

CSA Staff Notice 33-313
International Financial Reporting Standards and Registrants

Purpose

This notice reminds registrants that the changeover to International Financial Reporting Standards (IFRS) announced by the Canadian Accounting Standards Board (AcSB) applies to certain registrants.

Background

The AcSB has confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (Canadian GAAP) for publicly accountable enterprises (PAEs).

Many registrants will have to adopt IFRS in 2011 based on the AcSB implementation schedule. We are considering whether all registrants should be required by securities rules to use IFRS.

This notice focuses 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 and the Mutual Fund Dealers Association of Canada. The Mutual Fund Dealers Association of Canada and Investment Industry Regulatory Organization of Canada will provide guidance to their members on the use of IFRS separately.

Non-SRO registrants include investment counsel and portfolio managers, limited market dealers, exchange-contracts dealers, scholarship plan dealers, restricted dealers and, in Quebec, mutual fund dealers. Draft *Regulation 31-103 respecting Registration Requirements* contemplates new registration categories, including exempt market dealers and investment fund managers. This notice will also apply to these proposed new categories, if they are adopted.

Requirement to change to IFRS

The AcSB's definition of PAE excludes profit-oriented entities that:

- have not issued (and are not in the process of issuing) debt or equity instruments in a public market; and
- do not hold assets in a fiduciary capacity for a broad group of outsiders. Entities with fiduciary responsibility, such as banks, credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks, stand ready to hold and manage financial resources entrusted to them by clients, customers or members not involved in the management of the entity.

It is staff's position that any non-SRO registrant that holds or has access to any client assets will be required to deliver financial statements prepared in accordance with IFRS to the Canadian securities regulatory authorities for financial years commencing on or after January 1, 2011.

Staff are considering whether non-SRO registrants that do not hold or have access to any client assets should be required to use IFRS and, if so, the appropriate implementation date for that changeover.

Implications of the changeover to IFRS

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 their first reporting period under IFRS. For example, a registrant's financial statements for its year ended December 31, 2011 must include comparative information for the period ended December 31, 2010 prepared in accordance with IFRS. 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 in accordance 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 that hold or have access to any client assets 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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