



CANADIAN BANKERS ASSOCIATION

Box 348, Commerce Court West
199 Bay Street, 30th Floor
Toronto, Ontario, Canada M5L 1G2
www.cba.ca

R. Kelly Shaughnessy
Vice-President, Banking Operations
Tel.: [416] 362-6093 Ext. 289
Fax: [416] 362-0563
kshaughnessy@cba.ca

May 26, 2005

Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11-13 avenue de Friedland
75008
Paris, France
www.cesr-eu.org

Dear M. Demarigny:

Re: Draft Technical Advice on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information

Further to the request for public consultation on the Draft Technical Advice on Equivalence of Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information, the Canadian Bankers Association ("CBA") would like to express its views relating to CESR's proposal.

The CBA is the main banking industry association representing over 40 of Canada's domestic and foreign-owned chartered banks and is a principal contributor to the development of Canadian accounting standards and public policies on issues affecting banks.

The CBA welcomes CESR's global and holistic assessment which proposes that Canadian GAAP can be assessed as equivalent subject to remedies. We agree with the analysis that European investors can take similar decisions using Canadian GAAP financial statements as if they were provided with IFRS financial statements. The CBA agrees that co-ordinating the approach of EU National Enforcers to the enforcement of financial statements of third country issuers and for EU issuers are important areas of activity for CESR.

The remedies proposed through Disclosures A to C and Supplementary statements are less onerous for Canadian reporting issuers than preparing full IFRS financial statements for issuing securities into the European markets. We agree that where there are significant differences in accounting standards that users of financial statements will benefit from additional qualitative disclosures. These disclosures may include explanations of accounting treatments, additional explanations on assumptions, valuation methods, economic data, and hypotheses. However, where there are immaterial differences, then we do not believe these additional disclosures will provide added value to investors. The CBA recommends that the need for computing alternate disclosures for quantitative measures, as required by proposed Disclosures A and C and Supplementary statements, necessitate significant additional work and costs and should be removed.

The varying stages of work on the convergence projects will create significant changes for both Canadian GAAP and IFRS over the coming years. The Canadian Accounting Standards Board is also reviewing Canadian GAAP/IFRS differences and implications of moving to IFRS by 2011. We expect to see additional convergence work and implementation of new/revised standards going forward. Many of the differences noted in the proposal will be removed through completion of these convergence projects. In the interim, providing additional quantitative comparisons between Canadian GAAP and IFRS will likely provide limited value to investors.

Canadian banks are in the process of implementing a number of international and domestic measures to allow investors to appropriately assess the competitiveness and strength of the Canadian banks and to protect investors. Canadian banks are in the process of implementing the Basel II Capital Framework, the Financial Instruments standards (which CESR has not yet reviewed in detail), and Sarbanes-Oxley 404 and its equivalent Canadian Securities Administrators (CSA) NI 52-111. As well, there is significant work on-going to substantiate measures on a fair value basis both to satisfy the needs of financial statement users and regulators. As such, there are concerns that costs may exceed benefits for issuance into European securities markets.

We believe that the additional qualitative disclosures alone will satisfy users for decision making purposes. The quantitative disclosures proposed require significant work and are unnecessary if useful qualitative information is provided. Quantitative examples proposed include calculating goodwill on business combinations, where using different dates and alternate methods for calculating gains will require onerous work for reporting issuers and auditors. Understanding that the IASB is reviewing its consolidation methodology and is looking to adopt the definition of control under Variable Interest Entities, submitting Supplementary statements should not improve readers' decisions about these vehicles. Similarly for impairment of assets, where major convergence projects are on-going, and where alternate methods of calculating impairments would be very costly and likely confusing for investors.

We are also concerned about the "catch-all" rule (per para.101) requiring the identification and disclosure of significant differences in addition to the "remedies" already specified. To fulfill this requirement, a full reconciliation between Canadian GAAP and IFRS would need to be performed in order to assess the materiality of difference. This seems to be inconsistent with the overall purpose, as stated in the consultation paper, to avoid the need for a full reconciliation with IFRS. Thus, we believe that such requirement should be removed to avoid inconsistency.

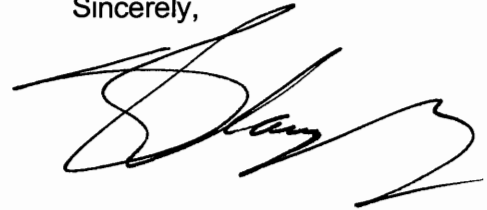
The CBA believes that the requirement that remedies be audited with the same level of assurance as the original financial statements, and potentially produce two audit opinions, are also extremely costly and not required for investor decision-making. Audit costs have grown exponentially with the implementation of Sarbanes-Oxley and CSA NI 52-111. Additional qualitative disclosures as we have recommended above, would be prepared with the same level of rigour as any of the requirements for securities issues. An additional audit opinion, formalizing that level of scrutiny, would only increase costs and be unlikely to strengthen the disclosures. We believe that co-ordination with enforcement agencies and with standards setting bodies will ensure that the level of disclosure is sufficient and understandable.

In conclusion, the CBA welcomes CESR's global and holistic assessment which proposes that Canadian GAAP can be assessed as equivalent subject to remedies. However, the CBA does not support the Draft recommendations in some important respects. Our

members believe that the quantitative disclosures will be costly to comply with and will not improve the quality of financial disclosure. Further, the requirement to have any disclosures audited will be costly and add further compliance burdens. The CBA will be fully engaged as accounting standards are being converged with standard setters, regulators, and our member banks, as well as with the International Banking Federation Accounting Working Group. To support this process, and assist with educating users of financial statements, we propose qualitative instead of quantitative disclosures. The CBA supports a strong level of rigour in preparing these disclosures, which will be monitored by regulators and standard setters, as opposed to separate audit opinions on the remedies.

If you wish to discuss these or other issues, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Cherry', written in a cursive style.

Cc: Mr. Paul Cherry, Chair, Accounting Standards Board
Mr. Wilfried Wilms, International Banking Federation Accounting Working Group