



## Unclassified

April 25, 2008

To: All Federally Regulated Financial Institutions (FRFIs)

### **Subject: Adoption of International Financial Reporting Standards**

The Canadian Accounting Standards Board (AcSB) published an Omnibus Exposure Draft, *Adopting IFRS in Canada*, in April 2008 confirming the mandatory transition date to International Financial Reporting Standards (IFRS) for publicly accountable enterprises for fiscal years beginning on or after January 1, 2011. The Canadian Securities Administrators (CSA) also issued Concept Paper 52-402 in February 2008, outlining the possibility of permitting early adoption of IFRS for financial years beginning on or after January 1, 2009.

OSFI has closely monitored the AcSB's plan on moving to IFRS since AcSB's announcement of the strategic plan in 2005. This letter addresses OSFI's views on three areas relating to the move to IFRS in 2011.

1. All FRFIs are considered publicly accountable enterprises and must adopt IFRS as required in AcSB's plan for fiscal years beginning on or after January 1, 2011.
2. No early adoption will be allowed for FRFIs.
3. All FRFIs must submit a semi-annual progress review on their plan to adopt IFRS to OSFI within 30 days of the end of the period.

In addition to the Concept Paper, the CSA is expected to issue disclosure requirements relating to the adoption of IFRS for filings leading up to the changeover date of January 1, 2011. OSFI expects to issue a separate letter to industry subsequent to CSA's publication on disclosures, requiring all FRFIs who are not subject to the CSA disclosure requirements to make the same disclosures directly to OSFI.

The Appendix to this letter explains these issues in further detail.



If you have any questions or concerns regarding these issues, please direct the correspondence to Karen Stothers, Managing Director, Accounting Policy Division, at [Karen.Stothers@osfi-bsif.gc.ca](mailto:Karen.Stothers@osfi-bsif.gc.ca) or by phone at 416-973-0744.

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Enclosure

c.c.: Canadian Bankers Association  
Canadian Life and Health Insurance Association  
Insurance Bureau of Canada  
Canadian Council of Insurance Regulators

## Appendix

OSFI has closely monitored the Canadian Accounting Standards Board's (AcSB) strategic plan on adopting IFRS since the issuance of AcSB's Invitation to Comment, *Accounting Standards in Canada: Future Directions – Draft Strategic Plan*, in 2005. We have participated in bi-lateral discussions with the AcSB staff and are members of AcSB's User Advisory Council, IFRS Advisory Committee and Accounting Standards Oversight Council where issues relating to IFRS adoption were discussed.

OSFI has established a project to identify and resolve policy and system issues relating to the adoption of IFRS and will be consulting with industry over the next year on proposed policies and changes to returns and instructions. The objective is to finalize our position in later 2009. As FRFIs plan for the adoption of IFRS in 2011, OSFI has identified four high-level issues that will impact FRFIs' implementation plans:

1. The definition of "publicly accountable enterprises";
2. The ability to early adopt IFRS prior to the 2011 changeover date;
3. Progress report on FRFIs' plans to adopt IFRS; and
4. Disclosure requirements relating to the adoption of IFRS for years leading up to 2011.

### **1. Definition of "publicly accountable enterprises"**

The formal definition of "publicly accountable enterprise" (PAE) was included in the AcSB's Omnibus Exposure Draft published in April 2008. All FRFIs are considered to have fiduciary responsibilities and are therefore publicly accountable. International Financial Reporting Standards will become Canadian GAAP for publicly accountable enterprises in 2011. Therefore, OSFI expects all FRFIs to follow the AcSB's strategy for PAEs to adopt IFRS for their fiscal years beginning on or after January 1, 2011.

### **2. Early adoption**

OSFI recognizes some FRFIs may already prepare financial statements in accordance with IFRS today because, for example, they are subsidiaries or branches of entities based in a foreign jurisdiction that requires compliance with IFRS. OSFI could not allow any FRFIs to early adopt IFRS before the changeover date of January 1, 2011 because of significant impacts to various areas of our organization. We assess risks to financial institutions both individually and collectively. If early adoption were allowed, we would not have a comparable basis for our industry-wide risk assessment over the next 3 years prior to the adoption of IFRS by all FRFIs. In addition, OSFI has just begun to study the impact of IFRS adoption on our policies and systems and any changes that have to be made will require some time. For example, systems changes, including changes to returns and instructions, require eighteen months to implement

incorporating agreed protocols with the industry. For these reasons, OSFI will not be able to allow any FRFIs to early adopt IFRS.

### **3. Progress review**

OSFI expects all FRFIs to submit a progress review to their Relationship Managers semi-annually commencing with the 2008 fiscal year-end. The progress review will include a discussion on the institution's assessment of its readiness to adopt IFRS in 2011, any challenges it envisions and steps it plans to take on resolving these issues. The progress review should be submitted to OSFI within 30 days of the end of the semi-annual period.

### **4. Disclosure requirements**

The Canadian Securities Administrators (CSA) is developing guidance for companies' disclosure of their transition to IFRS for the years leading up to 2011. These disclosure requirements are expected to include qualitative and quantitative disclosures on impacts of adopting IFRS and companies' transition plans.

While the CSA requirements only apply to FRFIs subject to securities regulation, OSFI expects all FRFIs to apply the CSA disclosure requirements in their financial statements that are provided to OSFI. We believe these disclosures are important information that all FRFIs need to provide to OSFI. In addition, upon review of the CSA disclosure requirements, OSFI may ask for additional disclosures for regulatory reporting purposes.