



Canadian Securities
Administrators

Autorités canadiennes
en valeurs mobilières

NOTICE AND REQUEST FOR COMMENTS

PROPOSED NATIONAL INSTRUMENT 52-107 *ACCEPTABLE ACCOUNTING PRINCIPLES AND AUDITING STANDARDS* AND COMPANION POLICY 52-107CP *ACCEPTABLE ACCOUNTING PRINCIPLES AND AUDITING STANDARDS*

AND

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 14-101 *DEFINITIONS*

September 25, 2009

Purpose of Notice

The Canadian Securities Administrators (the CSA or we) are publishing the following proposed materials for a 90-day comment period:

- National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Proposed Instrument),
- Companion Policy 52-107CP *Acceptable Accounting Principles and Auditing Standards* (the Proposed Policy), and
- Amendments to National Instrument 14-101 *Definitions* (NI 14-101)

The Proposed Instrument, the Proposed Policy and the proposed amendments to NI 14-101 are collectively referred to as the Proposed Materials.

The Proposed Instrument and the Proposed Policy would replace the following documents currently in effect:

- National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (Current NI 52-107), and
- Companion Policy 52-107CP *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*.

The proposed amendments to NI 14-101 would remove one definition and add two new definitions.

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).

We are publishing the text of the Proposed Materials with this Notice. You can also find the text of the Proposed Materials on the websites of many CSA members together with a blackline of the Proposed Instrument against Current NI 52-107.

We invite comments on the Proposed Materials. As the Proposed Materials 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 provisions of the Proposed Materials that will not be affected by this changeover to IFRS (other than the housekeeping amendments described in this Notice).

Background

In February 2006, the Canadian Accounting Standards Board (AcSB) published a strategic plan to transition Canadian Generally Accepted Accounting Principles (Canadian GAAP) for public enterprises to IFRS adopted by the International Accounting Standards Board (IASB) over a period of five years. In March 2008 the transition date was confirmed, and IFRS will apply to Canadian publicly accountable enterprises for financial years beginning on or after January 1, 2011.

The AcSB has announced that it plans to incorporate IFRS into the Handbook of the Canadian Institute of Chartered Accountants (the CICA Handbook) as Canadian GAAP for publicly accountable enterprises. As a result, the CICA Handbook will contain two versions of Canadian GAAP for public companies for a period of time. This includes:

- Part I of the CICA Handbook – known as Canadian GAAP for publicly accountable enterprises that will apply for financial years beginning on or after January 1, 2011, and
- Part IV of the CICA Handbook - known as Canadian GAAP for public enterprises that are the standards constituting Canadian GAAP before the mandatory effective date (current Canadian GAAP).

The CSA supports Canada's move to IFRS - a globally accepted, high quality set of accounting principles. The Proposed Materials address the changes required to reflect IFRS.

Current NI 52-107 sets out acceptable accounting principles and auditing standards to be applied by issuers and registrants for financial statements filed or delivered to securities regulatory authorities or securities regulators. Currently, a domestic issuer and a registrant must use Canadian GAAP for public enterprises in the CICA Handbook. A domestic issuer that is also registered with the United States Securities and Exchange Commission (SEC), i.e., an SEC issuer, has the option to use U.S. Generally Accepted Accounting Principles (U.S. GAAP). Under Current NI 52-107, only foreign issuers and foreign registrants can use IFRS.

The Proposed Materials were drafted to reflect that for financial years beginning on or after January 1, 2011 domestic issuers and registrants will be required to use IFRS as incorporated into the CICA Handbook.

The Canadian Auditing and Assurance Standards Board published their strategic plan to adopt International Standards on Auditing (ISAs) as Canadian Auditing Standards (CASs) in February 2007. These standards will continue to be known as Canadian Generally Accepted Auditing Standards (Canadian GAAS) in the CICA Handbook. The effective date for CASs is for audits of

financial statements for periods ending on or after December 14, 2010. The Proposed Materials have also been drafted to reflect this changeover.

Substance and Purpose of the Proposed Materials

The Proposed Materials require that, for financial years beginning on or after January 1, 2011, domestic issuers:

- prepare financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises, and
- report compliance with IFRS.

A domestic issuer who is also an SEC issuer will continue to have the option to use U.S. GAAP.

The Proposed Materials require that, for financial years beginning on or after January 1, 2011, domestic registrants:

- prepare financial statements in accordance with Canadian GAAP applicable to publicly accountable enterprises except that financial statements must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in Canadian GAAP applicable to publicly accountable enterprises, and
- report compliance with IFRS except that the financial statements account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS.

Registrants will continue to be required to provide their financial statements on a non-consolidated basis in order to facilitate identification of potential concerns with a registrant's capital adequacy and financial solvency. Complete information in these areas would not be available if registrants filed consolidated financial statements.

Financial reporting terminology in Current NI 52-107 is being modified to reflect IFRS terminology. By replacing current Canadian GAAP terms and phrases with IFRS terms and phrases, we expect that a more consistent interpretation will be available for financial reporting for issuers and registrants. More consistent disclosure practices should increase transparency to the market and thereby benefit investors. As well, we have addressed certain transition issues as domestic issuers and registrants change from current Canadian GAAP to IFRS.

Issuers and registrants that file or deliver financial statements prepared in accordance with acceptable accounting principles other than IFRS as permitted by the Proposed Instrument may interpret any references in IFRS as a reference to the corresponding term in the other acceptable accounting principles.

The Proposed Materials are intended to provide an efficient transition mechanism for issuers and registrants to reflect the changeover, and produce high quality financial reporting for investors.

The Proposed Materials do not reflect the impact of exposure drafts or discussion papers from the IASB prior to their adoption into IFRS. The definition of IFRS in the proposed amendments to NI 14-101 incorporates amendments made from time to time.

The French version of the Proposed Materials reflect the changes in terminology made in the English version. Moreover, it reflects the changes in the French terminology introduced as a result of the copyrighted translation of IFRS in French produced by the IASC Foundation (IFRS in French). As the terminology of IFRS in French is still in a state of flux, we have tried our best to anticipate what terminology will be incorporated into the French version of Part I of the CICA Handbook as of January 1, 2011 and we have been in consultation with the Linguistic Services of the CICA on the subject. The foremost concern has been to align the terminology used in the French version of the Proposed Materials with the terminology used in IFRS in French.

Summary of the Proposed Materials

1. Requirements for Acquisition Statements

An issuer must include in a document to be filed audited annual financial statements as well as unaudited interim financial reports for an acquired business that is significant in relation to the issuer, or in the context of an offering, that the issuer proposes to acquire where the likelihood of completing the acquisition is high. In addition to acquisition statements, an issuer must also provide *pro forma* financial statements that illustrate the impact of the acquisition on the issuer's financial position and financial performance. An acquisition is "significant" if it increases the size of the issuer by at least 20% if the issuer is a TSX-listed issuer and 40% if the acquirer is a venture issuer as defined in National Instrument 51-102 *Continuous Disclosure Obligations*. National Instrument 51-102 requires an issuer to file a business acquisition report that includes acquisition statements and *pro forma* financial statements within 75 days of the date of an acquisition. The national prospectus rules require a prospectus to include acquisition statements and *pro forma* financial statements relating to a significant business proposed to be acquired.

Under Current NI 52-107, the only Canadian accounting principles accepted for acquisition statements are Canadian GAAP applicable to public enterprises. Acquisition statements may not be prepared using the differential reporting options for private enterprises. Effective for financial years beginning on or after January 1, 2011, the CICA Handbook will contain both Canadian GAAP applicable to publicly accountable enterprises (IFRS incorporated into the CICA Handbook) and Canadian GAAP applicable to private enterprises. The nature and extent of differences between these two sets of accounting standards will be significantly greater than the differential reporting options referred to above. As stated by the AcSB, "in comparison to current Canadian GAAP for public enterprises, the proposed standards for private enterprises have approximately half the specific disclosure requirements", as well as "simplified accounting for financial instruments, investments, pensions and other complex areas".

We considered the cost and time for issuers to provide acquisition statements and the needs of investors for financial information regarding the acquired business or business proposed to be acquired.

CSA jurisdictions except for Ontario concluded that, in addition to the other permitted accounting principles, the Proposed Instrument should permit acquisition statements to be prepared in accordance with Canadian GAAP applicable to private enterprises subject to specified conditions. These conditions are:

- the acquisition statements must consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method,

- financial statements for the business were not previously prepared in accordance with any of the other accounting principles permitted by the Proposed Instrument for acquisition statements, and
- the acquisition statements are accompanied by a notice that identifies the accounting principles used, states that they differ from Canadian GAAP applicable to publicly accountable enterprises, and indicates that the *pro forma* financial statements include adjustments relating to the business and present *pro forma* information prepared using accounting principles consistent with the accounting principles used by the issuer.

CSA jurisdictions except for Ontario are of the view that the time and cost to convert acquired business financial statements from Canadian GAAP applicable to private enterprises to IFRS would exceed the benefit to investors. CSA jurisdictions except for Ontario are of the view that audited acquisition financial statements prepared in accordance with Canadian GAAP applicable to private enterprises subject to certain conditions, as well as *pro forma* financial statements, provide sufficient information for an investor. The *pro forma* financial statements would produce a combined presentation of the issuer and the acquired business or business proposed to be acquired in accordance with accounting standards of the issuer, for example IFRS.

Ontario concluded that acquisition statements should continue to be prepared in accordance with accounting standards that are required for public companies. This includes one of Canadian GAAP applicable to publicly accountable enterprises, IFRS, U.S. GAAP, accounting principles for foreign private issuers in the U.S., and accounting principles of designated foreign jurisdictions. Ontario believes that Canadian GAAP applicable to private enterprises with or without variations is not appropriate for acquisition statements. Ontario also believes that permitting these standards would result in investors not receiving sufficiently comprehensive financial information for making investment decisions. Further, Ontario believes that audited IFRS acquisition statements provide an important starting point for the development of *pro forma* financial statements and also provide important comparable information to the issuer's IFRS financial statements.

Commenters are asked to respond to these questions by discussing the relevant costs and benefits relating to the provision in paragraph 3.11(1)(f) of the Proposed Instrument and other potential options:

Question 1: Do you agree with the proposal of jurisdictions other than Ontario that acquisition statements should be permitted to be prepared in accordance with Canadian GAAP for private enterprises where the specified conditions are met in accordance with paragraph 3.11(1)(f)? Please give reasons for your response.

Question 2: Do you agree with Ontario's proposal that acquisition statements should be permitted to be prepared only in accordance with a set of accounting principles specified in paragraphs 3.11(1)(a) to (e)? Please give reasons for your response.

Question 3: Do you think that any other options would better balance the cost and time for issuers to provide acquisition statements and the needs of investors to make investment decisions? For example, one option identified by Ontario would be to permit acquisition statements to be prepared in accordance with Canadian GAAP applicable to private enterprises where they are accompanied by an audited reconciliation quantifying and explaining material differences from Canadian GAAP applicable to private enterprises to IFRS and providing material IFRS disclosures. Please give reasons for your response.

2. Accounting and Auditing Framework

i. For domestic issuers

We propose the following requirements for domestic issuers for financial years beginning on or after January 1, 2011:

- issuers must prepare their annual financial statements and interim financial reports in accordance with Canadian GAAP applicable to publicly accountable enterprises,
- issuers must make an explicit and unreserved statement of compliance with IFRS in the notes to their annual financial statements, and disclose compliance with International Accounting Standard 34 *Interim Financial Reporting* in their interim financial reports, and
- auditor's reports accompanying an issuer's financial statements must refer to IFRS and be in the form specified by Canadian generally accepted auditing standards for financial statements prepared in accordance with a fair presentation framework.

We also discuss in the Proposed Policy that issuers and their auditors may refer to Canadian GAAP applicable to publicly accountable enterprises in addition to the reference of compliance with IFRS.

ii. For domestic registrants

We propose the following requirements for domestic registrants for financial years beginning on or after January 1, 2011:

- registrants must prepare their annual financial statements and interim financial information in accordance with Canadian GAAP applicable to publicly accountable enterprises except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities, and associates as

specified for separate financial statements in Canadian GAAP applicable to publicly accountable enterprises, and

- registrants must disclose that annual financial statements comply with IFRS except that the financial statements account for investments in subsidiaries, jointly controlled entities, and associates as specified for separate financial statements in IFRS.

We also discuss in the Proposed Policy that registrants and their auditors may refer to Canadian GAAP applicable to publicly accountable enterprises in addition to the reference of compliance with IFRS.

We have developed specific language for issuers and registrants to describe the accounting and auditing frameworks for special purpose statements and financial information to comply with the requirements of IFRS.

The CICA Handbook will provide IFRS in English and French. Therefore, the Proposed Policy explains that preparers and auditors will be able to use either version to comply with the proposed requirement to prepare financial statements in accordance with Canadian GAAP as applicable to publicly accountable enterprises.

The Proposed Materials require domestic issuers to explicitly refer to IFRS. The Proposed Policy addresses the continuing need for some entities to refer to Canadian GAAP to satisfy existing contractual obligations, other federal, provincial and territorial laws, regulatory rules and other statutory or regulatory requirements.

3. Structure of Proposed Instrument

Issuers and registrants will transition to Canadian GAAP applicable to publicly accountable enterprises for financial years beginning on or after January 1, 2011. However, not all issuers and registrants have calendar year ends. For this reason we kept the “old” version of the Proposed Instrument with a few changes in Part 4 so that issuers and registrants will be able to refer to current Canadian GAAP. The “new” version of the Proposed Instrument with requirements for Canadian GAAP applicable to publicly accountable enterprises is in Part 3.

4. Use of different accounting principles for different periods

The Proposed Materials require financial statements to be prepared in accordance with the same accounting principles for all periods presented in the financial statements. The Proposed Instrument provides an exemption to permit comparative financial information for a financial year beginning before January 1, 2011 to be prepared using current Canadian GAAP if certain conditions are met.

5. Removal of “same core subject matter”

We have removed this exemption due to global conversions to IFRS, and the infrequent use of the exemption.

6. SEC issuers

The Proposed Instrument maintains the option for a domestic issuer that is also an SEC registrant to use U.S. GAAP. We have removed the requirement to reconcile from U.S. GAAP to Canadian

GAAP for periods relating to financial years beginning on or after January 1, 2011. We believe that this reconciliation would cease to be useful after the changeover to IFRS.

7. Amendments to NI 14-101

Definitions we are proposing in amendments to NI 14-101 include IFRS as issued by the International Accounting Standards Board, and ISAs as issued by the International Auditing and Assurance Standards Board. The Proposed Materials do not permit the use of national variations of IFRS or “jurisdictional” IFRS.

8. Acquisition statements and audit standards

With the broader adoption of ISAs internationally after 2010, we are proposing to permit ISAs to be used in auditor’s reports accompanying acquisition financial statements.

9. Comparative requirements for domestic registrants

As a transition exemption, the Proposed Instrument provides that financial statements and interim financial information for domestic registrants relating to a financial year beginning in 2011 and complying with IFRS may exclude comparative information for the preceding financial year or interim period.

10. Housekeeping amendments

Where appropriate, we have also included a number of amendments that are housekeeping amendments. These include:

(i) U.S. GAAS

The Proposed Materials have been changed to reflect the appropriate terminology for auditing standards in the U.S..

Public Company Accounting Oversight Board Generally Accepted Auditing Standards (U.S. PCAOB GAAS) and the auditing standards for private U.S. companies, i.e. American Institute of Certified Public Accountants Generally Accepted Auditing Standards (U.S. AICPA GAAS), are reflected in the Proposed Instrument.

(ii) Auditor’s opinions

The Proposed Materials reflect the terminology appropriate to Canadian GAAS for audits of financial statements on or after December 14, 2010. A “modification of opinion” includes a qualification of opinion, an adverse opinion, and a disclaimer of opinion.

(iii) Credit supporter or credit support issuer

We have made modifications to the Proposed Instrument to properly reflect existing practices for credit supporters and credit support issuers in continuous disclosure and prospectus rules. We have found the current requirements do not clearly align with the financial statement requirements for credit support issuers and credit supporters in the continuous disclosure and prospectus rules.

Other Amendments

The CSA, except the Autorité des marchés financiers and the New Brunswick Securities Commission, are also publishing for comment today amending instruments for the following Instruments and accompanying Companion Policies reflecting the impact of the transition to IFRS:

National Instrument 51-102 *Continuous Disclosure Obligations*

National Instrument 41-101 *General Prospectus Requirements*

National Instrument 44-101 *Short Form Prospectus Distributions*

National Instrument 44-102 *Shelf Distributions*

National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*

National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*

The Autorité des marchés financiers and the New Brunswick Securities Commission are publishing for comment today staff notices that set out the substantive proposed changes reflected in the amending instruments 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 amending instruments in these provinces is presently not feasible. It is expected that the Autorité des marchés financiers and the New Brunswick Securities Commission will publish for comment corresponding amending instruments, 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.

We also intend to publish for comment on a later timing changes reflecting the impact of the transition to IFRS on Investment Funds including the following Instruments and accompanying Companion Policies:

National Instrument 81-106 *Investment Fund Continuous Disclosure*

National Instrument 81-101 *Mutual Fund Prospectus Disclosure*

National Instrument 81-102 *Mutual Funds*

National Instrument 81-104 *Commodity Pools*

National Instrument 41-101 *General Prospectus Requirements* relating to Form 41-101 F2 *Information Required in an Investment Fund Prospectus*

We will also publish for comment on a later timing changes reflecting the impact of the transition to IFRS on the following Instruments and Policies:

National Instrument 31-103 *Registration Requirements and Exemptions*

National Instrument 45-106 *Prospectus and Registration Exemptions*

National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*

National Instrument 52-110 *Audit Committees*

National Policy 58-201 *Corporate Governance Guidelines*

The CSA will also be publishing a replacement for CSA Staff Notice 52-306 *Non-GAAP Financial Measures* and a revised National Policy 41-201 *Income Trusts and Other Indirect Offerings* on a later date reflecting the changeover to IFRS.

Alternatives Considered

No alternatives to the Proposed Instrument were considered.

Anticipated Costs and Benefits

The AcSB's Strategic Plan approved moving financial reporting for Canadian publicly accountable enterprises to IFRS with a mandatory changeover from current Canadian GAAP to IFRS for years beginning on or after January 1, 2011. The CSA has monitored the implementation of the AcSB's Strategic Plan. We support the changeover to IFRS. Our objective is to ensure a smooth transition from current Canadian GAAP to IFRS for reporting issuers and registrants. Transition issues include changes to securities legislation and regulations to address changes in terminology and disclosure requirements. While the changeover to IFRS may impose costs on our market participants, the changes in the Proposed Materials are generally expected to not impose additional costs and may even assist in reducing costs of the transition by providing appropriate guidance and increasing awareness of the changeover.

Unpublished Materials

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

Appendices

The appendices with this Notice include the Proposed Materials. The appendices are organized as follows:

- a table summarizing changes in the Proposed Materials (Appendix A),
- the text of the Proposed Instrument (Appendix B),
- a blackline of the Proposed Instrument against Current NI 52-107 (Appendix C),
- the Proposed Policy (Appendix D),
- the proposed amendments to NI 14-101 (Appendix E), and
- where applicable, local material (Appendix F).

Request for Comments

We welcome your comments on the Proposed Materials. Please provide your comments in writing by December 24, 2009. If you are not sending your comments by email, you should also send an electronic file containing the submissions (in Windows format, Microsoft Word).

Please 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
Autorité des marchés financiers
New Brunswick 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 two addresses that follow. Your comments will be distributed to the other participating CSA member jurisdictions.

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Fax: (416) 593-8145
E-mail: jstevenson@osc.gov.on.ca

Anne-Marie Beaudoin, Secrétaire
Autorité des marchés financiers
Tour de la Bourse
800, square Victoria
C.P. 246, 22^e étage
Montreal, Québec, H4Z 1G3
Fax : (514) 864-6381
E-mail : consultation-en-cours@lautorite.qc.ca

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:

Carla-Marie Hait
Chief Accountant
British Columbia Securities Commission
(604) 899-6726 or (800) 373-6393 (toll free in Canada)
chait@bcsc.bc.ca

Manuele Albrino
Associate Chief Accountant
British Columbia Securities Commission
(604)899-6641 or (800) 373-6393 (toll free in Canada)
malbrino@bcsc.bc.ca

Lara Gaede
Chief Accountant
Alberta Securities Commission
(403) 297-4223
lara.gaede@asc.ca

Marion Kirsh
Associate Chief Accountant
Ontario Securities Commission
(416) 593-8282
mkirsh@osc.gov.on.ca

Sylvie Anctil-Bavas
Chef comptable
Autorité des marchés financiers
(514) 395-0337 ext. 4291
sylvie.anctil-bavas@lautorite.qc.ca

Leslie Rose
Senior Legal Counsel
British Columbia Securities Commission
(604)899-6654 or (800) 373-6393 (toll free in Canada)
lrose@bcsc.bc.ca

Fred Snell
Senior Advisor, Executive Director's Office
Alberta Securities Commission
(403) 297-6553
fred.snell@asc.ca

Cameron McInnis
Chief Accountant
Ontario Securities Commission
(416) 593-3675
cmcinnis@osc.gov.on.ca

Mark Pinch
Senior Accountant
Ontario Securities Commission
(416) 593-8057
mpinch@osc.gov.on.ca

Louis Auger
Analyste en valeurs mobilières
Autorité des marchés financiers
(514) 395-0337 ext. 4383
louis.auger@lautorite.qc.ca

APPENDIX A

Summary of Changes in Proposed Materials

A. TERMINOLOGY CHANGES

Accounting Terms or Phrases

We replaced the following terms and phrases used in the rules with comparable IFRS/ISA terms or phrases.

| Original Term or Phrase | IFRS Term or Phrase |
|---|--|
| Measurement Currency | Functional Currency |
| Reporting Currency | Presentation Currency |
| Does not contain a reservation | Does not contain a modification of opinion |
| Balance sheet | Statement of financial position |
| Canadian GAAP as applicable to public enterprises | Canadian GAAP applicable to publicly accountable enterprises (post transition to IFRS) |
| Canadian GAAP as applicable to public enterprises | Canadian GAAP – Part IV (pre transition to IFRS) |
| Net income | Profit or loss |
| Cash flow statement | Statement of cash flows |
| Interim financial statements | Interim financial report |

Other Changes to Accounting References

| Term | Explanation of Change |
|-------------------------------------|---|
| Public enterprise | Definition in Current NI 52-107 of “public enterprise” not included in Part 1 of the Proposed Instrument. “Publicly accountable enterprise” definition inserted in Part 3 of the Proposed Instrument. |
| Canadian auditor’s report | Removed “Canadian auditor’s report” from NI 14-101. |
| U.S. AICPA GAAS and U.S. PCAOB GAAS | U.S. GAAS differentiated between auditing standards of the American Institute of Certified Public Accountants (for non-SEC registrants) and U.S. PCAOB GAAS which are auditing standards of the Public Company Accounting Oversight Board (United States) for SEC registrants and added “as amended from time to time” to application of GAAS on a dynamic basis. |
| IFRS | Definition of IFRS inserted into NI 14-101 as follows: “IFRS” means standards and interpretations adopted by the International Accounting Standards Board and amended from time to time, comprising International Financial Reporting Standards, International Accounting Standards and interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee; |

| Term | Explanation of Change |
|---|---|
| International Standards on Auditing | Definition of International Standards on Auditing inserted into NI 14-101 as follows: “International Standards on Auditing” means auditing standards issued by the International Auditing and Assurance Standards Board, as amended from time to time; |
| Financial statements | “Financial statements” inserted into definitions in Part 1 of the Proposed Instrument and includes interim financial reports (IFRS reference) to be consistent with NI 51-102 |
| Annual financial statements, interim financial reports, and <i>pro forma</i> financial statements | Proposed Instrument revised to be applicable to “all financial statements” – includes annual and interim but not <i>pro formas</i> . <i>Pro forma</i> financial statements are addressed separately. |

B. OTHER CHANGES

| Explanation of Change |
|--|
| Identification of accounting principles – Requirement to identify accounting principles used to prepare financial statements removed. The following requirements created: <ul style="list-style-type: none"> ○ Issuers must make an explicit and unreserved statement of compliance with IFRS in the notes to the annual financial statements and disclose compliance with IAS 34 in its interim financial report ○ Auditors’ reports must be in the form specified by Canadian GAAS for financial statements prepared in accordance with a fair presentation framework and refer to IFRS |
| Same core subject matter – Foreign issuers currently are permitted to use accounting principles that cover substantially the “same core subject matter as Canadian GAAP”. Removed “same core subject matter” exemptions from Current NI 52-107. |
| Identification of auditing standards – Audit reports on financial statements audited in accordance with U.S. AICPA GAAS, U.S. PCAOB GAAS and International Standards on Auditing must identify the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements (explicitly required in the Proposed Instrument). |
| Applicability to registrants – The applicability of the Proposed Instrument extends to those financial statements and interim financial information delivered by registrants. Subsection 3.2(3) of the Proposed Instrument added so that financial statements filed pursuant to NI 31-103 must be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and must account for investments in subsidiaries, jointly controlled entities and associates on the basis specified for separate financial statements in the CICA Handbook. For financial statements, registrants must disclose compliance with IFRS with the exception as described above. |
| Presentation currency – Must be prominently displayed in the financial statements – previously was required to be disclosed on the face page of the financial statements or notes unless prepared in accordance with Canadian GAAP and the reporting currency is the Canadian dollar. IFRS |

| Explanation of Change |
|--|
| requires disclosure. |
| Functional currency – Financial statements must disclose the functional currency if it is different than the presentation currency (previously note disclosure only). This is an IFRS required disclosure. |
| Predecessor auditor’s reports – If an issuer or registrant has changed its auditor and that comparative period(s) is audited by a predecessor auditor, must attach the predecessor auditor’s report on the comparative periods. Alternatively, except in the case of prospectus and take-over rules, reference to the predecessor auditor’s report on the comparative periods is sufficient. |
| Acceptable Accounting Principles for SEC Issuers – eliminated reconciliation from U.S. GAAP to Canadian GAAP for an SEC issuer reporting in accordance with U.S. GAAP who has previously filed financial statements prepared in accordance with Canadian GAAP. |
| Acquisition statements: <ul style="list-style-type: none">○ Permitted GAAPs are Canadian GAAP applicable to publicly accountable enterprises, IFRS, U.S. GAAP, SEC accounting principles for foreign private issuers, and designated foreign issuer accounting principles○ Except in Ontario, also permit Canadian GAAP applicable to private enterprises if<ul style="list-style-type: none">- the acquisition statements consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method,- financial statements for the business were not previously prepared using the other accounting principles permitted for acquisition statements- the acquisition statements are accompanied by a notice identifying the accounting principles used, states that they differ from Canadian GAAP applicable to publicly accountable enterprise, and indicates that the <i>pro forma</i> financial statements include adjustments relating to the business and present <i>pro forma</i> information using accounting principles consistent with the accounting principles used by the issuer.○ Removed accounting principles that cover substantially the “same core subject matter as Canadian GAAP” as a permitted GAAP |
| Acceptable Accounting Principles for SEC Issuers – Proposed subsection 4.7(2) applies if an SEC issuer changes from Canadian GAAP to U.S. GAAP in 2010. Reconciliation for a one-year period required in this case. There is no requirement in this case to reconcile subsequently to IFRS. |
| Acceptable Accounting Principles for <i>Pro Forma</i> Financial Statements – revised requirement for <i>pro forma</i> financial statements from “must be prepared <i>in accordance</i> with the issuer’s GAAP” to “must be prepared <i>using principles that are consistent</i> with the issuer’s GAAP”. |

C. HOUSEKEEPING CHANGES

| Explanation of Change |
|--|
| “Alternative credit support” inserted into the definitions related to credit support in NI 52-107. The credit support section does not currently refer both to the possibility that either the subsidiary entity or the parent can be a guarantor and the requirement that the appropriate entity submit financial statements. This section is revised to reflect current practices. |
| “Accounting principles” definition revised from “mean a body of accounting principles that are generally accepted...” to “mean a body of principles relating to accounting that are generally accepted...”. This is required to avoid the circularity of using “accounting principles” to define the same expression. |
| “Acquisition statements” definition expanded to make reference to all the rules where they are required |
| “inter-dealer bond broker” definition reference to “Investment Dealers Association” revised to “Investment Industry Regulatory Organization of Canada” |
| “U.S. GAAP” definition revised to remove reference to eliminated Regulation S-B under the 1934 Act and added “as amended from time to time” to conform with dynamic application of Canadian GAAP |

APPENDIX B

Proposed Instrument to National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards*

TABLE OF CONTENTS

| <u>PART</u> | <u>TITLE</u> |
|--------------------|--|
| PART 1: | DEFINITIONS AND INTERPRETATION |
| 1.1 | Definitions |
| 1.2 | Determination of Canadian Shareholders for Calculation of Designated Foreign Issuer and Foreign Issuer |
| 1.3 | Timing for Calculation of Designated Foreign Issuer, Foreign Issuer and Foreign Registrant |
| 1.4 | Interpretation |
| PART 2: | APPLICATION |
| 2.1 | Application |
| 2.2 | Application of Part 3 |
| 2.3 | Application of Part 4 |
| PART 3: | RULES APPLYING TO FINANCIAL YEARS BEGINNING ON OR AFTER JANUARY 1, 2011 |
| 3.1 | Publicly Accountable Enterprise |
| 3.2 | Acceptable Accounting Principles – General Requirements |
| 3.3 | Acceptable Auditing Standards – General Requirements |
| 3.4 | Acceptable Auditors |
| 3.5 | Presentation and Functional Currencies |
| 3.6 | Credit Supporters |
| 3.7 | Acceptable Accounting Principles for SEC Issuers |
| 3.8 | Acceptable Auditing Standards for SEC Issuers |
| 3.9 | Acceptable Accounting Principles for Foreign Issuers |
| 3.10 | Acceptable Auditing Standards for Foreign Issuers |
| 3.11 | Acceptable Accounting Principles for Acquisition Statements |
| 3.12 | Acceptable Auditing Standards for Acquisition Statements |
| 3.13 | Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method |
| 3.14 | Acceptable Accounting Principles for <i>Pro Forma</i> Financial Statements |
| 3.15 | Acceptable Accounting Principles for Foreign Registrants |
| 3.16 | Acceptable Auditing Standards for Foreign Registrants |

PART 4: RULES APPLYING TO FINANCIAL YEARS BEGINNING BEFORE JANUARY 1, 2011

- 4.1 Definitions
- 4.2 Acceptable Accounting Principles – General Requirements
- 4.3 Acceptable Auditing Standards – General Requirements
- 4.4 Acceptable Auditors
- 4.5 Measurement and Reporting Currencies
- 4.6 Credit Supporters
- 4.7 Acceptable Accounting Principles for SEC Issuers
- 4.8 Acceptable Auditing Standards for SEC Issuers
- 4.9 Acceptable Accounting Principles for Foreign Issuers
- 4.10 Acceptable Auditing Standards for Foreign Issuers
- 4.11 Acceptable Accounting Principles for Acquisition Statements
- 4.12 Acceptable Auditing Standards for Acquisition Statements
- 4.13 Financial Information for Acquisitions Accounted for by Issuer Using the Equity Method
- 4.14 Acceptable Accounting Principles for *Pro Forma* Financial Statements
- 4.15 Acceptable Accounting Principles for Foreign Registrants
- 4.16 Acceptable Auditing Standards for Foreign Registrants

PART 5: EXEMPTIONS

- 5.1 Exemptions
- 5.2 Certain Exemptions Evidenced by Receipt

PART 6: REVOCATION AND EFFECTIVE DATE

- 6.1 Revocation
- 6.2 Effective Date

National Instrument 52-107
Acceptable Accounting Principles and Auditing Standards

PART 1: DEFINITIONS AND INTERPRETATION

1.1 Definitions — In this Instrument:

“accounting principles” mean a body of principles relating to accounting that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, IFRS, Canadian GAAP and U.S. GAAP;

“acquisition statements” means financial statements of an acquired business or a business to be acquired, or operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are

- (a) required to be filed under National Instrument 51-102,
- (b) included in a prospectus pursuant to Item 35 of Form 41-101F1 in National Instrument 41-101 *General Prospectus Requirements*,
- (c) required to be included in a prospectus under National Instrument 44-101 *Short Form Prospectus Distributions*, or
- (d) except in Ontario, included in an offering memorandum required under National Instrument 45-106;

“auditing standards” mean a body of standards relating to auditing that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, Canadian GAAS, International Standards on Auditing, U.S. AICPA GAAS and U.S. PCAOB GAAS;

“business acquisition report” means a completed Form 51-102F4 *Business Acquisition Report*;

“convertible security” means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

“credit support issuer” means an issuer of securities for which a credit supporter has provided a guarantee or alternative credit support;

“credit supporter” means a person or company that provides a guarantee or alternative credit support for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities;

“designated foreign issuer” means a foreign issuer

- (a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act,
- (b) that is subject to foreign disclosure requirements in a designated foreign jurisdiction, and
- (c) for which the total number of equity securities owned, directly or indirectly, by residents of Canada does not exceed 10 per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

“designated foreign jurisdiction” means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

“exchangeable security” means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

“exchange-traded security” means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

“executive officer” means, for an issuer, an individual who is

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
- (c) performing a policy-making function in respect of the issuer;

“financial statements” includes interim financial reports;

“foreign disclosure requirements” means the requirements to which a foreign issuer is subject concerning disclosure made to the public, to securityholders of the issuer or to a foreign regulatory authority

- (a) relating to the foreign issuer and the trading in its securities, and
- (b) that is made publicly available in the foreign jurisdiction under

- (i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located, or
- (ii) the rules of the marketplace that is the principal trading market of the foreign issuer;

“foreign issuer” means an issuer that is incorporated or organized under the laws of a foreign jurisdiction, unless

- (a) outstanding voting securities of the issuer carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada, and
- (b) any of the following apply:
 - (i) the majority of the executive officers or directors of the issuer are residents of Canada;
 - (ii) more than 50 per cent of the consolidated assets of the issuer are located in Canada; or
 - (iii) the business of the issuer is administered principally in Canada;

“foreign registrant” means a registrant that is incorporated or organized under the laws of a foreign jurisdiction, unless

- (a) outstanding voting securities of the registrant carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada, and
- (b) any of the following apply:
 - (i) the majority of the executive officers or directors of the registrant are residents of Canada;
 - (ii) more than 50 per cent of the consolidated assets of the registrant are located in Canada; or
 - (iii) the business of the registrant is administered principally in Canada;

“foreign regulatory authority” means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

“inter-dealer bond broker” means a person or company that is approved by the Investment Industry Regulatory Organization of Canada under its Rule No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to its Rule No. 36 and its

Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“issuer’s GAAP” means the accounting principles used to prepare an issuer’s financial statements, as permitted by this Instrument;

“marketplace” means

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that
 - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
 - (ii) brings together the orders for securities of multiple buyers and sellers, and
 - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or
- (d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

“multiple convertible security” means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

“National Instrument 45-106” means National Instrument 45-106 *Prospectus and Registration Exemptions*;

“National Instrument 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“National Instrument 71-102” means National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers*;

“principal trading market” means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer’s most recently completed financial year that ended before the date the determination is being made;

“published market” means, for a class of securities, a marketplace on which the securities

have traded that discloses, regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means, the prices at which those securities have traded;

“recognized exchange” means

- (a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange,
- (b) in Québec, a person or company authorized by the securities regulatory authority to carry on business as an exchange; and
- (c) in every other jurisdiction of Canada, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

“recognized quotation and trade reporting system” means

- (a) in every jurisdiction of Canada other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system, and
- (b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

“SEC issuer” means an issuer that

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and
- (b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended;

“SEC foreign issuer” means a foreign issuer that is also an SEC issuer;

“underlying security” means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

“U.S. GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X under the 1934 Act, as amended from time to time;

“U.S. AICPA GAAS” means auditing standards of the American Institute of Certified Public Accountants, as amended from time to time;

“U.S. PCAOB GAAS” means auditing standards of the Public Company Accounting Oversight Board (United States of America), as amended from time to time.

1.2 Determination of Canadian Shareholders for Calculation of Designated Foreign Issuer and Foreign Issuer —

- (1) For the purposes of paragraph (c) of the definition of “designated foreign issuer” in section 1.1 and paragraphs 3.9(1)(c) and 4.9(c), a reference to equity securities owned, directly or indirectly, by residents of Canada, includes
 - (a) the underlying securities that are equity securities of the foreign issuer; and
 - (b) the equity securities of the foreign issuer represented by an American depositary receipt or an American depositary share issued by a depositary holding equity securities of the foreign issuer.
- (2) For the purposes of paragraph (a) of the definition of “foreign issuer” in section 1.1, securities represented by American depositary receipts or American depositary shares issued by a depositary holding voting securities of the foreign issuer must be included as outstanding in determining both the number of votes attached to securities owned, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer’s outstanding voting securities.

1.3 Timing for Calculation of Designated Foreign Issuer, Foreign Issuer and Foreign Registrant — For the purposes of paragraph (c) of the definition of “designated foreign issuer” in section 1.1, paragraph (a) of the definition of “foreign issuer” in section 1.1, and paragraph (a) of the definition of “foreign registrant” in section 1.1, the calculation is made

- (a) if the issuer has not completed one financial year, on the earlier of
 - (i) the date that is 90 days before the date of its prospectus, and
 - (ii) the date that it became a reporting issuer; and
- (b) for all other issuers and for registrants, on the first day of the most recent financial year or year-to-date interim period for which operating results are presented in the financial statements filed or included in the issuer’s prospectus.

1.4 Interpretation —

- (1) For the purposes of this Instrument, a reference to “prospectus” includes a preliminary prospectus, a prospectus, an amendment to a preliminary prospectus and an amendment to a prospectus.

- (2) For the purposes of this Instrument, a reference to information being “included in” another document means information reproduced in the document or incorporated into the document by reference.

PART 2: APPLICATION

2.1 Application —

- (1) This Instrument does not apply to investment funds.
- (2) This Instrument applies to
 - (a) all financial statements and interim financial information delivered by registrants to the securities regulatory authority or regulator under National Instrument 31-103 *Registration Requirements and Exemptions*,
 - (b) all financial statements filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
 - (c) all financial statements included in
 - (i) a prospectus or a take-over bid circular filed,
 - (ii) a document that is filed, or
 - (iii) except in Ontario, an offering memorandum required under National Instrument 45-106,
 - (d) any operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are
 - (i) filed under National Instrument 51-102,
 - (ii) included in a prospectus or a take-over bid circular filed, or included in a document that is filed, or
 - (iii) except in Ontario, included in an offering memorandum required under National Instrument 45-106,
 - (e) any other financial statements filed by a reporting issuer,
 - (f) financial information that is filed under National Instrument 51-102, included in a prospectus or a take-over bid circular filed or included in a

document that is filed or, except in Ontario, included in an offering memorandum required under National Instrument 45-106, that is

- (i) summary financial information for a credit supporter or credit support issuer, or
 - (ii) summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, and
- (g) *pro forma* financial statements
- (i) filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
 - (ii) included in a prospectus or a take-over bid circular filed, or included in a document that is filed, or
 - (iii) otherwise filed by a reporting issuer.

2.2 Application of Part 3 — Part 3 applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning on or after January 1, 2011.

2.3 Application of Part 4 — Part 4 applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.

**PART 3:
RULES APPLYING TO FINANCIAL YEARS BEGINNING ON OR AFTER
JANUARY 1, 2011**

3.1 Publicly Accountable Enterprise — In this Part, “publicly accountable enterprise” means a publicly accountable enterprise determined in accordance with the Handbook.

3.2 Acceptable Accounting Principles – General Requirements —

- (1) Financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f), other than acquisition statements, must
 - (a) be prepared in accordance with Canadian GAAP applicable to publicly

accountable enterprises, and

- (b) disclose
 - (i) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS,
 - (ii) in the case of financial information referred to in paragraph 2.1(2)(f), a statement that the information is prepared in accordance with the recognition, measurement and disclosure requirements in IFRS for the information, and
 - (iii) in the case of an interim financial report, compliance with International Accounting Standard 34 *Interim Financial Reporting*.
- (2) Despite subsection (1), in the case of an interim financial report that is not required under securities legislation to provide comparative interim financial information,
 - (a) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes for the current interim period must be prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* except for the requirement to include comparative financial information; and
 - (b) the interim financial report must disclose that
 - (i) it does not comply with International Accounting Standard 34 *Interim Financial Reporting* because it does not include comparative interim financial information, and
 - (ii) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes for the current interim period have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* except for the requirement to include comparative financial information.
- (3) Financial statements and interim financial information referred to in paragraph 2.1(2)(a) must
 - (a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in Canadian GAAP applicable to publicly accountable enterprises, and

- (b) in the case of annual financial statements, disclose that the financial statements comply with IFRS, except that the financial statements account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS.
- (4) Despite subsection (3), financial statements and interim financial information for periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial year or interim period if,
 - (a) the financial statements or interim financial information are prepared using a date of transition to IFRS that is the first day of the financial year to which the financial statements or interim financial information relate, and
 - (b) in the case of annual financial statements, the financial statements disclose that they comply with IFRS except that the financial statements
 - (i) account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS,
 - (ii) exclude comparative information for the preceding financial year, and
 - (iii) use a date of transition to IFRS that is the first day of the financial year to which the financial statements relate.
- (5) Subject to subsection (6), financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (6) Financial information for a particular financial year beginning before January 1, 2011 may be prepared using accounting principles permitted in Part 4 if
 - (a) the particular financial year is the earliest of 3 financial years where the financial statements present financial information for the 3 financial years and the most recent of those financial years begins on or after January 1, 2011, and
 - (b) financial information previously prepared for the particular financial year did not comply with IFRS.

3.3 Acceptable Auditing Standards – General Requirements —

- (1) Financial statements, other than acquisition statements, that are required by

securities legislation to be audited must

- (a) be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that
 - (i) does not contain a modification of opinion,
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and
 - (iii) except in the case of financial statements delivered by a registrant,
 - (A) is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework, and
 - (B) if the financial statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, refers to IFRS as the applicable fair presentation framework; and
 - (b) if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a predecessor auditor, be accompanied by the predecessor auditor's reports on the comparative periods.
- (2) Paragraph (1)(b) does not apply to financial statements referred to in paragraphs 2.1(2)(a) and (b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

3.4 Acceptable Auditors — An auditor's report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.5 Presentation and Functional Currencies —

- (1) The presentation currency must be prominently displayed in financial statements.
- (2) Financial statements must disclose the functional currency if it is different than the presentation currency.

3.6 Credit Supporters —

- (1) Unless subsection 3.2(1) applies, if a credit support issuer files, or includes in a

prospectus, financial statements of a credit supporter, the credit supporter's financial statements must

- (a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter filed financial statements referred to in paragraph 2.1(2)(b),
 - (b) identify the accounting principles used to prepare the financial statements,
 - (c) prominently display the presentation currency, and
 - (d) disclose the functional currency if it is different from the presentation currency.
- (2) If a credit support issuer files, or includes in a prospectus, summary financial information for the credit supporter or credit support issuer,
- (a) the summary financial information must, in addition to satisfying other requirements in this Instrument
 - (i) prominently display the presentation currency, and
 - (ii) disclose the functional currency if it is different from the presentation currency; and
 - (b) the amounts presented in the summary financial information must be derived from financial statements for the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b).

3.7 Acceptable Accounting Principles for SEC Issuers —

- (1) Despite subsection 3.2(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP.
- (2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.8 Acceptable Auditing Standards for SEC Issuers —

- (1) Despite subsection 3.3(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by
 - (a) an auditor's report prepared in accordance with U.S. PCAOB GAAS that
 - (i) contains an unqualified opinion,
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and
 - (iii) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements; and
 - (b) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor.
- (2) Paragraph (1)(b) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

3.9 Acceptable Accounting Principles for Foreign Issuers —

- (1) Despite subsection 3.2(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with
 - (a) IFRS;
 - (b) U.S. GAAP, if the issuer is an SEC foreign issuer;
 - (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer is an SEC foreign issuer,
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by

residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, and

- (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC; or
 - (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.10 Acceptable Auditing Standards for Foreign Issuers —

- (1) Despite subsection 3.3(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with
- (a) International Standards on Auditing if the financial statements are accompanied by
 - (i) an auditor's report that
 - (A) does not contain a modification of opinion,
 - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
 - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
 - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
 - (b) U.S. PCAOB GAAS if the financial statements are accompanied by
 - (i) an auditor's report that

- (A) contains an unqualified opinion,
 - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
 - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
 - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
- (ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if
 - (i) the issuer is a designated foreign issuer,
 - (ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (iii) the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.
- (2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

3.11 Acceptable Accounting Principles for Acquisition Statements —

- (1) Acquisition statements must be prepared in accordance with any of the following accounting principles:
 - (a) Canadian GAAP applicable to publicly accountable enterprises;
 - (b) IFRS;
 - (c) U.S. GAAP;

- (d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and
 - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
- (e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or business is a designated foreign issuer;
- (f) Canadian GAAP applicable to private enterprises if
 - (i) the acquisition statements consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method,
 - (ii) financial statements for the acquired business or business to be acquired, or operating statements for the oil and gas property that is an acquired business or a business to be acquired, were not previously prepared in accordance with any of the accounting principles specified in paragraphs (a) to (e), and
 - (iii) the acquisition statements are accompanied by a notice stating:

These [*insert* “financial statements” or “operating statements” *as applicable*] are prepared in accordance with Canadian GAAP applicable to private enterprises. The recognition, measurement and disclosure requirements of Canadian GAAP applicable to private enterprises differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards incorporated into the Handbook. The *pro forma* financial statements included in the document include adjustments relating to the [*insert* “acquired business” or “business to be acquired” *as applicable*] and present *pro forma* information prepared using accounting

principles that are consistent with the accounting principles used by the issuer.

- (2) Paragraph (1)(f) does not apply in Ontario.
- (3) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.
- (4) Acquisition statements to which paragraph (1)(a) applies must disclose
 - (a) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS,
 - (b) in the case of operating statements referred to in paragraph 2.1(2)(d), a statement that the information in the operating statements is prepared in accordance with the requirements in IFRS for the recognition, measurement and disclosure for the information, and
 - (c) in the case of interim financial reports, compliance with International Accounting Standard 34 *Interim Financial Reporting*.
- (5) Unless paragraph (1)(a) applies, the notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.
- (6) Unless paragraph (1)(f) applies, if acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must
 - (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation; and
 - (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between profit or loss reported in the acquisition statements and profit or loss computed in accordance with the issuer's GAAP.

3.12 Acceptable Auditing Standards for Acquisition Statements —

- (1) Acquisition statements that are required by securities legislation to be audited must be accompanied by an auditor's report and audited in accordance with any of the following auditing standards:

- (a) Canadian GAAS;
 - (b) International Standards on Auditing;
 - (c) U.S. PCAOB GAAS;
 - (d) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer;
 - (e) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (2) The auditor's report must
- (a) if paragraph (1)(a) or (b) applies, not contain a modification of opinion;
 - (b) if paragraph (1)(c) or (d) applies, contain an unqualified opinion;
 - (c) unless paragraph (1)(e) applies, identify all financial periods presented for which the auditor has issued an auditor's report;
 - (d) identify the auditing standards used to conduct the audit;
 - (e) identify the accounting principles used to prepare the acquisition statements, unless the auditor's report accompanies acquisition statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS; and
 - (f) if it accompanies acquisition statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS
 - (i) in the case of acquisition statements that are operating statements or financial statements for a business division, refer to the requirements in IFRS for the recognition, measurement and disclosure of information in the statements as the applicable fair presentation framework, and
 - (ii) in the case of other acquisition statements, refer to IFRS as the applicable fair presentation framework.
- (3) Despite paragraphs (2)(a) and (b), an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to inventory

if

- (a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a statement of financial position for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates; and
- (b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

3.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —

- (1) If an issuer files, or includes in a prospectus, summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must
 - (a) meet the requirements in section 3.11 if the term “acquisition statements” in that section is read as “summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,” and
 - (b) disclose the presentation currency for the financial information, and disclose the functional currency if it is different than the presentation currency.
- (2) If the financial information referred to in subsection (1) is required by securities legislation to be audited or derived from audited financial statements, the financial information must
 - (a) either
 - (i) meet the requirements in section 3.12 if the term “acquisition statements” in that section is read as “summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,” or
 - (ii) be derived from financial statements that meet the requirements in section 3.12 if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized

financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,”; and

- (b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.14 Acceptable Accounting Principles for *Pro Forma* Financial Statements — *Pro forma* financial statements must be prepared using principles that are consistent with the issuer’s GAAP.

3.15 Acceptable Accounting Principles for Foreign Registrants — Despite subsection 3.2 (3), financial statements and interim financial information delivered by a foreign registrant may be prepared in accordance with

- (a) IFRS, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS;
- (b) U.S. GAAP, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS; or
- (c) accounting principles that meet the foreign disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

3.16 Acceptable Auditing Standards for Foreign Registrants —

(1) Despite subsection 3.3(1), financial statements referred to in paragraph 2.1(2)(a) that are delivered by a foreign registrant and required by securities legislation to be audited may be audited in accordance with

- (a) International Standards on Auditing if the financial statements are accompanied by
 - (i) an auditor’s report that
 - (A) does not contain a modification of opinion,
 - (B) identifies all financial periods presented for which the

- auditor has issued the auditor's report,
- (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
 - (D) is prepared in accordance with the same auditing standards used to audit the financial statements; and
- (ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
- (b) U.S. PCAOB GAAS or U.S. AICPA GAAS if the financial statements are accompanied by
 - (i) an auditor's report that
 - (A) contains an unqualified opinion,
 - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
 - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
 - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; or
 - (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if
 - (i) it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction,
 - (ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements, and

- (iii) the auditor's report identifies the accounting principles used to prepare the financial statements.
- (2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

PART 4:
RULES APPLYING TO FINANCIAL YEARS BEGINNING BEFORE JANUARY 1, 2011

4.1 Definitions — In this Part,

“Canadian GAAP - Part IV” means generally accepted accounting principles determined in accordance with Part IV of the Handbook applicable to public enterprises;

“public enterprise” means a public enterprise determined in accordance with the Handbook.

4.2 Acceptable Accounting Principles – General Requirements —

- (1) Financial statements, other than financial statements delivered by registrants and acquisition statements, must be prepared in accordance with Canadian GAAP – Part IV.
- (2) Financial statements and interim financial information delivered by a registrant to the securities regulatory authority, must be prepared in accordance with Canadian GAAP – Part IV except that those financial statements and interim financial information must be prepared on a non-consolidated basis.
- (3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (4) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

4.3 Acceptable Auditing Standards – General Requirements — Financial statements, other than acquisition statements, that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that

- (a) does not contain a reservation;
- (b) identifies all financial periods presented for which the auditor has issued an auditor's report;

- (c) refers to the predecessor auditor's reports on the comparative periods, if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; and
- (d) identifies the accounting principles used to prepare the financial statements.

4.4 Acceptable Auditors — An auditor's report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

4.5 Measurement and Reporting Currencies —

- (1) The reporting currency must be disclosed on the face page of the financial statements or in the notes to the financial statements unless the financial statements are prepared in accordance with Canadian GAAP – Part IV and the reporting currency is the Canadian dollar.
- (2) The notes to the financial statements must disclose the measurement currency if it is different than the reporting currency.

4.6 Credit Supporters —

- (1) Unless subsection 4.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter's financial statements must
 - (a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter filed financial statements referred to in paragraph 2.1(2)(b),
 - (b) identify the accounting principles used to prepare the financial statements, and
 - (c) disclose the reporting currency for the financial statements, and disclose the measurement currency if it is different than the reporting currency.
- (2) If a credit support issuer files, or includes in a prospectus, summary financial information for the credit supporter or credit support issuer,
 - (a) the summary financial information must
 - (i) be prepared in accordance with the accounting principles that this Instrument would require to be used in preparing financial statements if the credit supporter or credit support issuer, as the

case may be, filed financial statements referred to in paragraph 2.1(2)(b),

- (ii) identify the accounting principles used to prepare the summary financial information, and
 - (iii) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency; and
- (b) the amounts presented in the summary financial information must be derived from financial statements for the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b).

4.7 Acceptable Accounting Principles for SEC Issuers —

- (1) Despite subsections 4.2(1) and (3), financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP provided that, if the SEC issuer previously filed or included in a prospectus financial statements prepared in accordance with Canadian GAAP – Part IV, the SEC issuer complies with the following:
- (a) the notes to the first two sets of the issuer’s annual financial statements after the change from Canadian GAAP – Part IV to U.S. GAAP and the notes to the issuer’s interim financial statements for interim periods during those two years
 - (i) explain the material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP – Part IV; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part IV to the extent not already reflected in the financial statements;

- (b) financial information for any comparative periods that were previously reported in accordance with Canadian GAAP – Part IV are presented as follows:
 - (i) as previously reported in accordance with Canadian GAAP – Part IV;
 - (ii) as restated and presented in accordance with U.S. GAAP; and
 - (iii) supported by an accompanying note that
 - (A) explains the material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation; and
 - (B) quantifies the effect of material differences between Canadian GAAP – Part IV and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income as previously reported in the financial statements in accordance with Canadian GAAP – Part IV and net income as restated and presented in accordance with U.S. GAAP; and
- (c) if the SEC issuer has filed financial statements prepared in accordance with Canadian GAAP – Part IV for one or more interim periods of the current year, those interim financial statements are restated in accordance with U.S. GAAP and comply with paragraphs (a) and (b).
- (2) Subsection (1) does not impose a requirement in respect of any period relating to a financial year that begins on or after January 1, 2011.
- (3) The comparative information specified in subparagraph (1)(b)(i) may be presented on the face of the balance sheet and statements of income and cash flow or in the note to the financial statements required by subparagraph (1)(b)(iii).

4.8 Acceptable Auditing Standards for SEC Issuers — Despite section 4.3, financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by an auditor’s report prepared in accordance with U.S. PCAOB GAAS that

- (a) contains an unqualified opinion;
- (b) identifies all financial periods presented for which the auditor has issued an auditor’s report;

- (c) refers to the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; and
- (d) identifies the accounting principles used to prepare the financial statements.

4.9 Acceptable Accounting Principles for Foreign Issuers — Despite subsection 4.2(1), financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with any of the following accounting principles:

- (a) U.S. GAAP, if the issuer is an SEC foreign issuer;
- (b) IFRS;
- (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer; and
 - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
- (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer;
- (e) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements
 - (i) explain the material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the issuer's financial statements and net income

computed in accordance with Canadian GAAP – Part IV; and

- (iii) provide disclosure consistent with Canadian GAAP – Part IV requirements to the extent not already reflected in the financial statements.

4.10 Acceptable Auditing Standards for Foreign Issuers — Despite section 4.3 , financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor’s report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor’s report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

- (a) U.S. PCAOB GAAS, if the auditor’s report
 - (i) contains an unqualified opinion,
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor’s report, and
 - (iii) refers to the predecessor auditor’s reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
- (b) International Standards on Auditing, if the auditor’s report is accompanied by a statement by the auditor that
 - (i) describes any material differences in the form and content of the auditor’s report as compared to an auditor’s report prepared in accordance with Canadian GAAS; and
 - (ii) indicates that an auditor’s report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

4.11 Acceptable Accounting Principles for Acquisition Statements —

- (1) Acquisition statements must be prepared in accordance with any of the following accounting principles:
 - (a) Canadian GAAP – Part IV;

- (b) U.S. GAAP;
 - (c) IFRS;
 - (d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and
 - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
 - (e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or business is a designated foreign issuer;
 - (f) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements.
- (2) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.
 - (3) The notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.
 - (4) If acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must
 - (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
 - (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that

relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with the issuer's GAAP; and

- (c) provide disclosure consistent with the issuer's GAAP to the extent not already reflected in the acquisition statements.
- (5) Despite subsections (1) and (4), if the issuer is required to reconcile its financial statements to Canadian GAAP – Part IV, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be
- (a) prepared in accordance with Canadian GAAP – Part IV; or
 - (b) reconciled to Canadian GAAP – Part IV and the notes to the acquisition statements must
 - (i) explain the material differences between Canadian GAAP – Part IV and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with Canadian GAAP – Part IV; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part IV to the extent not already reflected in the acquisition statements.

4.12 Acceptable Auditing Standards for Acquisition Statements —

- (1) Acquisition statements that are required by securities legislation to be audited must be audited in accordance with any of the following auditing standards:
 - (a) Canadian GAAS;
 - (b) U.S. PCAOB GAAS;
 - (c) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer.
- (2) Despite subsection (1), acquisition statements filed by or included in a prospectus

of a foreign issuer may be audited in accordance with

- (a) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
 - (i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
 - (b) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (3) Acquisition statements must be accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the acquisition statements and the auditor's report must identify the accounting principles used to prepare the financial statements.
- (4) If acquisition statements are audited in accordance with paragraph (1)(a), the auditor's report must not contain a reservation.
- (5) If acquisition statements are audited in accordance with paragraph (1)(b) or (c), the auditor's report must contain an unqualified opinion.
- (6) Despite paragraph (2)(a) and subsections (4) and (5) an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to inventory if
- (a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a balance sheet for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates; and
 - (b) the balance sheet referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

4.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —

- (1) If an issuer files, or includes in a prospectus, summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the

issuer using the equity method, the financial information must

- (a) meet the requirements in section 4.11 if the term “acquisition statements” in that section is read as “summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,” and
 - (b) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.
- (2) If the financial information referred to in subsection (1) is for any completed financial year, the financial information must
- (a) either
 - (i) meet the requirements in section 4.12 if the term “acquisition statements” in that section is read as “summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is; or will be, an investment accounted for by the issuer using the equity method,” or
 - (ii) be derived from financial statements that meet the requirements in section 4.12 if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized financial information as to the assets, liabilities and results of operations of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method”; and
 - (b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

4.14 Acceptable Accounting Principles for *Pro Forma* Financial Statements —

- (1) *Pro forma* financial statements must be prepared in accordance with the issuer’s GAAP.
- (2) Despite subsection (1), if an issuer’s financial statements have been reconciled to Canadian GAAP – Part IV under subsection 4.7(1) or paragraph 4.9(e), the issuer’s *pro forma* financial statements must be prepared in accordance with, or reconciled to, Canadian GAAP – Part IV.

- (3) Despite subsection (1), if an issuer's financial statements have been prepared in accordance with the accounting principles referred to in paragraph 4.9(c) and those financial statements are reconciled to U.S. GAAP, the *pro forma* financial statements may be prepared in accordance with, or reconciled to, U.S. GAAP.

4.15 Acceptable Accounting Principles for Foreign Registrants —

- (1) Despite subsection 4.2(2), and subject to subsection (2), financial statements delivered by a foreign registrant may be prepared in accordance with any of the following accounting principles:
 - (a) U.S. GAAP;
 - (b) IFRS;
 - (c) accounting principles that meet the foreign disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction;
 - (d) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements, interim balance sheets, or interim income statements
 - (i) explain the material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP – Part IV and the accounting principles used that relate to recognition, measurement, and presentation; and
 - (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP – Part IV to the extent not already reflected in the financial statements, interim balance sheets or interim income statements.
- (2) Financial statements, interim balance sheets, and interim income statements delivered by a foreign registrant prepared in accordance with accounting principles specified in paragraph (1)(a), (b) or (d) must be prepared on a non-consolidated basis.

4.16 Acceptable Auditing Standards for Foreign Registrants — Despite section 4.3, financial statements delivered by a foreign registrant that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor's

report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor's report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

- (a) U.S. PCAOB GAAS or U.S. AICPA GAAS if the auditor's report contains an unqualified opinion;
- (b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
 - (i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

PART 5: EXEMPTIONS

5.1 Exemptions —

- (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.
- (3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

5.2 Certain Exemptions Evidenced by Receipt —

- (1) Subject to subsections (2) and (3), without limiting the manner in which an exemption may be evidenced, an exemption from this Instrument as it pertains to financial statements or auditor's reports included in a prospectus, may be evidenced by the issuance of a receipt for the prospectus or an amendment to the prospectus.
- (2) A person or company must not rely on a receipt as evidence of an exemption unless the person or company

- (a) sent to the regulator or securities regulatory authority, on or before the date the preliminary prospectus or the amendment to the preliminary prospectus or prospectus was filed, a letter or memorandum describing the matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption; or
 - (b) sent to the regulator or securities regulatory authority the letter or memorandum referred to in paragraph (a) after the date of the preliminary prospectus or the amendment to the preliminary prospectus or prospectus has been filed and receives a written acknowledgement from the securities regulatory authority or regulator that issuance of the receipt is evidence that the exemption is granted.
- (3) A person or company must not rely on a receipt as evidence of an exemption if the regulator or securities regulatory authority has before, or concurrently with, the issuance of the receipt for the prospectus, sent notice to the person or company that the issuance of a receipt does not evidence the granting of the exemption.
- (4) For the purpose of this section, a reference to a prospectus does not include a preliminary prospectus.

PART 6: REVOCATION AND EFFECTIVE DATE

- 6.1 Revocation** — National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, which came into force on March 30, 2004, is revoked.
- 6.2 Effective Date** — This Instrument comes into force on January 1, 2011.

APPENDIX C

Blackline of the Proposed Instrument

National Instrument 52-107 *Acceptable Accounting Principles, and Auditing Standards ~~and Reporting Currency~~*

PART 1: DEFINITIONS AND INTERPRETATION

1.1 **Definitions** == In this Instrument:

“accounting principles” mean a body of ~~accounting~~ principles relating to accounting that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, IFRS, Canadian GAAP, and U.S. GAAP ~~and International Financial Reporting Standards~~;

“acquisition statements” means ~~the~~ financial statements of an acquired business or a business to be acquired, or operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are

(a) required to be filed under National Instrument 51-102 or that are 102,

(b) included in a prospectus pursuant to Item 35 of Form 41-101F1 in National Instrument 41-101 General Prospectus Requirements,

(c) required to be included in a prospectus under National Instrument 44-101 Short Form Prospectus Distributions, or

(d) except in Ontario, included in an offering memorandum required under National Instrument 45-106;

“auditing standards” mean a body of ~~auditing~~ standards relating to auditing that are generally accepted in a jurisdiction of Canada or a foreign jurisdiction and include, without limitation, Canadian GAAS, ~~U.S. GAAS and~~ International Standards on Auditing, U.S. AICPA GAAS and U.S. PCAOB GAAS;

“business acquisition report” means a completed Form 51-102F4 *Business Acquisition Report*;

“convertible security” means a security of an issuer that is convertible into, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of the same issuer;

“credit support issuer” means an issuer of securities for which a credit supporter has provided a guarantee or alternative credit support;

“credit supporter” means a person or company that provides a guarantee or alternative credit support for any of the payments to be made by an issuer of securities as stipulated in the terms of the securities or in an agreement governing rights of, or granting rights to, holders of the securities;

“designated foreign issuer” means a foreign issuer

- (a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports under section 15(d) of the 1934 Act,
- (b) that is subject to foreign disclosure requirements in a designated foreign jurisdiction, and
- (c) for which the total number of equity securities owned, directly or indirectly, by residents of Canada does not exceed ~~ten~~10 per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, calculated in accordance with sections 1.2 and 1.3;

“designated foreign jurisdiction” means Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland or the United Kingdom of Great Britain and Northern Ireland;

“exchangeable security” means a security of an issuer that is exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a security of another issuer;

“exchange-traded security” means a security that is listed on a recognized exchange or is quoted on a recognized quotation and trade reporting system or is listed on an exchange or quoted on a quotation and trade reporting system that is recognized for the purposes of National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

“executive officer” means, for an issuer, an individual who is

- (a) a chair, vice-chair or president;
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
- (c) performing a policy-making function in respect of the issuer;

“financial statements” includes interim financial reports;

“foreign disclosure requirements” means the requirements to which a foreign issuer is subject concerning disclosure made to the public, to securityholders of the issuer; or to a

foreign regulatory authority

- (a) relating to the foreign issuer and the trading in its securities, and
- (b) that is made publicly available in the foreign jurisdiction under
 - (i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located, or
 - (ii) the rules of the marketplace that is the principal trading market of the foreign issuer;

“foreign issuer” means an issuer, ~~other than an investment fund~~, that is incorporated or organized under the laws of a foreign jurisdiction, unless

- (a) outstanding voting securities of the issuer carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada, and
- (b) any of the following apply:
 - (i) the majority of the executive officers or directors of the issuer are residents of Canada;
 - (ii) more than 50 per cent of the consolidated assets of the issuer are located in Canada; or
 - (iii) the business of the issuer is administered principally in Canada;

“foreign registrant” means a registrant that is incorporated or organized under the laws of a foreign jurisdiction, ~~except a registrant that satisfies the following conditions:~~ unless

- (a) outstanding voting securities of the registrant carrying more than 50 per cent of the votes for the election of directors are owned, directly or indirectly, by residents of Canada; ~~and~~
- (b) any of the following apply:
 - (i) the majority of the executive officers or directors of the registrant are residents of Canada;
 - (ii) more than 50 per cent of the consolidated assets of the registrant are located in Canada; or
 - (iii) the business of the registrant is administered principally in Canada;

“foreign regulatory authority” means a securities commission, exchange or other securities market regulatory authority in a designated foreign jurisdiction;

“inter-dealer bond broker” means a person or company that is approved by the Investment ~~Dealers Association~~Industry Regulatory Organization of Canada under ~~IDA By-Laws~~its Rule No. 36 *Inter-Dealer Bond Brokerage Systems*, as amended, and is subject to ~~IDA By-Laws~~its Rule No. 36 and ~~IDA Regulation~~its Rule 2100 *Inter-Dealer Bond Brokerage Systems*, as amended;

“issuer’s GAAP” means the accounting principles used to prepare an issuer’s financial statements, as permitted by this Instrument;

“marketplace” means

- (a) an exchange,
- (b) a quotation and trade reporting system,
- (c) a person or company not included in paragraph (a) or (b) that
 - (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
 - (ii) brings together the orders for securities of multiple buyers and sellers, and
 - (iii) uses established, non-discretionary methods under which the orders interact with each other, and the buyers and sellers entering the orders agree to the terms of a trade, or
- (d) a dealer that executes a trade of an exchange-traded security outside of a marketplace,

but does not include an inter-dealer bond broker;

“multiple convertible security” means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to acquire, or of the issuer to cause the acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

“National Instrument 45-106” means National Instrument 45-106 *Prospectus and Registration Exemptions*;

“National Instrument 51-102” means National Instrument 51-102 *Continuous Disclosure Obligations*;

“National Instrument 71-102” means National Instrument 71-102 *Continuous Disclosure*

and Other Exemptions Relating to Foreign Issuers;

“principal trading market” means the published market on which the largest trading volume in the equity securities of the issuer occurred during the issuer’s most recently completed financial year that ended before the date the determination is being made;

~~“public enterprise” means a public enterprise determined with reference to the Handbook;~~

“published market” means, for a class of securities, a marketplace on which the securities have traded that discloses, regularly in a publication of general and regular paid circulation or in a form that is broadly distributed by electronic means, the prices at which those securities have traded;

“recognized exchange” means

- (a) in Ontario, an exchange recognized by the securities regulatory authority to carry on business as a stock exchange,
- (~~a~~b) in Québec, a person or company authorized by the securities regulatory authority to carry on business as an exchange; and
- (~~b~~c) in every other jurisdiction of Canada, an exchange recognized by the securities regulatory authority as an exchange, self-regulatory organization or self-regulatory body;

“recognized quotation and trade reporting system” means

- (a) in every jurisdiction of Canada other than British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation to carry on business as a quotation and trade reporting system, and
- (b) in British Columbia, a quotation and trade reporting system recognized by the securities regulatory authority under securities legislation as a quotation and trade reporting system or as an exchange;

“SEC issuer” means an issuer that

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act, and
- (b) is not registered or required to be registered as an investment company under the *Investment Company Act of 1940* of the United States of America, as amended;

“SEC foreign issuer” means a foreign issuer that is also an SEC issuer;

“underlying security” means a security issued or transferred, or to be issued or

transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security;

“U.S. GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X ~~and Regulation S-B~~ under the 1934 Act, as amended from time to time; ~~and~~

“U.S. AICPA GAAS” means ~~generally accepted auditing standards in the United States of America, as supplemented by the SEC’s rules on auditor independence~~ auditing standards of the American Institute of Certified Public Accountants, as amended from time to time;

“U.S. PCAOB GAAS” means auditing standards of the Public Company Accounting Oversight Board (United States of America), as amended from time to time.

1.2 **Determination of Canadian Shareholders for Calculation of Designated Foreign Issuer and Foreign Issuer** ==

- (1) For the purposes of paragraph (c) of the definition of “designated foreign issuer” ~~and paragraph 5.1~~ in section 1.1 and paragraphs 3.9(1)(c) and 4.9(c), a reference to equity securities owned, directly or indirectly, by residents of Canada, includes
 - (a) the underlying securities that are equity securities of the foreign issuer; and
 - (b) the equity securities of the foreign issuer represented by an American depository receipt or an American depository share issued by a depository holding equity securities of the foreign issuer.
- (2) For the purposes of paragraph (a) of the definition of “foreign issuer” ~~;~~ in section 1.1, securities represented by American depository receipts or American depository shares issued by a depository holding voting securities of the foreign issuer must be included as outstanding in determining both the number of votes attached to securities owned, directly or indirectly, by residents of Canada and the number of votes attached to all of the issuer’s outstanding voting securities.

1.3 **Timing for Calculation of Designated Foreign Issuer, Foreign Issuer and Foreign Registrant** — For the purposes of paragraph (c) of the definition of “designated foreign issuer” ~~;~~ in section 1.1, paragraph (a) of the definition of “foreign issuer” in section 1.1, and paragraph (a) of the definition of “foreign registrant” ~~;~~ in section 1.1, the calculation is made

- (a) if the issuer has not completed one financial year, on the earlier of

- (i) the date that is 90 days before the date of its prospectus, and
 - (ii) the date that it became a reporting issuer; and
- (b) for all other issuers and for registrants, on the first day of the most recent financial year or year-to-date interim period for which operating results are presented in the financial statements filed or included in the issuer's prospectus.

1.4 Interpretation —

- (1) ~~Interpretation of “prospectus”~~—For the purposes of this Instrument, a reference to “prospectus” includes a preliminary prospectus, a prospectus, an amendment to a preliminary prospectus and an amendment to a prospectus.
- (2) ~~Interpretation of “included”~~—For the purposes of this Instrument, a reference to information being “included in” another document means information reproduced in the document or incorporated into the document by reference.

PART 2: APPLICATION

2.1 Application —

- (1) This Instrument does not apply to investment funds.
- (2) This Instrument applies to
 - (a) all ~~annual~~financial statements and interim financial ~~statements~~information delivered by registrants to the securities regulatory authority, ~~or regulator under National Instrument 31-103 Registration Requirements and Exemptions,~~
 - (b) ~~all annual, interim and pro forma~~all financial statements filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
 - (c) ~~all annual, interim and pro forma~~all financial statements included in
 - (i) a prospectus or a take-~~over~~bid ~~over bid~~ circular filed,
 - (ii) ~~or included in~~ a document that is filed, or
 - (iii) except in Ontario, an offering memorandum required under National Instrument 45-106,

- (d) any operating statements for an oil and gas property that is an acquired business or a business to be acquired, that are
 - (i) _____ filed under National Instrument 51-102, ~~or~~
 - (ii) ~~that are~~ included in a prospectus or a take-over bid circular filed, or included in a document that is filed, or
 - (iii) except in Ontario, included in an offering memorandum required under National Instrument 45-106,
- (e) any other ~~annual, interim or pro forma~~ financial ~~statement~~statements filed by a reporting issuer, ~~and~~
- (f) financial information that is filed under National Instrument 51-102, ~~or that is~~ included in a prospectus or a take-over bid circular filed, or included in a document that is filed or, except in Ontario, included in an offering memorandum required under National Instrument 45-106, that is
 - (i) ~~derived from a~~ summary financial information for a credit supporter or credit support issuer's ~~consolidated financial statements,~~ or
 - (ii) summarized financial information ~~as to the~~including the aggregated amounts of assets, liabilities ~~and results of operations of a business relating to an acquisition,~~ revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, and
- (g) pro forma financial statements
 - (i) _____ filed, or included in a document that is filed, under National Instrument 51-102 or National Instrument 71-102,
 - (ii) _____ included in a prospectus or a take-over bid circular filed, or included in a document that is filed, or
 - (iii) _____ otherwise filed by a reporting issuer.

2.2 Application of Part 3 — Part 3 applies to financial statements, financial information, operating statements and pro forma financial statements for periods relating to financial years beginning on or after January 1, 2011.

2.3 Application of Part 4 — Part 4 applies to financial statements, financial information, operating statements and *pro forma* financial statements for periods relating to financial years beginning before January 1, 2011.

PART 3:
RULES APPLYING TO FINANCIAL YEARS BEGINNING ON OR AFTER
JANUARY 1, 2011

3.1 Publicly Accountable Enterprise — In this Part, “publicly accountable enterprise” means a publicly accountable enterprise determined in accordance with the Handbook.

3.2 Acceptable Accounting Principles – General Requirements —

(1) Financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f), other than acquisition statements, must

(a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, and

(b) disclose

(i) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS,

(ii) in the case of financial information referred to in paragraph 2.1(2)(f), a statement that the information is prepared in accordance with the recognition, measurement and disclosure requirements in IFRS for the information, and

(iii) in the case of an interim financial report, compliance with International Accounting Standard 34 *Interim Financial Reporting*.

(2) Despite subsection (1), in the case of an interim financial report that is not required under securities legislation to provide comparative interim financial information,

(a) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes for the current interim period must be prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* except for the requirement to include comparative financial information; and

(b) the interim financial report must disclose that

- (i) it does not comply with International Accounting Standard 34 *Interim Financial Reporting* because it does not include comparative interim financial information, and
 - (ii) the statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows and explanatory notes for the current interim period have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* except for the requirement to include comparative financial information.
- (3) Financial statements and interim financial information referred to in paragraph 2.1(2)(a) must
 - (a) be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in Canadian GAAP applicable to publicly accountable enterprises, and
 - (b) in the case of annual financial statements, disclose that the financial statements comply with IFRS, except that the financial statements account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS.
- (4) Despite subsection (3), financial statements and interim financial information for periods relating to a financial year beginning in 2011 may exclude comparative information for the preceding financial year or interim period if,
 - (a) the financial statements or interim financial information are prepared using a date of transition to IFRS that is the first day of the financial year to which the financial statements or interim financial information relate, and
 - (b) in the case of annual financial statements, the financial statements disclose that they comply with IFRS except that the financial statements
 - (i) account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS,
 - (ii) exclude comparative information for the preceding financial year, and
 - (iii) use a date of transition to IFRS that is the first day of the financial

year to which the financial statements relate.

- (5) Subject to subsection (6), financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (6) Financial information for a particular financial year beginning before January 1, 2011 may be prepared using accounting principles permitted in Part 4 if
 - (a) the particular financial year is the earliest of 3 financial years where the financial statements present financial information for the 3 financial years and the most recent of those financial years begins on or after January 1, 2011, and
 - (b) financial information previously prepared for the particular financial year did not comply with IFRS.

3.3 Acceptable Auditing Standards – General Requirements —

- (1) Financial statements, other than acquisition statements, that are required by securities legislation to be audited must
 - (a) be audited in accordance with Canadian GAAS and be accompanied by an auditor's report that
 - (i) does not contain a modification of opinion,
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and
 - (iii) except in the case of financial statements delivered by a registrant,
 - (A) is in the form specified by Canadian GAAS for an audit of financial statements prepared in accordance with a fair presentation framework, and
 - (B) if the financial statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises, refers to IFRS as the applicable fair presentation framework; and
 - (b) if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a predecessor auditor, be accompanied by the predecessor auditor's reports on the comparative periods.

- (2) Paragraph (1)(b) does not apply to financial statements referred to in paragraphs 2.1(2)(a) and (b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

3.4 Acceptable Auditors — An auditor's report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.5 Presentation and Functional Currencies —

- (1) The presentation currency must be prominently displayed in financial statements.
- (2) Financial statements must disclose the functional currency if it is different than the presentation currency.

3.6 Credit Supporters —

- (1) Unless subsection 3.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter's financial statements must
- (a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter filed financial statements referred to in paragraph 2.1(2)(b),
 - (b) identify the accounting principles used to prepare the financial statements,
 - (c) prominently display the presentation currency, and
 - (d) disclose the functional currency if it is different from the presentation currency.
- (2) If a credit support issuer files, or includes in a prospectus, summary financial information for the credit supporter or credit support issuer,
- (a) the summary financial information must, in addition to satisfying other requirements in this Instrument
 - (i) prominently display the presentation currency, and
 - (ii) disclose the functional currency if it is different from the presentation currency; and

- (b) the amounts presented in the summary financial information must be derived from financial statements for the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b).

3.7 Acceptable Accounting Principles for SEC Issuers —

- (1) Despite subsection 3.2(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP.
- (2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.8 Acceptable Auditing Standards for SEC Issuers —

- (1) Despite subsection 3.3(1), an SEC issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) and financial information referred to in paragraph 2.1(2)(f) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by
 - (a) an auditor's report prepared in accordance with U.S. PCAOB GAAS that
 - (i) contains an unqualified opinion,
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and
 - (iii) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements; and
 - (b) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor.
- (2) Paragraph (1)(b) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in paragraph (1)(a) refers to the predecessor auditor's reports on the comparative periods.

3.9 Acceptable Accounting Principles for Foreign Issuers —

- (1) Despite subsection 3.2(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with
- (a) IFRS;
 - (b) U.S. GAAP, if the issuer is an SEC foreign issuer;
 - (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer is an SEC foreign issuer,
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer, and
 - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC; or
 - (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (2) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.10 Acceptable Auditing Standards for Foreign Issuers —

- (1) Despite subsection 3.3(1), a foreign issuer's financial statements referred to in paragraphs 2.1(2)(b), (c) and (e) that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may be audited in accordance with
- (a) International Standards on Auditing if the financial statements are accompanied by
 - (i) an auditor's report that
 - (A) does not contain a modification of opinion,

- (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
 - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
 - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;
- (b) U.S. PCAOB GAAS if the financial statements are accompanied by
- (i) an auditor's report that
 - (A) contains an unqualified opinion,
 - (B) identifies all financial periods presented for which the auditor has issued the auditor's report,
 - (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and
 - (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (ii) the predecessor auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if
- (i) the issuer is a designated foreign issuer,
 - (ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (iii) the auditor's report identifies the auditing standards used to

conduct the audit and the accounting principles used to prepare the financial statements.

(2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply to financial statements referred to in paragraph 2.1(2)(b) if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

3.11 Acceptable Accounting Principles for Acquisition Statements —

(1) Acquisition statements must be prepared in accordance with any of the following accounting principles:

(a) Canadian GAAP applicable to publicly accountable enterprises;

(b) IFRS;

(c) U.S. GAAP;

(d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if

(i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer;

(ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and

(iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;

(e) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or business is a designated foreign issuer;

(f) Canadian GAAP applicable to private enterprises if

(i) the acquisition statements consolidate any subsidiaries and account for significantly influenced investees and joint ventures using the equity method,

(ii) financial statements for the acquired business or business to be

acquired, or operating statements for the oil and gas property that is an acquired business or a business to be acquired, were not previously prepared in accordance with any of the accounting principles specified in paragraphs (a) to (e), and

(iii) the acquisition statements are accompanied by a notice stating:

These [*insert* “financial statements” or “operating statements” *as applicable*] are prepared in accordance with Canadian GAAP applicable to private enterprises. The recognition, measurement and disclosure requirements of Canadian GAAP applicable to private enterprises differ from those of Canadian GAAP applicable to publicly accountable enterprises, which are International Financial Reporting Standards incorporated into the Handbook. The *pro forma* financial statements included in the document include adjustments relating to the [*insert* “acquired business” or “business to be acquired” *as applicable*] and present *pro forma* information prepared using accounting principles that are consistent with the accounting principles used by the issuer.

(2) Paragraph (1)(f) does not apply in Ontario.

(3) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.

(4) Acquisition statements to which paragraph (1)(a) applies must disclose

(a) in the case of annual financial statements, an explicit and unreserved statement of compliance with IFRS,

(b) in the case of operating statements referred to in paragraph 2.1(2)(d), a statement that the information in the operating statements is prepared in accordance with the requirements in IFRS for the recognition, measurement and disclosure for the information, and

(c) in the case of interim financial reports, compliance with International Accounting Standard 34 *Interim Financial Reporting*.

(5) Unless paragraph (1)(a) applies, the notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.

(6) Unless paragraph (1)(f) applies, if acquisition statements are prepared using accounting principles that are different from the issuer’s GAAP, the acquisition

statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must

- (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation; and
- (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between profit or loss reported in the acquisition statements and profit or loss computed in accordance with the issuer's GAAP.

3.12 Acceptable Auditing Standards for Acquisition Statements —

(1) Acquisition statements that are required by securities legislation to be audited must be accompanied by an auditor's report and audited in accordance with any of the following auditing standards:

- (a) Canadian GAAS;
- (b) International Standards on Auditing;
- (c) U.S. PCAOB GAAS;
- (d) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer;
- (e) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.

(2) The auditor's report must

- (a) if paragraph (1)(a) or (b) applies, not contain a modification of opinion;
- (b) if paragraph (1)(c) or (d) applies, contain an unqualified opinion;
- (c) unless paragraph (1)(e) applies, identify all financial periods presented for which the auditor has issued an auditor's report;
- (d) identify the auditing standards used to conduct the audit;
- (e) identify the accounting principles used to prepare the acquisition statements, unless the auditor's report accompanies acquisition statements

prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS; and

(f) if it accompanies acquisition statements prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and audited in accordance with Canadian GAAS

(i) in the case of acquisition statements that are operating statements or financial statements for a business division, refer to the requirements in IFRS for the recognition, measurement and disclosure of information in the statements as the applicable fair presentation framework, and

(ii) in the case of other acquisition statements, refer to IFRS as the applicable fair presentation framework.

(3) Despite paragraphs (2)(a) and (b), an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to inventory if

(a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a statement of financial position for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates; and

(b) the statement of financial position referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

3.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method —

(1) If an issuer files, or includes in a prospectus, summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must

(a) meet the requirements in section 3.11 if the term "acquisition statements" in that section is read as "summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method," and

(b) disclose the presentation currency for the financial information, and

disclose the functional currency if it is different than the presentation currency.

(2) If the financial information referred to in subsection (1) is required by securities legislation to be audited or derived from audited financial statements, the financial information must

(a) either

(i) meet the requirements in section 3.12 if the term “acquisition statements” in that section is read as “summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method,” or

(ii) be derived from financial statements that meet the requirements in section 3.12 if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized financial information including the aggregated amounts of assets, liabilities, revenue and profit or loss of an acquired business or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method.”; and

(b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.14 Acceptable Accounting Principles for Pro Forma Financial Statements — *Pro forma* financial statements must be prepared using principles that are consistent with the issuer’s GAAP.

3.15 Acceptable Accounting Principles for Foreign Registrants — Despite subsection 3.2 (3), financial statements and interim financial information delivered by a foreign registrant may be prepared in accordance with

(a) IFRS, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS;

(b) U.S. GAAP, except that the financial statements or interim financial information must account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS; or

- (c) accounting principles that meet the foreign disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction.

3.16 Acceptable Auditing Standards for Foreign Registrants —

- (1) Despite subsection 3.3(1), financial statements referred to in paragraph 2.1(2)(a) that are delivered by a foreign registrant and required by securities legislation to be audited may be audited in accordance with

- (a) International Standards on Auditing if the financial statements are accompanied by

- (i) an auditor's report that

- (A) does not contain a modification of opinion,

- (B) identifies all financial periods presented for which the auditor has issued the auditor's report,

- (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

- (D) is prepared in accordance with the same auditing standards used to audit the financial statements; and

- (ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor;

- (b) U.S. PCAOB GAAS or U.S. AICPA GAAS if the financial statements are accompanied by

- (i) an auditor's report that

- (A) contains an unqualified opinion,

- (B) identifies all financial periods presented for which the auditor has issued the auditor's report,

- (C) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements, and

- (D) is prepared in accordance with the same auditing standards used to audit the financial statements, and
- (ii) the predecessor auditor's reports on the comparative periods, if the foreign registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by the predecessor auditor; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if
 - (i) it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction,
 - (ii) the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements, and
 - (iii) the auditor's report identifies the accounting principles used to prepare the financial statements.
- (2) Subparagraph (1)(a)(ii) or (b)(ii) does not apply if the auditor's report described in subparagraph (1)(a)(i) or (b)(i), as the case may be, refers to the predecessor auditor's reports on the comparative periods.

PART 34:

- (a) ~~GENERAL RULES~~

RULES APPLYING TO FINANCIAL YEARS BEGINNING BEFORE JANUARY 1, 2011

4.1 Definitions — In this Part,

“Canadian GAAP - Part IV” means generally accepted accounting principles determined in accordance with Part IV of the Handbook ~~applicable to public enterprises;~~

“public enterprise” means a public enterprise determined in accordance with the Handbook.

3.14.2 Acceptable Accounting Principles – General Requirements —

- (1) Financial statements, other than financial statements delivered by registrants and acquisition statements, must be prepared in accordance with Canadian GAAP ~~as applicable to public enterprises~~– Part IV.

- (2) Financial statements and interim financial information delivered by a registrant to the securities regulatory authority, must be prepared in accordance with Canadian GAAP – Part IV except that those financial statements and interim financial information must be prepared on a non-consolidated basis.
- (3) Financial statements must be prepared in accordance with the same accounting principles for all periods presented in the financial statements.
- (34) The notes to the financial statements must identify the accounting principles used to prepare the financial statements.

3.24.3 Acceptable Auditing Standards – General Requirements — Financial statements, other than acquisition statements, that are required by securities legislation to be audited must be audited in accordance with Canadian GAAS and be accompanied by an auditor’s report that

- (a) does not contain a reservation;
- (b) identifies all financial periods presented for which the auditor has issued an auditor’s report;
- (c) refers to the ~~former~~predecessor auditor’s reports on the comparative periods, if the issuer or registrant has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by ~~a different~~the predecessor auditor; and
- (d) identifies the ~~auditing standards used to conduct the audit and the~~ accounting principles used to prepare the financial statements.

3.34.4 Acceptable Auditors — An auditor’s report filed by an issuer or delivered by a registrant must be prepared and signed by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

3.44.5 Measurement and Reporting Currencies —

- (1) The reporting currency must be disclosed on the face page of the financial statements or in the notes to the financial statements unless the financial statements are prepared in accordance with Canadian GAAP – Part IV and the reporting currency is the Canadian dollar.
- (2) The notes to the financial statements must disclose the measurement currency if it is different than the reporting currency.

4.6 Credit Supporters —

(1) Unless subsection 4.2(1) applies, if a credit support issuer files, or includes in a prospectus, financial statements of a credit supporter, the credit supporter's financial statements must

(a) be prepared in accordance with the accounting principles and audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter filed financial statements referred to in paragraph 2.1(2)(b),

(b) identify the accounting principles used to prepare the financial statements, and

a) ~~3.5—Financial Information Derived from a Credit Support Issuer's Consolidated Financial Statements—~~

(c) disclose the reporting currency for the financial statements, and disclose the measurement currency if it is different than the reporting currency.

(2) If a credit support issuer files, or includes in a prospectus, ~~summary~~ financial information ~~derived from the~~for the credit supporter or credit support issuer's ~~consolidated financial statements,~~

~~(a) the credit support issuer's consolidated~~summary financial ~~statements must be prepared in accordance with Canadian GAAP as applicable to public enterprises for all periods presented in the financial statements and in the case of annual audited consolidated financial statements,~~information must

(i) be prepared in accordance with the accounting principles that this Instrument would require to be used in preparing financial statements if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b),

~~(i) be audited in accordance with Canadian GAAS and~~

~~(ii) be accompanied by an auditor's report that~~

~~(A) does not contain a reservation, and~~

~~(B) is prepared and signed by a person or company that is authorized to sign an auditor's report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction;~~

~~(b) the financial information must disclose that the credit support issuer's consolidated financial statements from which the financial information is derived were prepared in accordance with Canadian GAAP as applicable to public enterprises; and~~

(ii) identify the accounting principles used to prepare the summary financial information, and

~~(c) the financial information must~~

(iii) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency; and

(b) the amounts presented in the summary financial information must be derived from financial statements for the credit supporter or credit support issuer that, if required by securities legislation to be audited, are audited in accordance with the auditing standards that would be required by this Instrument if the credit supporter or credit support issuer, as the case may be, filed financial statements referred to in paragraph 2.1(2)(b).

b) **PART 4**

EXEMPTIONS FOR SEC ISSUERS

4.14.7 Acceptable Accounting Principles for SEC Issuers ==

(1) Despite subsections ~~3.14.2~~(1) and ~~3.1(23)~~, financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with U.S. GAAP provided that, if the SEC issuer previously filed or included in a prospectus financial statements prepared in accordance with Canadian GAAP == Part IV, the SEC issuer complies with the following:

(a) the notes to the first two sets of the issuer's annual financial statements after the change from Canadian GAAP == Part IV to U.S. GAAP and the notes to the issuer's interim financial statements for interim periods during those two years

(i) explain the material differences between Canadian GAAP ~~as applicable to public enterprises~~ == Part IV and U.S. GAAP that relate to recognition, measurement and presentation;

(ii) quantify the effect of material differences between Canadian GAAP ~~as applicable to public enterprises~~ == Part IV and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with

Canadian GAAP ~~as applicable to public enterprises~~ Part IV; and

- (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP ~~as applicable to public enterprises~~ Part IV to the extent not already reflected in the financial statements;
- (b) financial information for any comparative periods that were previously reported in accordance with Canadian GAAP Part IV are presented as follows:
- (i) as previously reported in accordance with Canadian GAAP Part IV;
 - (ii) as restated and presented in accordance with U.S. GAAP; and
 - (iii) supported by an accompanying note that
 - (A) explains the material differences between Canadian GAAP Part IV and U.S. GAAP that relate to recognition, measurement and presentation; and
 - (B) quantifies the effect of material differences between Canadian GAAP Part IV and U.S. GAAP that relate to recognition, measurement and presentation, including a tabular reconciliation between net income as previously reported in the financial statements in accordance with Canadian GAAP Part IV and net income as restated and presented in accordance with U.S. GAAP; and
- (c) if the SEC issuer has filed financial statements prepared in accordance with Canadian GAAP Part IV for one or more interim periods of the current year, those interim financial statements are restated in accordance with U.S. GAAP and comply with paragraphs (a) and (b).
- (2) Subsection (1) does not impose a requirement in respect of any period relating to a financial year that begins on or after January 1, 2011.
- (3) The comparative information specified in subparagraph ~~4.1~~(1)(b)(i) may be presented on the face of the balance sheet and statements of income and cash flow or in the note to the financial statements required by subparagraph ~~4.1~~(1)(b)(iii).

4.24.8 Acceptable Auditing Standards for SEC Issuers — Despite section ~~3.2, 4.3~~, financial statements of an SEC issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, and that are required by securities legislation to be audited, may be audited in accordance with U.S. PCAOB GAAS if the financial statements are accompanied by an auditor's report prepared in

accordance with U.S. [PCAOB](#) GAAS that

- (a) contains an unqualified opinion;
- (b) identifies all financial periods presented for which the auditor has issued an auditor's report;
- (c) refers to the ~~former~~[predecessor](#) auditor's reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by ~~a different~~[the predecessor](#) auditor; and
- (d) identifies ~~the auditing standards used to conduct the audit and~~ the accounting principles used to prepare the financial statements.

PART 5

EXEMPTIONS FOR FOREIGN ISSUERS

5.14.9 Acceptable Accounting Principles for Foreign Issuers == Despite subsection ~~3.14.2~~[3.14.2](#)(1), financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, may be prepared in accordance with [any of the following accounting principles](#):

- (a) U.S. GAAP, if the issuer is an SEC foreign issuer;
- ~~(b) International Financial Reporting Standards;~~
- [\(b\) IFRS;](#)
- (c) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the issuer; and
 - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
- (d) accounting principles that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer; ~~or~~
- (e) accounting principles that cover substantially the same core subject matter as

Canadian GAAP – [Part IV](#), including recognition and measurement principles and disclosure requirements, if the notes to the financial statements

- (i) explain the material differences between Canadian GAAP ~~applicable to public enterprises – Part IV~~ and the accounting principles used that relate to recognition, measurement and presentation;
- (ii) quantify the effect of material differences between Canadian GAAP ~~applicable to public enterprises – Part IV~~ and the accounting principles used that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the issuer’s financial statements and net income computed in accordance with Canadian GAAP ~~applicable to public enterprises – Part IV~~; and
- (iii) provide disclosure consistent with Canadian GAAP ~~applicable to public enterprises – Part IV~~ requirements to the extent not already reflected in the financial statements.

5.24.10 **Acceptable Auditing Standards for Foreign Issuers** -- Despite section ~~3.2, 4.3~~ 3.2, 4.3 financial statements of a foreign issuer that are filed with or delivered to a securities regulatory authority or regulator, other than acquisition statements, that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor’s report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor’s report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

- (a) U.S. [PCAOB](#) GAAS, if the auditor’s report
 - (i) contains an unqualified opinion~~;~~,
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor’s report~~;~~, and
 - (iii) refers to the ~~former~~predecessor auditor’s reports on the comparative periods, if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by ~~a different~~the predecessor auditor; ~~and~~
 - ~~(iv) — identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements;~~
- (b) International Standards on Auditing, if the auditor’s report is accompanied by a statement by the auditor that
 - (i) describes any material differences in the form and content of the auditor’s report as compared to an auditor’s report prepared in accordance with

Canadian GAAS; and

- (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer, ~~if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.~~

PART 6

REQUIREMENTS FOR ACQUISITION STATEMENTS

6.14.11 Acceptable Accounting Principles for Acquisition Statements --

- (1) Acquisition statements ~~included in a business acquisition report or included in a prospectus~~ must be prepared in accordance with any of the following accounting principles:
 - (a) Canadian GAAP ~~applicable to public enterprises~~ Part IV;
 - (b) U.S. GAAP;
 - ~~(c) International Financial Reporting Standards;~~
 - (c) IFRS;
 - (d) accounting principles that meet the disclosure requirements for foreign private issuers, as that term is defined for the purposes of the 1934 Act, if
 - (i) the issuer or the acquired business or business to be acquired is an SEC foreign issuer;
 - (ii) on the last day of the most recently completed financial year the total number of equity securities owned directly or indirectly by residents of Canada does not exceed ten per cent, on a fully-diluted basis, of the total number of equity securities of the SEC foreign issuer; and
 - (iii) the financial statements include any reconciliation to U.S. GAAP required by the SEC;
 - (e) accounting principles that meet the foreign disclosure requirements of the

designated foreign jurisdiction to which the issuer or the acquired business or business to be acquired is subject, if the issuer or ~~the acquired~~ business is a designated foreign issuer; ~~or~~

- (f) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements.
- (2) Acquisition statements must be prepared in accordance with the same accounting principles for all periods presented.
 - (3) The notes to the acquisition statements must identify the accounting principles used to prepare the acquisition statements.
 - (4) If acquisition statements are prepared using accounting principles that are different from the issuer's GAAP, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be reconciled to the issuer's GAAP and the notes to the acquisition statements must
 - (a) explain the material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement, and presentation;
 - (b) quantify the effect of material differences between the issuer's GAAP and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with the issuer's GAAP; and
 - (c) provide disclosure consistent with the issuer's GAAP to the extent not already reflected in the acquisition statements.
 - (5) Despite subsections (1) and (4), if the issuer is required to reconcile its financial statements to Canadian GAAP – Part IV, the acquisition statements for the most recently completed financial year and interim period that are required to be filed must be
 - (a) prepared in accordance with Canadian GAAP ~~applicable to public enterprises~~ – Part IV; or
 - (b) reconciled to Canadian GAAP ~~applicable to public enterprises~~ – Part IV and the notes to the acquisition statements must
 - (i) explain the material differences between Canadian GAAP ~~applicable to public enterprises~~ – Part IV and the accounting principles used to prepare the acquisition statements that relate to

recognition, measurement, and presentation;

- (ii) quantify the effect of material differences between Canadian GAAP ~~applicable to public enterprises— Part IV~~ and the accounting principles used to prepare the acquisition statements that relate to recognition, measurement and presentation, including a tabular reconciliation between net income reported in the acquisition statements and net income computed in accordance with Canadian GAAP ~~applicable to public enterprises— Part IV~~; and
- (iii) provide disclosure consistent with disclosure requirements of Canadian GAAP ~~applicable to public enterprises— Part IV~~ to the extent not already reflected in the acquisition statements.

6.24.12 Acceptable Auditing Standards for Acquisition Statements --

- (1) Acquisition statements that are required by securities legislation to be audited must be audited in accordance with any of the following auditing standards:
 - (a) Canadian GAAS; ~~or~~
 - (b) U.S. PCAOB GAAS;
 - (c) U.S. AICPA GAAS, if the acquired business or business to be acquired is not an SEC issuer.
- (2) Despite subsection (1), acquisition statements filed by or included in a prospectus of a foreign issuer may be audited in accordance with
 - (a) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
 - (i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
 - (b) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the issuer is subject, if the issuer is a designated foreign issuer.
- (3) Acquisition statements must be accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the acquisition statements and the auditor's report must identify the ~~auditing standards used to~~

~~conduct the audit and the~~ accounting principles used to prepare the financial statements.

- (4) If acquisition statements are audited in accordance with paragraph (1)(a), the auditor's report must not contain a reservation.
- (5) If acquisition statements are audited in accordance with paragraph (1)(b) or (c), the auditor's report must contain an unqualified opinion.
- (6) Despite paragraph (2)(a) and subsections (4) and (5) an auditor's report that accompanies acquisition statements may contain a qualification of opinion relating to inventory if
 - (a) the issuer includes in the business acquisition report, prospectus or other document containing the acquisition statements, a balance sheet for the acquired business or business to be acquired that is for a date that is subsequent to the date to which the qualification relates; and
 - (b) the balance sheet referred to in paragraph (a) is accompanied by an auditor's report that does not contain a qualification of opinion relating to closing inventory.

6.34.13 Financial Information for Acquisitions Accounted for by the Issuer Using the Equity Method --

- (1) If an issuer files, or includes in a prospectus, summarized financial information as to the assets, liabilities and results of operations of ~~a~~ an acquired business ~~relating to an acquisition~~ or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method, the financial information must
 - (a) meet the requirements in section ~~6.4.11~~ if the term "acquisition statements" in that section is read as "summarized financial information as to the assets, liabilities and results of operations of an acquired business ~~relating to an acquisition~~ or business to be acquired that is, or will be, an investment accounted for by the issuer using the equity method," and
 - (b) disclose the reporting currency for the financial information, and disclose the measurement currency if it is different than the reporting currency.
- (2) If the financial information referred to in subsection (1) is for any completed financial year, the financial information must
 - (a) either
 - (i) meet the requirements in section ~~6.24.12~~ if the term "acquisition

statements” in that section is read as “summarized financial information as to the assets, liabilities and results of operations of ~~an acquired~~ business ~~relating to an acquisition or business to be acquired~~ that is; or will be, an investment accounted for by the issuer using the equity method,” or

- (ii) be derived from financial statements that meet the requirements in section ~~6.24.12~~ if the term “acquisition statements” in that section is read as “financial statements from which is derived summarized financial information as to the assets, liabilities and results of operations of ~~an acquired~~ business ~~relating to an acquisition or business to be acquired~~ that is, or will be, an investment accounted for by the issuer using the equity method”; and
- (b) be audited, or derived from financial statements that are audited, by a person or company that is authorized to sign an auditor’s report by the laws of a jurisdiction of Canada or a foreign jurisdiction, and that meets the professional standards of that jurisdiction.

~~(b)~~ —

(c) ~~PART 7~~

(1) ~~PRO FORMA FINANCIAL STATEMENTS~~

~~7.14.14~~ **Acceptable Accounting Principles for *Pro Forma* Financial Statements --**

- (1) *Pro forma* financial statements must be prepared in accordance with the issuer’s GAAP.
- (2) Despite subsection (1), if an issuer’s financial statements have been reconciled to Canadian GAAP – ~~Part IV~~ under subsection ~~4.14.7~~(1) or paragraph ~~5.14.9~~(e), the issuer’s *pro forma* financial statements must be prepared in accordance with, or reconciled to, Canadian GAAP ~~applicable to public enterprises – Part IV~~.
- (3) Despite subsection (1), if an issuer’s financial statements have been prepared in accordance with the accounting principles referred to in paragraph ~~5.14.9~~(c) and those financial statements are reconciled to U.S. GAAP, the *pro forma* financial statements may be prepared in accordance with, or reconciled to, U.S. GAAP.

**PART 8
EXEMPTIONS FOR FOREIGN REGISTRANTS**

~~8.14.15~~ **Acceptable Accounting Principles for Foreign Registrants --**

(1) Despite subsection ~~3.1(14.2(2))~~, and subject to subsection (2), financial statements delivered by a foreign registrant may be prepared in accordance with any of the following accounting principles:

(a) U.S. GAAP;

~~(b) International Financial Reporting Standards;~~
(b) IFRS;

(c) accounting principles that meet the foreign disclosure requirements of a foreign regulatory authority to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction; ~~or~~

(d) accounting principles that cover substantially the same core subject matter as Canadian GAAP – Part IV, including recognition and measurement principles and disclosure requirements, if the notes to the financial statements , interim balance sheets, or interim income statements

(i) explain the material differences between Canadian GAAP ~~as applicable to public enterprises – Part IV~~ and the accounting principles used that relate to recognition, measurement and presentation;

(ii) quantify the effect of material differences between Canadian GAAP ~~as applicable to public enterprises – Part IV~~ and the accounting principles used that relate to recognition, measurement, and presentation; and

(iii) provide disclosure consistent with disclosure requirements of Canadian GAAP ~~as applicable to public enterprises – Part IV~~ to the extent not already reflected in the financial statements, interim balance sheets or interim income statements.

(2) Financial statements, interim balance sheets, and interim income statements delivered by a foreign registrant prepared in accordance with accounting principles specified in paragraph (1)(a), (b) or (d) must be prepared on a non-consolidated basis.

8.24.16 **Acceptable Auditing Standards for Foreign Registrants** -- Despite section ~~3.2,4.3~~, financial statements delivered by a foreign registrant that are required by securities legislation to be audited may, if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor's report identifies the accounting principles used to prepare the financial statements, be audited in accordance with

- (a) U.S. PCAOB GAAS or U.S. AICPA GAAS if the auditor's report contains an unqualified opinion;
- (b) International Standards on Auditing, if the auditor's report is accompanied by a statement by the auditor that
 - (i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and
 - (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; or
- (c) auditing standards that meet the foreign disclosure requirements of the designated foreign jurisdiction to which the registrant is subject, if it is a foreign registrant incorporated or organized under the laws of that designated foreign jurisdiction, ~~if the financial statements are accompanied by an auditor's report prepared in accordance with the same auditing standards used to audit the financial statements and the auditor's report identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.~~

PART 9.5: EXEMPTIONS

9.15.1 Exemptions --

- (1) The regulator or securities regulatory authority may grant an exemption from this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.
- (2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.
- (3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

9.25.2 Certain Exemptions Evidenced by Receipt --

- (1) Subject to subsections (2) and (3), without limiting the manner in which an exemption may be evidenced, an exemption from this Instrument as it pertains to financial statements or auditor's reports included in a prospectus, may be evidenced by the issuance of a receipt for the prospectus or an amendment to the prospectus.
- (2) A person or company must not rely on a receipt as evidence of an exemption

unless the person or company

- (a) sent to the regulator or securities regulatory authority, on or before the date the preliminary prospectus or the amendment to the preliminary prospectus or prospectus was filed, a letter or memorandum describing the matters relating to the exemption application, and indicating why consideration should be given to the granting of the exemption; or
 - (b) sent to the regulator or securities regulatory authority the letter or memorandum referred to in paragraph (a) after the date of the preliminary prospectus or the amendment to the preliminary prospectus or prospectus has been filed and receives a written acknowledgement from the securities regulatory authority or regulator that issuance of the receipt is evidence that the exemption is granted.
- (3) A person or company must not rely on a receipt as evidence of an exemption if the regulator or securities regulatory authority has before, or concurrently with, the issuance of the receipt for the prospectus, sent notice to the person or company that the issuance of a receipt does not evidence the granting of the exemption.
- (4) For the purpose of this section, a reference to a prospectus does not include a preliminary prospectus.

PART ~~10~~6: REVOCATION AND EFFECTIVE DATE

6.1 **Revocation** — National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*, which came into force on March 30, 2004, is revoked.

10.16.2 **Effective Date** -- This Instrument comes into force on ~~March 30, 2004~~.January 1, 2011.

APPENDIX D

Proposed Amendments to Companion Policy 52-107CP *Acceptable Accounting Principles and Auditing Standards*

PART I: INTRODUCTION AND DEFINITIONS

1.1 Introduction and Purpose — This Companion Policy provides information about how the securities regulatory authorities interpret or apply National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* (the Instrument). The Instrument is linked closely with the application of other national instruments, including National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) and National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102). These and other national instruments also contain a number of references to International Financial Reporting Standards (IFRS) and the requirements in the Handbook of the Canadian Institute of Chartered Accountants (the Handbook). Full definitions of IFRS and the Handbook are provided in National Instrument 14-101 *Definitions*.

The Instrument does not apply to investment funds. National Instrument 81-106 *Investment Fund Continuous Disclosure* applies to investment funds.

1.2 Multijurisdictional Disclosure System — National Instrument 71-101 *The Multijurisdictional Disclosure System* (NI 71-101) permits certain U.S. incorporated issuers to satisfy Canadian disclosure filing obligations, including financial statements, by using disclosure documents prepared in accordance with U.S. federal securities laws. The Instrument does not replace or alter NI 71-101. There are instances in which NI 71-101 and the Instrument offer similar relief to a reporting issuer. There are other instances in which the relief differs. If both NI 71-101 and the Instrument are available to a reporting issuer, the issuer should consider both instruments. It may choose to rely on the less onerous instrument in a given situation.

1.3 Calculation of Voting Securities Owned by Residents of Canada — The definition of “foreign issuer” is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of “foreign issuer”, in determining the outstanding voting securities that are directly or indirectly owned by residents of Canada, an issuer should

- (a) use reasonable efforts to identify securities held by a broker, dealer, bank, trust company or nominee or any of them for the accounts of customers resident in Canada,
- (b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, including insider reports and early warning reports, and
- (c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

This method of calculation differs from that of NI 71-101 which only requires a calculation based on the address of record. Some SEC foreign issuers may therefore qualify for exemptive relief under NI 71-101 but not under the Instrument.

1.4 Exemptions Evidenced by the Issuance of a Receipt — Section 5.2 of the Instrument states that an exemption from any of the requirements of the Instrument pertaining to financial statements or auditor's reports included in a prospectus may be evidenced by the issuance of a receipt for that prospectus. Issuers should not assume that the relief evidenced by the receipt will also apply to financial statements or auditors' reports filed in satisfaction of continuous disclosure obligations or included in any other filing.

1.5 Filed or Delivered — Financial statements that are filed in a jurisdiction will be made available for public inspection in that jurisdiction, subject to the provisions of securities legislation in the local jurisdiction regarding confidentiality of filed material. Material that is delivered to a regulator, but not filed, is not required under securities legislation to be made available for public inspection. However, the regulator may choose to make such material available for inspection by the public.

1.6 Other Legal Requirements — Issuers and auditors should refer to National Instrument 52-108 *Auditor Oversight* for requirements relating to auditor oversight by the Canadian Public Accountability Board. In addition, issuers and registrants are reminded that they and their auditors may be subject to requirements under the laws and professional standards of a jurisdiction that address matters similar to those addressed by the Instrument, and which may impose additional or more onerous requirements. For example, applicable corporate law may prescribe the accounting principles or auditing standards required for financial statements. Similarly, applicable federal, provincial or state law may impose licensing requirements on an auditor practising public accounting in certain jurisdictions.

PART 2: APPLICATION FOR ACCOUNTING PRINCIPLES

2.1 Application of Part 3 — Part 3 of the Instrument applies to periods relating to financial years beginning on or after January 1, 2011. Part 3 refers to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook, contained in Part I of the Handbook.

2.2 Application of Part 4 — Part 4 of the Instrument applies to periods relating to financial years beginning before January 1, 2011. Part 4 refers to Canadian GAAP-Part IV of the Handbook applicable to public enterprises. Canadian GAAP-Part IV of the Handbook has differing requirements for public enterprises and non-publicly accountable enterprises. Part 4 of the Instrument generally requires issuers and registrants to use Canadian GAAP applicable to public enterprises. The following are some of the significant differences in Canadian GAAP applicable to public enterprises compared to those applicable to non-publicly accountable enterprises:

- (a) financial statements for public enterprises cannot be prepared using the differential reporting options as set out in the Handbook;

- (b) transition provisions applicable to enterprises other than public enterprises are not available; and
- (c) financial statements must include any additional disclosure requirements applicable to public enterprises.

2.3 IFRS in English and French — The Handbook provides IFRS in English and French. Both versions have equal status and effect under Canadian GAAP. Issuers, auditors, and other market participants may use either version to comply with the requirements in the Instrument.

2.4 Reference to accounting principles — Section 3.2 of the Instrument requires certain financial statements to be prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises. Section 3.2 also requires annual financial statements to include an explicit and unreserved statement of compliance with IFRS and an interim financial report to disclose compliance with International Accounting Standard 34 *Interim Financial Reporting*. These provisions distinguish between the basis of preparation and disclosure requirements.

There are two options for referring to accounting principles in the applicable financial statements and, in the case of annual financial statements, accompanying auditor's reports referred to in section 3.3 of the Instrument:

- (a) refer only to IFRS in the notes to the financial statements and in the auditor's report, or
- (b) refer to both IFRS and Canadian GAAP in the notes to the financial statements and in the auditor's report.

2.5 IFRS as adopted by the IASB — The definition of IFRS in National Instrument 14-101 *Definitions* refers to standards and interpretations adopted by the International Accounting Standards Board. The definition does not extend to national accounting standards that are modified or adapted from IFRS, sometimes referred to as a "jurisdictional" version of IFRS.

2.6 Presentation and functional currencies — If issuers comply with requirements contained in IFRS in IAS 1 *Presentation of Financial Statements* and IAS 21 *The Effects of Changes in Foreign Exchange Rates* relating to the disclosure of presentation currency and functional currency, then they will comply with section 3.5 of the Instrument.

2.7 Registrants' financial statements and interim financial information — Subsection 3.2(3) and section 3.15 of the Instrument require financial statements and interim financial information delivered by a registrant to account for investments in subsidiaries, jointly controlled entities and associates as specified for separate financial statements in IFRS.

Section 3.2(4) of the Instrument allows a registrant to file financial statements and interim financial information for periods relating to a financial year beginning in 2011 that exclude comparative information for the preceding year or interim period. For a registrant that adopts IFRS in 2011, this provision allows a registrant to have a transition date as at the beginning of its financial year beginning in 2011 rather than as at the beginning of the preceding year.

2.8 Use of different accounting principles — Subsection 3.2(5) of the Instrument requires financial statements to be prepared in accordance with the same accounting principles for all periods presented in the financial statements. Subsection 3.2(6) of the Instrument provides an exemption to permit financial information for a particular financial year beginning before January 1, 2011 to be prepared using accounting principles permitted in Part 4 of the Instrument, which is Canadian GAAP – Part IV, if two conditions are met. First, the financial information must be for the earliest of three financial years presented in financial statements. Second, financial information previously prepared for the particular year did not comply with IFRS. The exemption in subsection 3.2(6) allows an issuer to include financial statements in a prospectus which contain financial information for the most recently completed year and the preceding year that comply with IFRS, and financial information for the earliest of the three years prepared using Canadian GAAP-Part IV.

The requirements in subsections 3.2(5) and 3.11(3) for use of the same accounting principles apply to all periods presented in one set of financial statements. These subsections do not require all financial statements included in a document to be prepared using the same accounting principles if more than one set of financial statements are included in the document. Therefore, an issuer may file a prospectus or business acquisition report that includes financial statements for an interim period beginning on or after January 1, 2011 that comply with IFRS, and also include in the prospectus or business acquisition report separately presented financial statements for financial years beginning before January 1, 2011 prepared using Canadian GAAP-Part IV.

In circumstances described in this section, issuers should clearly identify the applicable accounting principles in order to avoid any confusion.

2.9 Acceptable Accounting Principles — Readers are likely to assume that financial information disclosed in a news release is prepared on a basis consistent with the accounting principles used to prepare the issuer's financial statements. To avoid misleading readers, an issuer should alert readers if financial information in a news release is prepared using accounting principles that differ from those used to prepare an issuer's financial statements or includes non-GAAP financial measures discussed in CSA Staff Notice 52-306 *Non-GAAP Financial Measures*.

2.10 Acquisition statements prepared using Canadian GAAP applicable to private enterprises — Except in Ontario, paragraph 3.11(1)(f) of the Instrument permits acquisition statements to be prepared using Canadian GAAP applicable to private enterprises, as contained in Part II of the Handbook, if certain conditions are met.

One of these conditions is that financial statements for the business were not previously prepared in accordance with any of the accounting principles specified in paragraphs 3.11(1)(a) through (e). Paragraph 3.11(1)(a) refers to Canadian GAAP applicable to publicly accountable enterprises, which is IFRS incorporated into the Handbook contained in Part I of the Handbook. Financial statements for a business may have previously been prepared using Canadian GAAP - Part IV, as defined in section 4.1 of the Instrument.

If acquisition statements are prepared using Canadian GAAP applicable to private enterprises,

the reconciliation requirement in subsection 3.11(6) does not apply. However, section 3.14 requires *pro forma* financial statements to be prepared using accounting principles that are consistent with the issuer's GAAP. Companion Policy 51-102CP provides further guidance on preparation of *pro forma* financial statements in this circumstance.

2.11 Acquisition statements for a business division — Subparagraph 3.12(2)(f)(i) of the Instrument refers to financial statements for a business division. For the purposes of that subparagraph, the financial statements for a business division include “divisional” or “carve-out” financial statements, which are discussed in section 8.6 of Companion Policy 51-102CP.

PART 3: APPLICATION FOR AUDITING STANDARDS

3.1 Auditor's Expertise — The securities legislation in most jurisdictions prohibits a regulator or securities regulatory authority from issuing a receipt for a prospectus if it appears to the regulator or securities regulatory authority that a person or company who has prepared any part of the prospectus or is named as having prepared or certified a report used in connection with a prospectus is not acceptable.

3.2 Canadian Auditors for Canadian GAAP and GAAS Financial Statements — A Canadian auditor is a person or company that is authorized to sign an auditor's report by the laws, and that meets the professional standards, of a jurisdiction of Canada. We would normally expect issuers and registrants incorporated or organized under the laws of Canada or a jurisdiction of Canada, and any other issuer or registrant that is not a foreign issuer nor a foreign registrant, to engage a Canadian auditor to audit the issuer's or registrant's financial statements if those statements are prepared in accordance with Canadian GAAP applicable to publicly accountable enterprises and will be audited in accordance with Canadian GAAS unless a valid business reason exists to use a non-Canadian auditor. A valid business reason would include a situation where the principal operations of the company and the essential books and records required for the audit are located outside of Canada.

Non-Canadian auditors auditing financial statements in accordance with Canadian GAAS and which comply with IFRS are expected to consult or involve an auditor familiar with Canadian GAAS and IFRS.

3.3 Auditor Oversight — In addition to the requirement in section 3.4 of the Instrument, National Instrument 52-108 *Auditor Oversight* also contains certain requirements related to auditors and auditor reports.

3.4 Form of auditor's report — The Instrument specifies acceptable auditing standards for financial statements, financial information, and operating statements. Subsection 3.3(1) and paragraph 3.12(2)(f) of the Instrument prescribe requirements for auditor's reports in the form specified by Canadian GAAS in accordance with a fair presentation framework. Canadian Audit Standard (CAS) 700 *Forming an Opinion and Reporting on Financial Statements* applies to audit reports required by subsection 3.3(1) to accompany financial statements. CAS 800 *Special considerations - Audits of financial statements prepared in accordance with special purpose framework* applies to audit reports required to accompany financial statements of registrants.

CAS 805 *Special considerations – audits of single financial statements and specific elements, accounts or items of a financial statement* applies to audit reports required to accompany acquisition statements that are operating statements for an oil and gas property or acquisition statements for a business division. CAS 700 *Forming an Opinion and Reporting on Financial Statements* also applies to audit reports required to accompany other acquisition statements.

3.5 Modification of opinion — Part 5 of the Instrument permits the regulator or securities regulatory authority to grant exemptive relief from the Instrument, including the requirement that an auditor's report not contain a modification of opinion or other similar communication that would constitute a modification of opinion under Canadian GAAS. A modification of opinion includes a qualification of opinion, an adverse opinion, and a disclaimer of opinion. However, staff will generally recommend that relief not be granted if the modification of opinion or other similar communication is:

- (a) due to a departure from accounting principles permitted by the Instrument, or
- (b) due to a limitation in the scope of the auditor's examination that
 - (i) results in the auditor being unable to form an opinion on the financial statements as a whole,
 - (ii) is imposed or could reasonably be eliminated by management, or
 - (iii) could reasonably be expected to be recurring.

APPENDIX E

Proposed Amendments to National Instrument 14-101 *Definitions*

1. *National Instrument 14-101 Definitions is amended by this Instrument.*

2. *Subsection 1.1(3) is amended*

a. *by repealing the definition of “Canadian auditor’s report”;*

b. *by adding the following definitions:*

“IFRS” means standards and interpretations adopted by the International Accounting Standards Board and amended from time to time, comprising International Financial Reporting Standards, International Accounting Standards and interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee;

“International Standards on Auditing” means auditing standards issued by the International Auditing and Assurance Standards Board, as amended from time to time;

3. *This Instrument comes into force on ●.*

APPENDIX F

LOCAL CONSEQUENTIAL AMENDMENTS - ALBERTA

SCHEDULE 1

**PROPOSED AMENDMENTS TO THE
*ALBERTA SECURITIES COMMISSION RULES (GENERAL)***

AMENDMENT INSTRUMENT

1. The *Alberta Securities Commission Rules (General)* are amended by this Instrument.
2. Section 11 is amended by repealing clauses (1) and (2).
3. This Instrument comes into force on January 1, 2011.

SCHEDULE 2

AMENDMENTS TO ALBERTA SECURITIES COMMISSION POLICY 51-601 *REPORTING ISSUER LIST*

1. Section 6.1 of ASC Policy 51-601 *Reporting Issuer List* is amended by striking out “interim financial statements” and substituting “interim financial report”.
2. Appendix A, item 1(b) of ASC Policy 51-601 *Reporting Issuer List* is amended by striking out “interim financial statements” and substituting “interim financial report”.