

Notice and Request for Comment

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

and

Proposed Amendments to National Instrument 33-109 *Registration Information*

Introduction

We, the Canadian Securities Administrators (CSA), except the Autorité des marchés financiers and the New Brunswick Securities Commission, are publishing for a 90 day comment period proposed amendments to:

- National Instrument 31-103 *Registration Requirements and Exemptions* (NI 31-103),
- Companion Policy 31-103CP *Registration Requirements and Exemptions* (31-103CP), and
- National Instrument 33-109 *Registration Information* (NI 33-109).

This notice forms part of a series of notices that address proposed changes to securities legislation arising from the upcoming changeover to International Financial Reporting Standards (IFRS).

Appendix A summarizes the terminology changes that would arise with a changeover to IFRS. Appendix B sets out the proposed amendments to NI 31-103 and 31-103CP. Appendix C sets out the proposed amendments to NI 33-109.

We invite comment on the proposed amendments to NI 31-103, 31-103CP and NI 33-109 (proposed amendments). As the proposed amendments relate primarily to the upcoming changeover to IFRS in Canada and need to be in place before January 1, 2011, we are not inviting comment on the provisions of the rules and policies that would not be affected by the changeover to IFRS.

Background

NI 31-103 provides a harmonized registration regime across Canada. NI 31-103 sets out when a person must be registered and the obligations a person must meet once registered, including financial reporting requirements. All registered firms must deliver audited annual financial statements. In addition, all investment fund managers and registered dealers, other than exempt market dealers, must deliver unaudited interim financial

information. All financial statements and interim financial information delivered under NI 31-103 must comply with National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107).

NI 52-107 requires domestic registrants to prepare financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP) applicable to public enterprises. The Canadian Accounting Standards Board (AcSB) establishes Canadian GAAP and publishes it in the Canadian Institute of Chartered Accountants Handbook (the Handbook). Following a period of public consultation, the AcSB adopted a strategic plan to move financial reporting for Canadian publicly accountable enterprises to IFRS as issued by the International Accounting Standards Board (IASB). For financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

The CSA proposes to replace NI 52-107 with a new National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (Proposed NI 52-107) that addresses Canada's changeover to IFRS. We published Proposed NI 52-107 for public comment on September 25, 2009.

Substance and Purpose of the Proposed Amendments

The primary purpose of these changes is to accommodate the transition to IFRS. We are proposing to update the accounting terms and references in NI 31-103, 31-103CP and NI 33-109 to reflect the fact that, for financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS as incorporated into the CICA Handbook.

Registrants will transition to IFRS (Canadian GAAP for publicly accountable enterprises in the Handbook) for financial years beginning on or after January 1, 2011. However, not all registrants have calendar year ends. Accordingly, we are proposing that the proposed amendments only apply to periods relating to financial years beginning on or after January 1, 2011. Registrants delivering financial statements and other financial information relating to financial years beginning before January 1, 2011 would be required to comply with the current versions of NI 31-103 and NI 33-109, which contain the existing Canadian GAAP terms and phrases.

Summary of the Proposed Amendments

NI 52-107 sets out the accounting principles and auditing standards that apply to financial statements delivered to a securities regulatory authority or regulator in a jurisdiction. Under Proposed NI 52-107, domestic issuers and registrants would be required to use IFRS (Canadian GAAP for publicly accountable enterprises in the Handbook) for financial years beginning on or after January 1, 2011.

The proposed amendments to NI 31-103, 31-103CP and NI 33-109 would replace existing Canadian GAAP terms and phrases with IFRS terms and phrases.

The proposed amendments to NI 31-103 would also:

- Provide a 15-day extension to the deadline for registered dealers and investment fund managers to deliver their first interim financial information and completed Form 31-103F1 required to be filed in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011.
- Provide an exemption from the requirement to provide comparative information in financial statements and financial information for financial years beginning in 2011. This means that for registrants relying on this exemption, their date of transition to IFRS will be the first day of their financial year beginning in 2011.

Accounting Terms and Phrases

The proposed amendments include new terms and phrases that are consistent with those used in IFRS and replace terms and phrases used in existing Canadian GAAP.

The proposed amendments do not reflect the impact of exposure drafts or discussion papers from the IASB prior to their adoption into IFRS. The proposed definition of IFRS in National Instrument 14-101 *Definitions* (NI 14-101) would take into account amendments made from time to time.

The proposed amendments are not intended to substantively alter securities law requirements. For example, we are proposing to replace the existing Canadian GAAP term “balance sheet” with the corresponding IFRS term “statement of financial position”. This is intended to be a change in terminology only.

A detailed list of the changes to accounting terms and phrases is set out in Appendix A to this notice.

Changes to Financial Statement Requirements in NI 31-103

1. Transition Provisions - Extension for delivery of first IFRS Interim Financial Information

Subsection 12.15(2) provides an extension for filing the first interim financial information and completed Form 31-103F1 required to be delivered by a registered dealer during the year of adopting IFRS. Subsection 12.15 (3) provides a similar exemption for investment fund managers.

We think this extension should be provided as the first IFRS interim financial information will be due soon after the filing of the Canadian GAAP annual financial statements for the preceding year. We recognize that registered dealers and investment fund managers will require additional time to review and approve the first IFRS interim financial information. Other jurisdictions that transitioned to IFRS also granted filing extensions for the first IFRS filing.

2. Transition Provisions – Comparative information not required for financial years in 2011

Registrants are required to provide comparative information for previous periods when preparing annual financial statements, interim financial information and Form 31-103F1 *Calculation of Excess Working Capital*. Section 12.15(1) provides an exemption from this requirement for a registrant's financial year beginning in 2011 and for interim periods relating to that financial year.

Alternatives Considered

Instead of proposing these amendments, we considered leaving the existing Canadian GAAP terms and references in NI 31-103, 31-103CP and NI 33-109 and issuing a notice to the effect that registrants may interpret any reference in the rules to a term or provision defined, or referred to, in existing Canadian GAAP as a reference to the corresponding term or provision in IFRS.

We decided not to proceed with this option for several reasons. Leaving the existing Canadian GAAP terms and phrases in the rules raises the potential for significant confusion as these terms will become less well known as time passes. In addition, the use of different terminology in securities legislation and accounting rules detracts from the goal of moving to a global accounting language.

Unpublished materials

In proposing the proposed amendments, we have not relied on any significant unpublished study, report, or other written materials.

Publications in Quebec and New Brunswick

The Autorité des marchés financiers and the New Brunswick Securities Commission are publishing for comment today a staff notice that sets out the substantive proposed changes reflected in the proposed amendments published in the other CSA jurisdictions. Because of the legal obligation to publish amending instruments simultaneously in French and English in Québec and New Brunswick, and because the French IFRS terminology is still in a state of flux, publication for comment of proposed amendments in these provinces is presently not feasible. The Autorité des marchés financiers and the New Brunswick Securities Commission expect to publish for comment corresponding proposed amendments, in French and in English, during the first quarter of 2010. However, market participants in Québec and New Brunswick are encouraged to comment on the substantive proposed changes presented in the staff notices, and on the amendments published by the other CSA jurisdictions.

Comments

We request your comments on the proposed amendments outlined above. Please provide your comments in writing by January 21, 2010. If you are not sending your comments by email, an electronic file containing the submissions should also be provided (Windows format, Word).

Address your submission to all of the Canadian securities regulatory authorities, as follows:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario 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

Deliver your comments **only** to the following address. Your comments will be distributed to the other participating CSA member jurisdictions.

Leslie Rose, Senior Legal Counsel
British Columbia Securities Commission
P.O. Box 10142, Pacific Centre
701 West Georgia Street
Vancouver, BC, V7Y 1L2
Fax: (604) 899-6814
Email: lrose@bcsc.bc.ca

Please note that comments received will be made publicly available and posted at www.osc.gov.on.ca and the websites of certain other securities regulatory authorities. We cannot keep submissions confidential because securities legislation in certain provinces requires that a summary of the written comments received during the comment period be published.

Questions

Please refer your questions to any of:

Janice Leung
Senior Securities Examiner, Capital Markets Regulation
British Columbia Securities Commission
(604) 899-6752
jleung@bcsc.bc.ca

Leslie Rose
Senior Legal Counsel, Corporate Finance
British Columbia Securities Commission
(604) 899-6654
rose@bcsc.bc.ca

Lana Workman
Regulatory Analyst
Alberta Securities Commission
(403) 355-9034
lane.workman@asc.ca

Carla Buchanan
Compliance Auditor
Manitoba Securities Commission
(204) 945-8973
carla.buchanan@gov.mb.ca

Marriane Bridge
Manager, Compliance
Ontario Securities Commission
(416) 595-8907
mbridge@osc.gov.on.ca

Carlin Fung
Senior Accountant, Compliance
Ontario Securities Commission
(416) 593-8226
cfung@osc.gov.on.ca

October 23, 2009