

September 4, 2013

International Accounting Standards Board
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Dear Sirs:

**Re: Exposure Draft, Regulatory Deferral Accounts
IASB Reference ED/2013/5**

This letter is the response of the User Advisory Council (the Council) of the Canadian Accounting Standards Board (AcSB) to the Exposure Draft, *Regulatory Deferral Accounts*, issued in April, 2013.

The Council comprises a diverse group of 25 members, including investors and investment professionals, credit granters in financial institutions, equity and credit analysts, and rating agency analysts. Additional information about the Council can be found at www.frascanada.ca.

The views expressed in this letter are those of the Council members and do not necessarily represent the views of the AcSB, nor do the views expressed by the Council members represent the views of their respective organizations.

At the Council meeting of November 14, 2012, the staff of the International Accounting Standards Board (IASB) sought input from the members on how users deal with entities' financial reporting of the effects of rate regulation, as well as options for a possible interim IFRS on rate-regulated activities. Council members acknowledged the ability of users to "look through" a rate-regulated entity's financial reporting to understand its cash flows. At the same time, they expressed a clear preference for pre-changeover Canadian GAAP in terms of the ability of an entity to recognize regulatory deferral account balances in certain circumstances. Absent regulatory deferral account balances, users are required to look outside the financial statements to identify the effects of rate regulation, rendering the statements themselves significantly less useful.

Council members were strongly in favour of the IASB developing an interim Standard, and preferred one that "grandfathered" existing Canadian practice as regards the recognition of regulatory deferral account balances. In addition to ensuring that financial statement users continue to be provided information they find helpful, such an interim solution would ease the time pressures faced by Canadian rate-regulated entities whose current accounting practices have been maintained using special dispensation from Canadian authorities that expires on January 1, 2015. Members noted that a requirement for separate financial statement line presentation of regulatory deferral account balances would facilitate comparisons between rate-regulated entities around the globe regardless of the accounting framework applied and whether or not they recognize such balances.

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Given these views, the Council strongly supports the proposed interim Standard as largely preserving the status quo in Canada pending the IASB's completion of its comprehensive Rate-regulated Activities project.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Harry Klompas, Principal, Accounting Standards (+1 416 204-3236 or email hklompas@cpacanada.ca).

Yours truly,

A handwritten signature in black ink, appearing to read 'Anthony Scilipoti', with a stylized flourish at the end.

Anthony Scilipoti, FCPA, FCA
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Chair, User Advisory Council
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