

**CSA Notice of**

**Repeal and Replacement of**  
**National Instrument 52-108 Auditor Oversight**

**AND**

**Amendments to**  
**National Instrument 41-101 General Prospectus Requirements,**  
**National Instrument 51-102 Continuous Disclosure Obligations and**  
**National Instrument 71-102 Continuous Disclosure and Other**  
**Exemptions Relating to Foreign Issuers**

**July 17, 2014**

**Introduction**

We, the Canadian Securities Administrators (CSA) are adopting National Instrument 52-108 *Auditor Oversight* (the Instrument), Companion Policy 52-108CP *Auditor Oversight* (the Policy), and making amendments to

- National Instrument 41-101 *General Prospectus Requirements* (NI 41-101),
- National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102),
- Companion Policy 51-102CP *Continuous Disclosure Obligations* (51-102CP),
- National Instrument 71-102 *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (NI 71-102), and
- Companion Policy 71-102CP *Continuous Disclosure and Other Exemptions Relating to Foreign Issuers* (71-102CP)

(together, the Amendments).

These documents are in Annexes C through J of this Notice and we refer to them collectively as the Final Materials. The Final Materials have been adopted or are expected to be adopted by each member of the CSA. Provided all necessary ministerial approvals are obtained, the Final Materials come into force on September 30, 2014.

The CSA published proposed versions of the Instrument, the Policy and the Amendments for comment on October 17, 2013 (the Proposed Materials). The Instrument will replace National Instrument 52-108 *Auditor Oversight*, which is currently in effect (the Current Instrument).

**Substance and purpose**

The main purpose of the Instrument is to contribute to public confidence in the integrity of financial reporting of reporting issuers by promoting high quality, independent auditing. The

Instrument requires a public accounting firm to deliver a notice to a regulator or audit committee when certain remedial actions have been imposed by the Canadian Public Accountability Board (CPAB). The Instrument also requires a public accounting firm to deliver a notice to its reporting issuer clients if it is not in compliance with certain requirements in the Instrument.

The amendment to NI 41-101 provides for greater transparency by requiring additional disclosure in a prospectus when financial statements of the issuer included in the prospectus were audited by an auditor that, at the date of the most recent auditor's report on financial statements included in the prospectus, was not required to be subject to, and was not subject to the oversight program of CPAB.

The amendments to NI 51-102 provide more timely information by reducing the filing period requirements for a change of auditor notice, and requiring a predecessor auditor or a successor auditor to notify the regulator if a reporting issuer does not file a change of auditor notice required by NI 51-102.

The amendments to NI 71-102 align a foreign issuer's obligations with their auditor's obligations relating to auditor oversight by requiring a foreign issuer to comply with the Instrument.

## **Background**

The Current Instrument was developed in connection with the creation of CPAB, which began its operations in October 2003. It requires a reporting issuer to have the auditor's report signed by a public accounting firm that has entered into a participation agreement with CPAB and to be in compliance with any restrictions or sanctions imposed by CPAB. In addition, it requires a public accounting firm to deliver a notice to the securities regulator, and in some cases, the audit committee and board of directors of each reporting issuer client, of certain restrictions or sanctions imposed by CPAB.

The Instrument being published in connection with this Notice continues to require a reporting issuer to have the auditor's report signed by a public accounting firm that has entered into a participation agreement with CPAB. However, the notice requirements have been amended to focus on the types of remedial actions CPAB imposes, regardless of the labels CPAB attaches to them (e.g., "sanction" or "restriction"). We expect this will result in a greater number of notices than is currently the case.

We are not, at this time, making any substantive changes to the existing requirements for when a public accounting firm must deliver a notice to the audit committees of its reporting issuer clients about CPAB's inspections.

Subsequent to publishing the Proposed Materials, CPAB finalised a voluntary protocol that will allow audit firms participating in the protocol to communicate more information about CPAB inspection findings. The voluntary protocol came into effect on March 1, 2014. In the event that CPAB has inspected the audit file of a reporting issuer, an audit firm participating in the protocol will provide the audit committee of the reporting issuer with the following information:

- (i) a description of the focus areas selected for inspection by CPAB.

- (ii) an indication of whether or not there are any significant inspection findings.
- (iii) any significant inspection findings as reported by CPAB per CPAB's Engagement Findings Report, including a description of actions taken by the firm in response to the findings and CPAB's disposition.

In light of the finalisation of CPAB's voluntary protocol, we will defer consideration of whether substantive changes are needed to the Instrument requirements for notice to audit committees until an assessment can be made on the costs and benefits associated with the protocol. We will periodically consult with CPAB on the implementation of the protocol, as well as gather feedback from various stakeholders, in order to assess whether there is a need for associated changes to the Instrument.

### **Summary of written comments received by the CSA**

The CSA received submissions from nine commenters who submitted comment letters on the Proposed Materials. The names of the commenters are listed in Annex A. The summary of the comments on the Proposed Materials, together with our responses, are in Annex B. We thank everyone who provided comments.

### **Summary of changes to the Proposed Materials**

After considering the comments received, we have made some revisions to the Instrument and Policy that were published for comment. Those revisions are reflected in the Instrument and Policy we are publishing concurrently with this notice. As these changes are not material, we are not republishing the Instrument and Policy for a further comment period. No revisions have been made to the Amendments that were published for comment.

The key changes from the Proposed Materials are as follows:

- The requirement for a notice of remedial action to describe how a participating audit firm has failed to comply with professional standards no longer refers to the description CPAB provided the participating audit firm. The Policy explains that the description in the notice to the regulator should be substantially similar to the description CPAB provided the participating audit firm, and that a participating audit firm may modify the wording of CPAB's description to remove reference to information protected by professional secrecy in Quebec.
- In connection with the amendment described above, the Instrument specifies that a notice must include the name of each reporting issuer whose audit file was referred to by CPAB in its communications with the participating audit firm, as the basis, in whole or in part, for CPAB's conclusion that the participating audit firm failed to comply with professional standards.

### **Local matters**

Annex K is being published in any local jurisdiction that is making related changes to local

securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any information that is relevant to that jurisdiction only.

### **Contents of Annexes**

Annex A:	List of commenters
Annex B:	Summary of comments and responses
Annex C:	The Instrument
Annex D:	The Policy
Annex E:	Blackline of the Instrument against the proposed instrument published for comment
Annex F:	Amendments to NI 41-101
Annex G:	Amendments to NI 51-102
Annex H:	Changes to 51-102CP
Annex I:	Amendments to NI 71-102
Annex J:	Changes to 71-102CP
Annex K:	Local matters

### **Questions**

Please refer your questions to any of the following:

Carla-Marie Hait  
Chief Accountant  
British Columbia Securities Commission  
(604) 899-6726  
[chait@besc.bc.ca](mailto:chait@besc.bc.ca)

Jody-Ann Edman  
Assistant Manager, Financial Reporting, Corporate Finance  
British Columbia Securities Commission  
(604) 899-6698  
[jedman@besc.bc.ca](mailto:jedman@besc.bc.ca)

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

Kari Horn  
General Counsel  
Alberta Securities Commission  
(403) 297-4698  
[kari.horn@asc.ca](mailto:kari.horn@asc.ca)

Cheryl McGillivray  
Manager, Corporate Finance  
Alberta Securities Commission  
(403) 297-3307  
[cheryl.mcgillivray@asc.ca](mailto:cheryl.mcgillivray@asc.ca)

Heather Kuchuran  
Senior Securities Analyst, Securities Division  
Financial and Consumer Affairs Authority of Saskatchewan  
(306) 787-1009  
[heather.kuchuran@gov.sk.ca](mailto:heather.kuchuran@gov.sk.ca)

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

Mark Pinch  
Associate Chief Accountant  
Ontario Securities Commission  
(416) 593-8057  
[mpinch@osc.gov.on.ca](mailto:mpinch@osc.gov.on.ca)

Michael Balter  
Senior Legal Counsel, General Counsel's Office  
Ontario Securities Commission  
(416) 593-3739  
[mbalter@osc.gov.on.ca](mailto:mbalter@osc.gov.on.ca)

Nicole Parent  
Chief Accountant (Acting)  
Autorité des marchés financiers  
(514) 395-0337, ext.4455  
[nicole.parent@lautorite.qc.ca](mailto:nicole.parent@lautorite.qc.ca)

Kevin Hoyt  
Director, Securities  
Financial and Consumer Services Commission (New Brunswick)  
(506) 643-7691  
[kevin.hoyt@fcnb.ca](mailto:kevin.hoyt@fcnb.ca)