registration Requirements and Exemptions is amended by this Instrument.*
2. *Section 1.1 of National Instrument 31-103 is amended by adding the following definition before the definition of “investment dealer”:*

“interim period” means a period commencing on the first day of the financial year and ending 9, 6 or 3 months before the end of the financial year.
3. *Section 12.10 of the Instrument 31-103 is amended by*
 - (a) *repealing subsection (1) and substituting the following:*
 - (1) Annual financial statements delivered to the regulator under this Division for financial years beginning on or after January 1, 2011 must include the following:
 - (a) a statement of comprehensive income, a statement of changes in equity and a statement of cash flows, each prepared for the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 - (b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the most recently completed financial year and the financial year immediately preceding the most recently completed financial year, if any;
 - (c) notes to the financial statements.
 - (b) *repealing subsection (3).*
4. *Section 12.11 of National Instrument 31-103 is amended by repealing subsection (1) and substituting the following:*

- (1) Interim financial information delivered to the regulator under this Division for interim periods relating to financial years beginning on or after January 1, 2011 may be limited to the following:
 - (a) a statement of comprehensive income for the 3-month period ending on the last day of the interim period and for the same period of the immediately preceding financial year, if any;
 - (b) a statement of financial position, signed by at least one director of the registered firm, as at the end of the interim period and as at the end of the same interim period of the immediately preceding financial year, if any.
5. *Section 12.12 is amended by striking out “quarter” wherever it occurs and substituting “interim period”.*
6. *Section 12.14 of National Instrument 31-103 is amended by striking out “quarter” wherever it occurs and substituting “interim period”.*
7. *Part 12 of National Instrument 31-103 is amended by adding the following after Section 12.14:*

12.15 Exemptions for financial years beginning in 2011

- (1) Despite subsections 12.10(1), 12.11(1), 12.12(1) and (2), 12.13 and 12.14(1) and (2), the annual financial statements, the interim financial information, and the completed Form 31-103F1 *Calculation of Excess Working Capital*, for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial period.
- (2) Despite subsection 12.12(2), the first interim financial information, and the completed Form 31-103F1 *Calculation of Excess Working Capital*, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45th day after the end of the interim period.
- (3) Despite subsection 12.14(2), the first interim financial information, the completed Form 31-103F1 *Calculation of Excess Working Capital*, and the description of any net asset value adjustment, required to be delivered in respect of an interim period beginning on or after January 1, 2011 must be delivered no later than the 45th day after the end of the interim period.

8. ***Form 31-103F1 Calculation of Excess Working Capital is amended in the first line following “Notes” by striking out “unconsolidated basis” and substituting “non-consolidated basis; registrants must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook.”.***
9. ***This Instrument only applies to periods relating to financial years beginning on or after January 1, 2011.***
10. ***This Instrument comes into force on January 1, 2011.***

Schedule B-2

Proposed Amendments to Companion Policy 31-103CP *Registration Requirements and Exemptions*

1. *Companion Policy 31-103CP to National Instrument 31-103 Registration Requirements and Exemptions is amended by this document.*
2. *Companion Policy 31-103CP is amended by adding the following after section 12.6:*

12.10 Annual financial statements

Changeover to International Financial Reporting Standards

Registrants are required to deliver financial statements and interim financial information prepared in accordance with National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (NI 52-107). NI 52-107 contains transition provisions to address Canada's changeover from Canadian generally accepted accounting principles to International Financial Reporting Standards (IFRS). Depending on the financial year, a registrant will look to different parts of NI 52-107 to determine which accounting principles and auditing standards apply:

- Part 3 of NI 52-107 applies for financial years beginning on or after January 1, 2011
- Part 4 of NI 52-107 applies to financial years beginning before January 1, 2011.

Under Part 3 of NI 52-107, a registrant is required to prepare its annual financial statements and interim financial information, if applicable, in accordance with Canadian GAAP applicable to publicly accountable enterprises. This is IFRS as incorporated into the Handbook of the Canadian Institute of Chartered Accountants (the Handbook) as Part I. Registrants will be required to prepare their financial statements and interim financial information on a non-consolidated basis; they must account for investments in subsidiaries, jointly controlled entities and associates in the manner specified for separate financial statements in Canadian GAAP for publicly accountable enterprises as set out in the Handbook.

Under Part 4 of NI 52-107, a registrant is required to prepare its annual financial statements and interim financial information in accordance with Canadian GAAP for public enterprises, which is Canadian GAAP as it existed before the mandatory effective date for the adoption of IFRS, included in the Handbook as Part IV. Section 4.2(2) of NI 52-107 specifies that financial statements and interim financial information delivered by a registrant must be prepared on a non-consolidated basis.

When preparing annual financial statements, interim financial information or Form 31-103F1 for a financial year beginning in 2011 or for interim periods relating to a financial year beginning in 2011, registrants may rely on the exemption in subsection 12.15(1) to exclude comparative information for the preceding financial year. If a registrant relies on this exemption, its date of transition to IFRS will be the first day of its financial year beginning in 2011.

Canadian GAAP for publicly accountable enterprises (which is IFRS incorporated into the Handbook) requires financial statements contain comparative information for the preceding financial year. For periods beginning in 2011, subsection 3.2(4) of NI 52-107 provides an exemption from the Canadian GAAP requirement to provide comparative information for the preceding financial year. The exemption in NI 52-107 requires specific disclosure to be included in the annual financial statements when a registrant is relying on this exemption.

3. ***These amendments only apply to periods relating to financial years beginning on or after January 1, 2011.***
4. ***These amendments become effective on January 1, 2011.***