

**Autorité des marchés financiers and New Brunswick Securities Commission Staff  
Notice on Proposed Changes to:**

***Regulation 51-102 respecting Continuous Disclosure Obligations***

***Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations***

***Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers***

***Policy Statement to Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers***

**Introduction**

The Autorité des marchés financiers (AMF) and the New Brunswick Securities Commission (NBSC) are publishing for a 90-day comment period a notice that sets out the proposed substantive changes reflected in proposed amendments published by the Canadian Securities Administrators (CSA), except the AMF and the NBSC. The other CSA jurisdictions are publishing these proposed amendments today for a 90-day comment period. They are related to the following regulations and policies:

- *Regulation 51-102 respecting Continuous Disclosure Obligations* (Regulation 51-102),
- *Policy Statement to Regulation 51-102 respecting Continuous Disclosure Obligations* (Policy Statement 51-102),
- *Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (Regulation 71-102) and
- *Policy Statement to Regulation 71-102 respecting Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (Policy Statement 71-102).

The proposed amendments relate primarily to the upcoming changeover to IFRS in Canada and need to be in place before January 1, 2011.

The AMF and the NBSC support the proposed amendments. However, because of the legal obligation to publish amending regulations 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 amending regulations in these provinces is presently not feasible. It is expected that the AMF and the NBSC will publish for comment corresponding amending regulations, in French and in English, during the first quarter of 2010. Market participants in Québec and New Brunswick are encouraged to comment on the proposed substantive changes presented in this notice, and on the amendments published by the other CSA jurisdictions, that have been posted on the websites of certain securities regulatory authorities.

This notice uses the term “proposed amendments” to refer both to the proposed amendments to Regulation 51-102, Policy Statement 51-102, Regulation 71-102 and Policy Statement 71-102 collectively, as they are being published for comment today in the other CSA jurisdictions, and to the proposed corresponding amending regulations, as they are expected to be published for comment during the first quarter of 2010 in Québec and New Brunswick.

## Background

Regulation 51-102 sets out the obligations of reporting issuers, other than investment funds, for financial statements, management's discussion and analysis, annual information forms, business acquisition reports, material change reports, information circulars, proxies and proxy solicitation, restricted share disclosure and certain other continuous disclosure-related matters. Regulation 71-102 provides exemptions from most continuous disclosure requirements and certain other requirements for certain foreign issuers ( Regulation 51-102 and Regulation 71-102 are collectively referred to in this notice as the "continuous disclosure rules").

The continuous disclosure rules refer to and rely on references to existing Canadian generally accepted accounting principles (GAAP), which are established by the Canadian Accounting Standards Board (AcSB) and published in the CICA (Canadian Institute of Chartered Accountants) 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.

## Substance and Purpose of the Proposed Amendments

The primary purpose of these changes is to accommodate the transition to IFRS. A small number of housekeeping changes are also being made. The AMF, the NBSC and the other CSA jurisdictions (or "we") are proposing to update the accounting terms and phrases in the continuous disclosure rules to reflect the fact that, for financial years beginning on or after January 1, 2011, Canadian GAAP for publicly accountable enterprises will be IFRS incorporated into the CICA Handbook.

## Summary of the Proposed Amendments

The proposed amendments are a result of amendments to *Regulation 52-107 respecting Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (to be renamed *Acceptable Accounting Principles and Auditing Standards*) ( Regulation 52-107) proposed to require domestic issuers to comply with IFRS. Regulation 52-107 sets out the accounting principles and auditing standards that apply to financial statements filed in a jurisdiction. Where appropriate, we have also included a number of amendments that either result from changes to other CSA rules as a result of the changeover to IFRS or are housekeeping amendments.

The amendments we are publishing for comment will:

- Replace existing Canadian GAAP terms and phrases with IFRS terms and phrases.
- Change disclosure requirements in instances where IFRS contemplates different financial statements than existing Canadian GAAP.
- Provide a 30 day extension to the deadline for filing the first interim financial report in the year of adopting IFRS in respect of an interim period beginning on or after January 1, 2011.
- Clarify the existing provisions or amend or delete it where part or all of a provision is no longer accurate or appropriate.

## 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 *Regulation 14-101 respecting Definitions* (Regulation 14-101) would take into account amendments made from time to time.

The proposed amendments to the continuous disclosure rules are not intended to substantively alter securities law requirements. For example, we are proposing to replace the existing Canadian GAAP term “results of operations” with the corresponding IFRS term “financial performance”. This is intended to be a change in terminology only. Similarly, we are proposing to amend the definition of “reverse takeover” to account for the fact that the comparable IFRS term “reverse acquisition” may be interpreted more narrowly than “reverse takeover” is in existing Canadian GAAP. The amended definition of “reverse takeover” is intended to capture, in an issuer’s filings, the same transactions as the current definition.

The proposed amendments to the continuous disclosure rules also include a number of new or revised definitions. For example, we have included a definition of “financial statements” to clarify that interim financial reports should be considered when interpreting references to financial statements in the continuous disclosure rules. We have also included a definition of “forward-looking information”. Currently, definitions of “forward-looking information” are found in the securities acts of the various provinces and territories. As all of the acts may not be amended prior to January 1, 2011 to reflect the changeover to IFRS, we have defined forward-looking information in a manner consistent with IFRS.

Issuers that prepare financial statements in accordance with acceptable accounting principles other than IFRS may interpret any reference in the rules to a term or provision defined, or referred to, in IFRS as a reference to the corresponding term or provision in the other acceptable accounting principles. This is clarified in subsection 1.4(8) of Policy Statement 51-102.

### ***Changes to Financial Statement Requirements***

#### ***1. Reconciliations and transition opening statement of financial position required by IFRS 1***

IFRS 1 requires the presentation of an opening IFRS statement of financial position at the date of transition to IFRS along with various reconciliations relating to the date of transition. We are requiring the opening IFRS statement of financial position to be presented in an issuer’s first IFRS interim financial report and first IFRS financial statements. We believe this disclosure is necessary to explain how the transition from previous GAAP to IFRS has affected an issuer’s reported financial position, financial performance and cash flows.

#### ***2. Opening Statement of Financial Position***

In certain instances, when an issuer applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, IAS 1 *Presentation of Financial Statements* requires the presentation of a statement of financial position as at the beginning of the earliest comparative period. Regulation 51-102 will require the filing of this opening statement of financial position in both annual financial statements and interim financial reports.

#### ***3. Presentation of Statement of Cash Flows***

We have proposed amendments to reflect the financial statement presentation requirements in IFRS. Regulation 51-102 and existing Canadian GAAP require issuers to present a cash flow statement in their interim financial statements for the three month period ending on the last day of the interim period and the corresponding comparative interim period and, for periods other than the first interim period, the year to date period. As IFRS requires only a statement of cash flows for the year to date period and the

corresponding comparative period, we have proposed amendments to only require a statement of cash flows for those periods.

#### *4. Presentation of Statement of Comprehensive Income*

We added disclosure requirements for the statement of comprehensive income based on the presentation options available under IFRS. If a reporting issuer presents the components of profit or loss in a separate income statement, the separate income statement must be displayed immediately before the statement of comprehensive income.

#### ***Transition Provision – Extension for Inclusion of First IFRS Interim Financial Report***

Part 14 of Regulation 51-102 includes transition provisions that provide reporting issuers with a 30 day extension to the filing deadline for the first IFRS interim financial report in respect of an interim period beginning on or after January 1, 2011. We believe this filing extension should be provided as the first IFRS interim financial report will be due not long after the filing of the Canadian GAAP annual financial statements. We recognize that boards of directors, audit committees, and in some cases auditors, will require additional time to review and approve the first set of IFRS financial statements. It should also be noted that other jurisdictions which transitioned to IFRS also granted filing extensions for the first IFRS filing, even though they only require issuers to file on a half-yearly basis.

We have not provided reporting issuers with additional time to file subsequent IFRS interim financial reports or the first IFRS annual financial statements as we believe the filing deadlines applicable to these financial statements are reasonable and appropriate after the initial changeover to IFRS.

#### ***Amendments from Regulation 52-107***

Among other things, the proposed changes to Regulation 52-107 eliminate the requirement in section 4.1 of that regulation for an SEC issuer that previously used Canadian GAAP and changed to US GAAP to reconcile its financial statements to Canadian GAAP for two years. Consequently, we propose to remove the related requirements for a reconciliation in paragraph 4.3(4)(c) and for an MD&A supplement in subsections 5.2(1.1) and (2) of Regulation 51-102.

In addition, Regulation 52-107 proposes, except in Ontario, that acquisition statements be permitted to be prepared in accordance with Canadian GAAP applicable to private enterprises in certain circumstances. Changes are being made to Part 8 of Regulation 51-102 and Policy Statement 51-102 to address this proposal.

These proposed changes will apply in respect of any period relating to a financial year that begins on or after January 1, 2011.

Even though the proposed amendments to the continuous disclosure rules replace existing Canadian GAAP terms and phrases with IFRS terms and phrases, the proposed amendments include references to “Canadian GAAP”. This is because Regulation 14-101 will continue to define “Canadian GAAP” to mean generally accepted accounting principles determined with reference to the CICA Handbook. Once the AcSB incorporates IFRS into the Handbook, the Handbook will contain two versions of Canadian GAAP for publicly accountable enterprises:

- IFRS for financial years beginning on or after January 1, 2011 (the mandatory effective date) (proposed Part I of the Handbook), and
- the standards constituting Canadian GAAP before the mandatory effective date (proposed Part IV of the Handbook).

Certain continuous disclosure filings (for example, business acquisition reports) require the presentation of both annual and interim financial information. During the IFRS

transition period, we recognize that these continuous disclosure documents will contain financial information prepared using both existing Canadian GAAP and IFRS.

### **Transition**

After the IFRS changeover date on January 1, 2011, non calendar year-end issuers will continue to prepare financial statements in accordance with existing Canadian GAAP until the start of their new financial year. To accommodate for this, we are proposing to include transition provisions in the continuous disclosure rules and the amendment regulations that provide that the proposed amendments only apply to periods relating to financial years beginning on or after January 1, 2011. Thus, during the transition period,

- issuers filing financial statements prepared in accordance with existing Canadian GAAP will be required to comply with the versions of the continuous disclosure rules that contain existing Canadian GAAP terms and phrases.
- issuers filing financial statements that comply with IFRS will be required to comply with the versions of the continuous disclosure rules that contain IFRS terms and phrases.

After the transition period all issuers will be required to comply with the versions of the continuous disclosure rules that contain IFRS terms and phrases.

To further assist issuers and their advisors and to increase transparency, during the transition period certain jurisdictions will post two different unofficial consolidations of the continuous disclosure rules on their websites:

- The existing versions of the continuous disclosure rules that contain existing Canadian GAAP terms and phrases, which apply to reporting issuers in respect of periods relating to financial years beginning before January 1, 2011.
- The new versions of the continuous disclosure rules that contain IFRS terms and phrases, which apply to reporting issuers in respect of periods relating to financial years beginning on or after January 1, 2011.

### **Comments**

We request your comments on the proposed amendments outlined above. Please provide your comments in writing by December 24, 2009. If you are not sending your comments by email, an electronic file containing the submissions should also be provided (Windows format, Word).

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

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Please note that comments received will be made publicly available and posted at [www.osc.gov.on.ca](http://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:

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