



May 28, 2009

To: All Federally Regulated Financial Institutions (FRFIs)

**Subject: International Financial Reporting Standards (IFRS) – Progress Reports
Feedback on initial reports and expectations going forward**

OSFI's letter of October 7, 2008¹ outlined expectations with respect to the content of the semi-annual IFRS progress reports. OSFI has received initial progress reports from most FRFIs. This letter summarizes key findings and provides additional clarity for future progress reports.

OSFI's review of the initial progress reports indicates that the majority of FRFIs have well developed project governance processes in place and that IFRS conversion plans are receiving an appropriate level of attention from senior management. The reports also suggest that the conversion projects for the majority of FRFIs are adequately resourced and are on track to facilitate a smooth transition to IFRS. OSFI is contacting FRFIs where material deficiencies in plans or processes were noted.

The IFRS industry forums organized by OSFI in the fall of 2008 clarified and focused for the industry OSFI's expectations regarding the progress reports and also enabled OSFI to highlight key issues for FRFIs. OSFI is considering whether similar forums will be organized in the fall of 2009 in order to provide overviews of key positions and recommendations. FRFIs should expect more information on this within the coming months.

In preparing future progress reports, FRFIs should consider the following guidance.

1. IFRSs used for analysis

OSFI noted that some FRFIs are using proposed IFRSs (i.e., proposed in IASB Exposure Drafts or Discussion Papers), rather than using current IFRS standards, for their impact analysis. Also, some FRFIs are delaying the analysis of some standards until they are finalized. As the final standards that flow from Exposure Drafts and Discussion Papers may change when issued or may not be issued as per target dates, there is some risk that FRFIs that delay their analysis may not begin their analysis of key standards in sufficient time to ensure they are in a position to implement IFRSs by the conversion date.

¹ http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/guidelines/accounting/advisories/Imp_of_IFRS_Let_e.pdf



Guidance: To ensure that FRFIs are ready for the 2011 IFRS conversion date, OSFI requests FRFIs to undertake an initial IFRS impact assessment using current standards. OSFI further recommends that FRFIs undertake impact assessments of any proposed standards that could have a material impact on the financial statements of the FRFI where the target implementation date falls before or on the 2011 IFRS conversion date.

2. Areas considered having high impact on financial statements

In the October 7 letter, OSFI noted 13 accounting standards (repeated below) as potentially having the greatest impact on financial institutions. Also listed below are 15 additional standards that were identified by several FRFIs as having a high impact on financial statements.

Identified by OSFI	Identified by FRFIs
1) First Time Adoption – IFRS 1	1) Income taxes – IAS 12
2) Insurance Contracts – IFRS 4	2) Property, plant and equipment – IAS 16
3) Investment Contracts – IAS 39	3) Leases – IAS 17
4) Revenue – IAS 18	4) Effects of changes in foreign exchange rates – IAS 21
5) Financial Instruments (including impacts of Fair Value measurement) (IAS 32 and 39)	5) Related party transactions – IAS 24
6) Segregated Funds	6) Investments in Associates – IAS 28
7) Consolidation, including VIEs and other (IAS 27 and SIC 12)	7) Interests in Joint Ventures – IAS 31
8) Derecognition – IAS 39	8) Earnings per share – IAS 33
9) Impaired Loans – IAS 39	9) Impairment of Assets – IAS 36
10) Financial Statement Disclosures – IFRS 7)	10) Provisions, contingent liabilities and contingent assets – IAS 37
11) Financial Statement Presentation – IAS 1	11) Intangible Assets – IAS 38
12) Investment Property – IAS 40	12) Derivatives and hedges – IAS 39
13) Employee Benefits – IAS 19	13) Share-based payment – IFRS 2
	14) Business Combinations – IFRS 3
	15) Operating segments – IFRS 8

Guidance: To ensure that important areas are assessed and appropriately addressed on a timely basis, OSFI recommends that FRFIs that have not already done so consider whether these additional standards have a high impact on their financial statements.

3. Quantitative impacts

As noted in the October letter, OSFI intends to use the information submitted in the progress reports in its policy development process. The letter required that,

“Where a decision has been determined and it is possible to estimate its impact, provide a preliminary estimate of the range of quantitative impacts for each financial statement item affected by that choice and the potential impact to any regulatory limits or calculations relevant to your institution. If it is not yet possible to estimate its impact, describe your timeline and process for completing that estimate.”

While OSFI understands that FRFIs are still in the preliminary stages of assessing impacts to financial statements, OSFI would like to stress that these quantifications are needed to identify issues where OSFI’s policy decisions are required – especially in regard to those related to the calculation of capital adequacy requirements.

Guidance: As quantitative impact estimates are needed for OSFI’s policy development process, FRFIs are reminded to provide preliminary estimates of the range of quantitative impacts for key standards. OSFI is considering options for coordinating this specific information gathering request through the use of a template. FRFIs should expect more information on this in the coming months

FRFIs are reminded that **One (1) electronic copy of the progress report must be submitted to OSFI at RID@osfi-bsif.gc.ca, ensuring the subject field is labeled: “IFRS progress report”, along with the filing institution’s name.**

If you have any questions or concerns regarding these issues, please direct any correspondence to Laural Ross, Director, Accounting Policy Division, at Laural.Ross@osfi-bsif.gc.ca phone at (613) 990-6972.

Yours sincerely,

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Regulation Sector

c.c.: Canadian Bankers Association
Canadian Life and Health Insurance Association
Insurance Bureau of Canada
Canadian Council of Insurance Regulators
Canadian Fraternal Association
Trust Companies Association
Credit Union Central of Canada