

CSA STAFF NOTICE 31-314

**NI 31-103 REGISTRATION REQUIREMENTS AND EXEMPTIONS
AND RELATED INSTRUMENTS**

FREQUENTLY ASKED QUESTIONS AS OF FEBRUARY 5, 2010

Background

This notice supplements CSA Staff Notice 31-313 – NI 31-103 *Registration Requirements and Exemptions and Related Instruments – Frequently Asked Questions as of December 18, 2009*. The questions addressed in this notice all relate to financial reporting requirements during the first year under the new registration regime that was introduced on September 28, 2009.

NI 31-103 Registration Requirements and Exemptions

NI 31-103 SECTION	QUESTION	ANSWER
PART 12 FINANCIAL CONDITION		
<i>Division 4 Financial reporting</i>		
12.10(3) Annual financial statements	<p>Some registrants were previously required by the securities legislation of some provinces to deliver annual audited consolidated financial statements. Subsection 12.10(3) of NI 31-103 requires registrants to deliver financial statements prepared in accordance with National Instrument 52-107 <i>Acceptable Accounting Principles, Auditing Standards and Reporting Currency</i> (NI 52-107) except that the statements must be prepared on a non-consolidated basis. Interim financial information delivered under subsection 12.11(2) of NI 31-103 must also be delivered on a non-consolidated basis.</p> <p>For registrants that previously delivered audited consolidated financial statements, what comparative figures do regulators expect to be delivered in the first year after the effective date of NI 31-103 (i.e. for financial years ended on or between September 30, 2009 to August 31, 2010)?</p>	<p>For annual audited financial statements for financial years ended on or between September 30, 2009 to August 31, 2010 (and for interim periods within that period), staff will accept financial statements prepared under one of the following two options, even though these do not comply with NI 52-107:</p> <ol style="list-style-type: none"> 1) non-consolidated financial statements and interim financial information with no comparative figures, or 2) non-consolidated financial statements and interim financial information with non-consolidated comparative figures. <p>CSA staff have concluded that, if a registrant delivers annual non-consolidated financial statements and interim financial information using one of the options above, it would not be appropriate or in the public interest for staff to impose terms and conditions on the registrant.</p> <p>CSA staff have concluded that it would not be appropriate for a registrant to deliver financial statements or interim financial information that includes a current period that is non-consolidated and a comparative period that is presented using a different basis of accounting (e.g. consolidated comparative information).</p>
	Subsection 12.10(3) of NI 31-	Since the annual non-consolidated financial statements are

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	<p>103 requires a registrant to prepare annual financial statements in accordance with National Instrument 52-107 <i>Acceptable Accounting Principles, Auditing Standards and Reporting Currency</i>, except that the statements must be prepared on a non-consolidated basis. The annual financial statements must be audited.</p> <p>What form of audit report should the auditor be using when auditing financial statements of registrants that are prepared on a non-consolidated basis for regulatory purposes?</p>	<p>prepared in accordance with a basis of accounting other than generally accepted accounting principles, they must be accompanied by an auditor's report prepared in accordance with CICA Handbook Section 5600 <i>Auditor's Report on Financial Statements Prepared Using a Basis of Accounting other than Generally Accepted Auditing Principles</i> that does not contain a reservation.</p>
	<p>What is the basis of accounting and acceptable assurance requirements for audited non-consolidated financial statements that exclude comparative figures for entities registering with one or more of the securities regulators for the first time during the period prior to September 28, 2010?</p>	<p>The non-consolidated financial statements for the current period must be prepared in accordance with Canadian generally accepted accounting principles for public enterprises, except that they have been prepared on a non-consolidated basis and exclude comparative information. The financial statements must include a note describing this basis of accounting, and may not include any other material differences from Canadian generally accepted accounting principles for public enterprises.</p> <p>Since the annual non-consolidated financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles, they must be accompanied by an auditor's report prepared in accordance with CICA Handbook Section 5600 <i>Auditor's Report on Financial Statements Prepared Using a Basis of Accounting other than Generally Accepted Auditing Principles</i> that does not contain a reservation.</p>
	<p>What is the basis of accounting and acceptable assurance requirements for non-consolidated comparative figures included in annual audited financial statements for entities registering with one or more of the securities regulators for the first time during the period prior to September 28, 2010?</p>	<p>The non-consolidated financial statements for the current period must be prepared in accordance with Canadian generally accepted accounting principles for public enterprises, except that they have been prepared on a non-consolidated basis. The financial statements must include a note describing this basis of accounting, and may not include any other material differences from Canadian generally accepted accounting principles for public enterprises.</p> <p>Since the annual non-consolidated financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles, they must be accompanied by an auditor's report prepared in accordance with CICA Handbook Section 5600 <i>Auditor's Report on Financial Statements Prepared Using a Basis of Accounting other than Generally Accepted Auditing Principles</i> that does not contain a reservation.</p>
	<p>Will an application for</p>	<p>No. An application will not be rejected solely on the basis of</p>

NI 31-103 SECTION	QUESTION	ANSWER
	<p>registration delivered prior to September 28, 2010 be rejected if the audited non-consolidated financial statements delivered by the applicant do not include audited non-consolidated comparative figures?</p>	<p>failure to provide audited non-consolidated comparative figures. However, we encourage such applicants to include non-consolidated comparative figures where possible, even if they are not available in audited form.</p>
<p>12.11(2) Interim financial information</p>	<p>Some registrants were previously required by the securities legislation of some provinces to deliver annual audited consolidated financial statements. Subsection 12.10(3) of NI 31-103 requires registrants to deliver financial statements prepared in accordance with National Instrument 52-107 <i>Acceptable Accounting Principles, Auditing Standards and Reporting Currency</i> (NI 52-107) except that the statements must be prepared on a non-consolidated basis. Interim financial information delivered under subsection 12.11(2) of NI 31-103 must also be delivered on a non-consolidated basis.</p> <p>For registrants that previously delivered audited consolidated financial statements, what comparative figures do regulators expect to be delivered in the first year after the effective date of NI 31-103 (i.e. for financial years ended on or between September 30, 2009 to August 31, 2010)?</p>	<p>For annual audited financial statements for financial years ended on or between September 30, 2009 to August 31, 2010 (and for interim periods within that period), staff will accept financial statements prepared under one of the following two options, even though these do not comply with NI 52-107:</p> <ol style="list-style-type: none"> 1) non-consolidated financial statements and interim financial information with no comparative figures, or 2) non-consolidated financial statements and interim financial information with non-consolidated comparative figures. <p>CSA staff have concluded that, if a registrant delivers annual non-consolidated financial statements and interim financial information using one of the options above, it would not be appropriate or in the public interest for staff to impose terms and conditions on the registrant.</p> <p>CSA staff have concluded that it would not be appropriate for a registrant to deliver financial statements or interim financial information that includes a current period that is non-consolidated and a comparative period that is presented using a different basis of accounting (e.g. consolidated comparative information).</p>
	<p>What is the basis of accounting for interim financial information delivered by registrants?</p>	<p>The interim financial information must be prepared and presented on a similar basis as the annual non-consolidated financial statements (see discussion above with respect to subsection 12.10(3)).</p>

NI 33-109 Registration Information

NI 33-109 SECTION	QUESTION	ANSWER
FORM 33-109F6 FIRM REGISTRATION	Will an application for registration delivered prior to September 28, 2010 be rejected if the audited non-consolidated financial statements delivered by the applicant do not include audited non-consolidated comparative figures?	No. An application will not be rejected solely on the basis of failure to provide audited non-consolidated comparative figures. However, we encourage such applicants to include non-consolidated comparative figures where possible, even if they are not available in audited form.