



February 3, 2011

To: All Federally Regulated Entities (FREs)

Subject: Amendment to IFRS 1 – Removal of Fixed Dates for First-time Adopters

In December 2010, the International Accounting Standards Board (IASB) issued *Amendments to IFRS 1 – Removal of Fixed Dates for First-time Adopters*. This letter provides OSFI's position in respect of the removal of fixed dates for the derecognition requirements in IAS 39 for first-time adopters.

In analyzing the amendments to IFRS 1 for the derecognition requirements in IAS 39, OSFI's assessment included, but was not limited to, consideration of factors such as industry consistency, operational burden for FREs in having to reconstruct transactions that occurred before their date of transition to IFRSs and the notion of a level playing field with other Canadian and international financial institutions. Additionally, although the amendments to IFRS 1 permitted the option to apply derecognition requirements in IAS 39 from an entity's date of transition to IFRSs, all FREs have been planning to apply the derecognition requirements prospectively from January 1, 2004 and, from the progress reports filed with OSFI¹, such timing did not raise any material issues.

OSFI has concluded that FREs should not early adopt IFRS 1 relating to the removal of fixed dates for first-time adopters for the derecognition requirements in IAS 39 and that FREs should apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after January 1, 2004.

The positions in this letter do not override the decisions set forth in OSFI's Advisory on the *Conversion to International Financial Reporting Standards by Federally Regulated Entities* dated March 2010. In this Advisory, OSFI includes permission for mortgages sold through CMHC Programs, up to and including March 31, 2010, to be excluded from the asset to capital multiple calculation under IFRSs². Additionally the Advisory allows FREs to elect to phase in the impact of conversion to IFRSs on retained earnings.³

¹ See OSFI's [International Financial Reporting Standards – Progress reports feedback on initial reports and expectations going forward](#) dated May 28, 2009 in respect of IFRS progress reports.

² OSFI Advisory on the [Conversion to International Financial Reporting Standards by Federally Regulated Entities](#) (March 2010), page 6.

³ Ibid, page 17.



As addressed in *International Standard on Auditing 210* (ISA 210) and the equivalent *Canadian Auditing Standard 210* (CAS 210), OSFI understands that the financial reporting practices in this letter will not impair an FRE's ability to obtain an unqualified audit opinion that states that the financial statements are in accordance with IFRSs as issued by the IASB.

Questions concerning this letter should be addressed to Karen Stothers, Senior Director, Accounting Policy Division, at (416) 973-0744, by e-mail at Karen.Stothers@osfi-bsif.gc.ca, or by facsimile at (416) 952-1662.

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