

## Notice of publication

### Regulation to amend Regulation respecting Development Capital Investment Fund Continuous Disclosure<sup>1</sup>

#### Introduction

The *Autorité des marchés financiers* (the “Authority”) is publishing the following regulation:

- *Regulation to amend Regulation respecting Development Capital Investment Fund Continuous Disclosure (the “Regulation”).*

#### Substance and Purpose

The Regulation requires development capital investment funds, for financial years beginning on or after January 1, 2014, to prepare financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises and to report compliance with IFRS. We have also updated the accounting terms and phrases in the *Regulation respecting Development Capital Investment Fund Continuous Disclosure* to reflect IFRS as incorporated into the CPA Canada Handbook.

#### Background

The Regulation aims to oversee the set of continuous disclosure requirements for development capital investment funds. The *Regulation respecting Development Capital Investment Fund Continuous Disclosure* currently requires development capital investment funds to prepare financial statements in accordance with Canadian generally accepted accounting principles (GAAP) which are established by the Canadian Accounting Standards Board (AcSB) and published in the CPA Canada Handbook. Following a period of consultation, the AcSB adopted a strategic plan in 2006 to move financial reporting for Canadian publicly accountable enterprises to IFRS as issued by the International Accounting Standards Board (IASB).

Further to a project initiated in 2009, we published proposed amendments to the *Regulation respecting Development Capital Investment Fund Continuous Disclosure* for comment on July 11, 2013 (the 2013 Proposal) that proposed changes relating to the changeover to IFRS. The provisions of the Regulation are harmonized with the provisions of the *Regulation to amend Regulation 81-106 respecting Investment Fund Continuous Disclosure* published by the Authority on October 3, 2013.

The final changes for reporting issuers, other than investment funds<sup>2</sup>, and registrants were published in 2010 to coincide with the transition of most publicly accountable enterprises to IFRS for financial years beginning on or after January 1, 2011.

However, the AcSB provided investment companies, as defined in and applying Accounting Guideline 18 *Investment Companies* (AcG-18), with a deferral of the mandatory changeover date for three years until January 1, 2014. This deferral applied to “investment funds” as defined in securities legislation. The deferral was intended to allow the IASB’s exception from consolidation for investment entities to be in place prior to the adoption of IFRS by investment companies in Canada.

#### *Exception from Consolidation for Investment Funds*

IFRS 10 *Consolidated Financial Statements* requires an entity to consolidate investments that it controls. This requirement would have required investment funds, including capital development investment funds,

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<sup>1</sup> Publication authorized by Les Publications du Québec.

<sup>2</sup> Capital development investment funds are investment funds as defined in securities legislation.

to produce potentially confusing disclosure as historically, all investment fund portfolio positions were shown at fair value. In 2010, the IASB announced that it would propose that investment companies be exempt from consolidation and instead measure an investment in a subsidiary at fair value through profit and loss.

The consolidation issue for investment funds was largely resolved when the IASB issued *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)* on October 31, 2012. These revisions provide investment entities with an exception from consolidating entities that they control. The term “investment entities” is defined in IFRS 10, and in our view, will capture the majority of “investment funds” as defined in securities legislation.

### **Summary of Written Comments Received**

During the comment period, no comment letter was received by the Authority.

### **Summary of Changes to the Proposed Regulation**

We have made some revisions to the 2013 Proposal for sections that are in common with the *Regulation to amend Regulation 81-106 respecting Investment Fund Continuous Disclosure*, to mirror the final IFRS-related amendments to that regulation, which were published on October 3, 2013. Those revisions are reflected in the Regulation that we are publishing concurrently with this Notice. As these changes are not material, we are not republishing the Amendments for a further comment period.

### **Notice of Publication**

The Regulation, which was made by the Authority on November 13, 2013, has received ministerial approval as required and will come into force on January 1, 2014.

The ministerial order approving the Regulation was published in the *Gazette officielle du Québec* dated December 18, 2013 and is reproduced hereunder.

### **Questions**

Please refer your questions to any of the following:

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