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September 4, 2013

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Via "Open to Comment" page, www.iasb.org

RE: Exposure Draft – Regulatory Deferral Accounts

Dear Sir or Madam:

The Committee on Corporate Reporting of Financial Executives International Canada (FEI Canada) is responding to the International Accounting Standards Board's Exposure Draft on Regulatory Deferral Accounts (ED). We appreciate the opportunity to provide comments.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and 1,800 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

The Committee on Corporate Reporting ("CCR") is one of s of FEI Canada's advocacy committees. CCR is devoted to improving the awareness and educational implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

We want to commend the Board for issuing a proposal on interim guidance on regulatory deferral accounts and provide our comments in the attached appendix. As the Board is aware, this has been a major issue in the changeover to IFRS in Canada. We recognize that this topic is highly controversial and would like to particularly address the concern that the adoption of this ED would result in a divergence of comparability of financial information between entities in common industries. In Canada, we have already seen this divergence in terms of the accounting frameworks being applied by rate-regulated entities. Most publicly accountable entities in Canada were subject to mandatory adoption of IFRS for financial years starting on or after January 1, 2011. However, the majority of the Canadian rate-regulated entities have developed methods to carve themselves out from the application of IFRS. Some have elected to adopt US GAAP, while others have taken advantage of optional deferrals in IFRS implementation to continue to use pre-change-over Canadian GAAP. In addition, we have seen some provincial governments step in to mandate non-IFRS forms of GAAP that will be used for reporting the financial results of government-owned rate-regulated entities that would otherwise be subject to IFRS adoption. Furthermore, even for those entities that have adopted IFRS we see divergence with some recognizing regulatory deferral accounts and some not. We believe that the Comprehensive Rate-Regulated Activities project will eliminate this divergence and provide guidance instead of the reliance on interpretation of audit firms. In our opinion, this interim guidance will assist participants in the Canadian national marketplaces to find a level of consistency in reporting that is of primary importance to those investing in national or local entities.

We appreciate your consideration of the comments made in this letter and welcome the opportunity to further discuss any and all matters related to the Exposure Draft.

Thank you for allowing us the opportunity to respond to this proposal.

Yours very truly,

Gordon Heard
Chair
Committee on Corporate Reporting
FEI Canada

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Appendix A:

Question 1—Scope
The Exposure Draft proposes to restrict the scope to those first-time adopters of IFRS that recognised regulatory deferral account balances in their financial statements in accordance with their previous GAAP.
Is the scope restriction appropriate? Why or why not?

CCR Response
We agree with the scope restriction. We believe that the scope of the ED will eliminate the diversity of practice in Canada that was created by the carve-outs mentioned in our covering letter and assist the primary users of these financial statements (local regulators, securities commissions and investors) in making comparisons between similar entities. The presentation and disclosures required in the ED will allow international users to compare national and local entities to international ones, if required. We believe this scope restriction corrects the current diversity in practice in Canada without setting preliminary guidance on the longer term project on rate-regulated activities. While we support the draft Standard, we believe the Board should clarify one aspect with respect to their intent and scope of the draft Standard. Specifically, we believe paragraph 4 of the ED creates ambiguity of whether the Board believes this Standard should apply to initial IFRS adopters who qualified for rate-regulated accounting under previous GAAP but did not have regulatory deferral balances at the time of IFRS adoption. Our recommendation is that a clarification is made to ensure the Standard fully captures the Board's intent.

Question 2—Scope
The Exposure Draft proposes two criteria that must be met for regulatory deferral accounts to be within the scope of the proposed interim Standard. These criteria require that:
(a) an authorised body (the rate regulator) restricts the price that the entity can charge its customers for the goods or services that the entity provides, and that price binds the customers; and
(b) the price established by regulation (the rate) is designed to recover the entity's allowable costs of providing the regulated goods or services (see paragraphs 7–8 and BC33–BC34).

Are the scope criteria for regulatory deferral accounts appropriate? Why or why not?

CCR Response
We agree with the scope criteria as they relate to the interim standard. We believe that further work on scope is required and expect that scope requirements will be addressed in the upcoming discussion paper on rate-regulated activities.

Question 3—Other comments
The Exposure Draft proposes that if an entity is eligible to adopt the [draft] interim Standard it is permitted, but not required, to apply it. If an eligible entity chooses to apply it, the entity must apply the requirements to all of the rate-regulated activities and resulting regulatory deferral account balances within the scope. If an eligible entity chooses not to adopt the [draft] interim Standard, it would derecognise any regulatory deferral account balances that would not be permitted to be recognised in accordance with other Standards and the Conceptual Framework (see paragraphs 6, BC11 and BC49).

Do you agree that adoption of the [draft] interim Standard should be optional for entities within its scope? If not, why not?

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CCR Response
We agree with the proposal. We anticipate that the disclosures required by the interim standard will result in a cost of resources and time to a reporting entity and that each reporting entity should be allowed to weigh these costs against the potential benefits before deciding on accounting policy. This is a similar approach to other IFRS 1 initial adoption elections.

Question 4— Recognition, measurement and impairment
The Exposure Draft proposes to permit an entity within its scope to continue to apply its previous GAAP accounting policies for the recognition, measurement and impairment of regulatory deferral account balances. An entity that has rate-regulated activities but does not, immediately prior to the application of this [draft] interim Standard, recognize regulatory deferral account balances shall not start to do so (see paragraphs 14–15 and BC47–BC48).

Do you agree that entities that currently do not recognise regulatory deferral account balances should not be permitted to start to do so? If not, why not?

CCR Response
We agree with the proposal. We believe this proposal corrects the current diversity in practice in Canada without setting preliminary guidance on the longer term project on rate-regulated activities.

Question 5— Recognition, measurement and impairment
The Exposure Draft proposes that, in the absence of any specific exemption or exception contained within the [draft] interim Standard, other Standards shall apply to regulatory deferral account balances in the same way as they apply to assets and liabilities that are recognised in accordance with other Standards (see paragraphs 16–17, Appendix B and paragraph BC51).

Is the approach to the general application of other Standards to the regulatory deferral account balances appropriate? Why or why not?

CCR Response
We agree with the proposal. We believe this proposal corrects the current diversity in practice in Canada without setting preliminary guidance on the longer term project on rate-regulated activities.

Question 6 — Presentation
The Exposure Draft proposes that an entity should apply the requirements of all other Standards before applying the requirements of this [draft] interim Standard. In addition, the Exposure Draft proposes that the incremental amounts that are recognized as regulatory deferral account balances and movements in those balances should then be isolated by presenting them separately from the assets, liabilities, income and expenses that are recognised in accordance with other Standards (see paragraphs 6, 18–21 and BC55–BC62).

Is this separate presentation approach appropriate? Why or why not?

CCR Response
We agree with the proposal. We believe this proposal balances the needs of national and local users in the comparison of entities currently reporting under multiple GAAP frameworks with the needs of potential international users.

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Question 7 — Disclosure
The Exposure Draft proposes disclosure requirements to enable users of financial statements to understand the nature and financial effects of rate regulation on the entity's activities and to identify and explain the amounts of the regulatory deferral account balances that are recognised in the financial statements (see paragraphs 22–33 and BC65).

Do the proposed disclosure requirements provide decision-useful information? Why or why not? Please identify any disclosure requirements that you think should be removed from, or added to, the [draft] interim Standard.

CCR Response
We agree with the proposal. We believe this proposal balances the needs of national and local users in the comparison of entities currently reporting under multiple GAAP frameworks with the needs of potential international users.

Question 8 — Disclosure
The Exposure Draft explicitly refers to materiality and other factors that an entity should consider when deciding how to meet the proposed disclosure requirements (see paragraphs 22–24 and BC63–BC64).

Is this approach appropriate? Why or why not?

CCR Response
We agree with the proposal.

Question 9 — Transition
The Exposure Draft does not propose any specific transition requirements because it will initially be applied at the same time as IFRS 1, which sets out the transition requirements and relief available.

Is the transition approach appropriate? Why or why not?

CCR Response
We agree with the proposal.

Question 10 — Other Comments
Do you have any other comments on the proposals in the Exposure Draft?

CCR Response
We would like to reiterate that we consider the proposed interim standard to be a positive move for Canadian entities. In Canada, we have already seen significant divergence with similar entities electing to adopt US GAAP, remain on pre-changeover Canadian GAAP or adopt IFRS. Even within those entities adopting IFRS we see divergence, with some recognizing regulatory deferral accounts and some not. This interim guidance will provide a level of consistency in financial reporting in national marketplaces. This is of primary importance to those investing in these markets, while still providing other users with the information required to do other comparisons.