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Unclassified

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Sir David Tweedie,
Chairman,
International Accounting Standards Board
30 Cannon Street,
London EC4M 6XH
United Kingdom

**Re: IAS Improvements to International
Financial Reporting Standards**


Dear Sir David:

Thank you for the opportunity to comment on this significant update initiative of the international Accounting Standards Board. While our views on the project as a whole have already been incorporated into responses from international organizations of supervisors, I wish to add my own strong support to one element of the project.

First, let me provide some context.

As you know, The Office of the Superintendent of Financial Institutions Canada ("OSFI") is an integrated financial services regulator responsible for prudential oversight of Canada's banks and other federally incorporated deposit-takers, life insurers, property and casualty insurers and pension plans. As an active participant in both the Basel Committee of Banking Supervisors and the International Association of Insurance Supervisors, OSFI endorses the need for robust and relevant financial reporting standards to support the financial decision-making process.

Traditionally, accounting standard-setters' focus has been on the needs of shareholders, and OSFI supports this objective in the interests of achieving full market transparency and fair competition among listed enterprises. However, I have also been encouraged by the IASB's strong interest in the role, responsibilities and views of financial services regulators where standards under development or review have a material impact on regulated financial institutions and on their non-investor stakeholders.

The IASB's interest in our input has provided a number of opportunities to enhance Board and staff understanding of both the workings of these complex business enterprises and the objectives of solvency regulation. In turn, we regulators have been able to deepen our understanding of the opportunities and limitations inherent in GAAP and, in particular, the extent to which GAAP can meet regulatory needs without significant adjustment.

Canada

Based on our own experience with a Canadian GAAP-based regulatory regime, I am hopeful that, over time, solvency regulators will develop sufficient comfort and confidence in IASB standards to permit their endorsement for not only public reporting purposes, but also most regulatory uses.

In this context, I want to congratulate the IASB on taking what may be a controversial position in its update of IAS 1 and to offer OSFI's unqualified support for the decision to retain and strengthen the existing "true and fair override".

This is a healthy and realistic response to the risks of standard-setting in a rapidly evolving economic and market environment. At the same time, this position reflects a view that may not be shared by other standard-setters the possibility that, despite best efforts, GAAP may not be able to address every potential set of facts and circumstances every time.

While I recognize that proper use of this override would be extremely rare, I fully support the Board's decision to impose a general duty on preparers and their auditors to assess whether compliance with GAAP creates a misleading financial picture such that departure from GAAP is warranted in the interest of achieving true and fair presentation. By providing for such departures within the framework of GAAP, the Board has provided a way forward for preparers and their auditors who may otherwise be caught between less-than-perfect GAAP and the consequences of issuing a qualified audit report.

Furthermore, I believe retaining the override will provide an added impetus to the standard-setting process and the evolution of GAAP. By monitoring the nature and frequency of override use, the Board will obtain a new source of feedback on how well it is anticipating and responding to external developments and what issues need urgent Board attention. Such analysis would also promote regular dialogue with preparers, auditors and other external stakeholders on how best to resolve any identified "gaps" in GAAP.

Once again, congratulations on taking this important stand.

For further information or clarification, please contact Donna Bovolaneas, Senior Director, Accounting and Financial Information, at 1-416-954-6464.

Yours sincerely,



Nicholas Le Pan
Superintendent