



**GENERAL RULING/ORDER 52-902
US GAAP AND US GAAS FOR SEC ISSUERS**

IN THE MATTER OF
THE SECURITIES ACT, 1988, SS 1988, c. S-42.2

AND

IN THE MATTER OF SEC ISSUERS USING US GAAP AND GAAS IN THEIR FINANCIAL
STATEMENTS

ORDER
(Section 160)

WHEREAS the Saskatchewan Financial Services Commission has assigned to the Director of the Securities Division the power to make exemption orders and rulings under provisions of *The Securities Act, 1988* including orders and rulings of general application;

AND WHEREAS the staff of the Commission have applied to the Director for an Order pursuant section 160 of the Act of that section 117 of *The Securities Regulations* does not apply to the financial statements of certain issuers which have registered securities with the Securities and Exchange Commission of the United States of America;

AND WHEREAS in this Order:

“Act” means *The Securities Act, 1988*;

“Commission” means the Saskatchewan Financial Services Commission;

“Regulations” means *The Securities Regulations*;

“SEC” means the Securities and Exchange Commission of the United States of America;

“SEC issuer” means an issuer that:

- (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports under section 15(d) of the 1934 Act; and
- (b) is not registered or required to be registered as an investment company under the *Investment Company Act* of 1940 of the United States of America;

“US GAAP” means generally accepted accounting principles in the United States of America that the SEC has identified as having substantial authoritative support, as supplemented by Regulation S-X and Regulation S-B under the *Securities and Exchange Act of 1934* of the United States of America; and

“US GAAS” means generally accepted auditing standards in the United States of America, as supplemented by the SEC’s rules on auditor independence;

AND WHEREAS it has been represented to the Director that:

- (a) in CSA Staff Notice 52-305, staff of the Canadian Securities Administrators set out the terms on which they would recommend that SEC issuers be exempted from the requirement to comply with Canadian GAAP and GAAS and instead comply with US GAAP and US GAAS;
- (b) the British Columbia Securities Commission has issued blanket order 52-508 under which all SEC issuers will be permitted to prepare their annual and interim financial statements using US GAAP and have their annual financial statements audited in accordance with US GAAS, saving SEC issuers from having to apply for discretionary relief as contemplated by CSA Staff Notice 52-305; and
- (c) it would be appropriate if SEC issuers were given the same relief in Saskatchewan;

AND WHEREAS the Director is of the opinion that it would not be prejudicial to the public interest to make this Order;

IT IS HEREBY ORDERED pursuant to section 160 of the Act that:

- (a) the provisions of subsection 117(1) of the Regulations that financial statements required by the Act or the Regulations must be prepared in accordance with generally accepted accounting principles; and
- (b) the provisions of subsection 117(2) of the Regulations that reports by auditors on financial statements must be prepared in accordance with generally accepted auditing standards;

do not apply to an SEC issuer provided that:

- (c) the SEC’s issuer’s financial statements are prepared in accordance with US GAAP;
- (d) if the SEC issuer previously filed financial statements prepared in accordance with Canadian GAAP, the notes to the first two sets of the issuer’s annual financial statements after the change from Canadian GAAP to US GAAP and the notes to the issuer’s interim statements for interim periods during those two years must:
 - (i) explain the material differences between the Canadian GAAP and US GAAP that relate to recognition, measurement and presentation;
 - (ii) quantify the effect of material differences between Canadian GAAP and US GAAP that relate to recognition, measurement and presentation including a tabular reconciliation between net income reported in the financial statements and net income computed in accordance with Canadian GAAP; and
 - (iii) provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements;
- (e) if the SEC issuer previously used Canadian GAAP and has used US GAAP to prepare the financial

information for the most recent period presented in its financial statements, the issuer must present financial information for the comparative periods as follows:

- (i) as previously reported in accordance with Canadian GAAP;
- (ii) as restated and presented in accordance with US GAAP; and supported by an accompanying notes that:
 - (A) explain the material differences between Canadian GAAP and US GAAP that relate to recognition, measurement and presentation; and
 - (B) quantify the effect of material differences between Canadian GAAP and US GAAP that relate to recognition, measurement and presentation including a tabular reconciliation between net income as previously reported in the financial statements computed in accordance with Canadian GAAP and net income as restated and presented in accordance with US GAAP;
- (f) the comparative information specified in subclause (e)(i) must be presented on the face of the balance sheet and statements of income and cash flows or in the note to the financial statements required by subclause (e)(iii);
- (g) if the SEC issuer previously filed financial statements prepared in accordance with Canadian GAAP and has filed financial statements prepared in accordance with Canadian GAAP for one or more interim periods of the current year the issuer must:
 - (i) restate those interim financial statements in accordance with US GAAP;
 - (ii) comply with clauses (b), (c), and (d); and
 - (iii) refile the restated interim financial statements; and
- (h) if the financial statements are required to be audited, they must be audited in accordance with Canadian GAAS or US GAAS and be accompanied by an auditor's report that:
 - (i) contains an unqualified opinion;
 - (ii) identifies all financial periods presented for which the auditor has issued an auditor's report, and if the issuer has changed its auditor and one or more of the comparative periods presented in the financial statements were audited by a different auditor, the auditor's report refers to any former auditor's reports on the comparative periods; and
 - (iii) identifies the auditing standards used to conduct the audit and the accounting principles used to prepare the financial statements.

DATED August 14, 2003

"Barbara Shourounis"
Barbara Shourounis
Director