

IIROC NOTICE

Rules Notice **Guidance Note**

Dealer Member Rules

Please distribute internally to:

Internal Audit
Legal and Compliance
Operations
Regulatory Accounting
Senior Management

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Adoption of International Financial Reporting Standards (IFRS)

Purpose

This notice provides guidance to all Dealer Members regarding the adoption of IFRS.

Background

In February 2008, the Canadian Accounting Standards Board (AcSB) confirmed January 1, 2011 as the date IFRS will replace current Canadian standards and interpretations as Canadian generally accepted accounting principles (GAAP) for publicly accountable enterprises (PAE).

Staff of the Canadian Securities Administrators (CSA) issued Staff Notice 33-313 on September 12, 2008.

This notice sets out IIROC's position on Dealer Members adopting IFRS.

1. Dealer Members are considered Publicly Accountable Enterprises (PAE) and must adopt IFRS to ensure consistency in regulatory financial accounting and reporting to IIROC.
2. Adoption of IFRS will be effective for fiscal years beginning on or after January 1, 2011. No early adoption will be allowed.



3. Dealer Members are required to conduct their own firm-specific impact assessment and conversion planning. This may require firms to engage outside expertise.
4. IIROC will require all Dealer Members to submit progress reports. The first report will be filed by April 1, 2009 and its format will be set out and sent to Dealer Members by December 31, 2008.

Regulatory Filings

Annual Form 1

Dealer Members with fiscal year ending December 31, 2011 must file their audited regulatory filing and be in compliance with IFRS.

Monthly Financial Report (MFR)

Dealer Members with a December 31, 2011 year-end, will begin filing their MFR under IFRS as at January 31, 2011.

Appendix A provides guidance as to the critical change-over and regulatory reporting dates for the annual and monthly regulatory financial filings.

Monitoring and Reporting

It will be necessary for Dealer Members to run parallel accounting records for up to a year based on their fiscal year-end conversion date to IFRS regulatory reporting. The industry electronic filing system (SIRFF) will be re-programmed to accommodate current Canadian GAAP and IFRS reporting for up to one year beginning on January 31, 2011.

Implications of the changeover to IFRS

Changing from current Canadian GAAP to IFRS will be a significant undertaking that may materially affect a Dealer Member's financial position and results of operations, as well as, the volume of disclosures under IFRS. Dealer Members will need to provide comparative information for their first reporting period under IFRS; thereby moving the transition date to January 1, 2010.

Changing from current Canadian GAAP to IFRS may also affect certain business functions, such as:

- Systems changes: Requirement to maintain dual books in 2010 (Canadian GAAP and IFRS). More disclosure required, which may require tracking in financial systems.
- Education: Getting resources educated in IFRS to help the Dealer Member make the right choices.



- Significant ratios, debt agreements and covenants: Impact of change in GAAP on debt agreements and covenants. Key ratios that are based on GAAP information may change.
- Budgets and Forecasts: Impact of change in GAAP on long-range planning and establishment of key performance indicators; forecasting the cost of implementation.

As a result, significant planning for the changeover, if not already started, should start as soon as practicable. Dealer Members may want to discuss the changeover to IFRS with their auditors to ensure readiness for the changeover to IFRS, including adverse Risk Adjusted Capital (RAC) implications and/or Early Warning (EW) triggers.

IIROC Impact Assessment on Regulatory Reporting

IIROC is currently assessing the regulatory implication of the conversion from Canadian GAAP to IFRS, particularly as it affects the determination of capital adequacy in accordance with IIROC rules and its Early Warning System.

IIROC action plan will involve establishing an industry working group comprised of Dealer Members and Panel Auditors to review our impact assessment of IFRS conversion from a regulatory accounting and reporting perspective. The outcome of this work will be communicated to all Dealer Members as work progresses.

Continuing Communication

Further information and guidance will be issued by IIROC on IFRS.



Appendix A

IMPLEMENTATION DATE		TRANSITION DATE*	FIRST REGULATORY FILING ON IFRS	
Fiscal Year Beginning	Fiscal Year Ending	Transition Date*	First MFR on IFRS	First Audited Form 1 on IFRS
January 1, 2011	December 31, 2011	January 1, 2010	January 2011	December 31, 2011
February 1, 2011	January 31, 2012	February 1, 2010	February 2011	January 31, 2012
March 1, 2011	February 28, 2012	March 1, 2010	March 2011	February 28, 2012
April 1, 2011	March 31, 2012	April 1, 2010	April 2011	March 31, 2012
May 1, 2011	April 30, 2012	May 1, 2010	May 2011	April 30, 2012
June 1, 2011	May 31, 2012	June 1, 2010	June 2011	May 31, 2012
July 1, 2011	June 30, 2012	July 1, 2010	July 2011	June 30, 2012
August 1, 2011	July 31, 2012	August 1, 2010	August 2011	July 31, 2012
September 1, 2011	August 31, 2012	September 1, 2010	September 2011	August 31, 2012
October 1, 2011	September 30, 2012	October 1, 2010	October 2011	September 30, 2012
November 1, 2011	October 31, 2012	November 1, 2010	November 2011	October 31, 2012
December 1, 2011	November 30, 2012	December 1, 2010	December 2011	November 30, 2012

* The transition date is the first day that the Dealer Member has to maintain accounting information under both **current** Canadian GAAP and IFRS.