

February 28, 2007

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission – Securities Division
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Newfoundland and Labrador Securities Commission
Registrar of Securities, Northwest Territories
Registrar of Securities, Yukon Territory
Registrar of Securities, Nunavut

C/o Cameron McInnis,
Chair of the National Policy 48 *Future-Oriented Financial Information* Reformulation
Committee,
Ontario Securities Commission,
20 Queen Street West,
19th Floor, Box 55
Toronto, Ontario M5H 3S8

And

C/o Anne-Marie Beaudoin, Secretary
Autorité des marchés financiers
Stock Exchange Tower
800 Victoria Square
P.O. Box 246, 22nd Floor
Montréal, Quebec
H4Z 1G3

Ladies and Gentlemen:

Proposed Amendments to National Instrument 51-102 *Continuous Disclosure Obligations*

The Canadian Performance Reporting (CPRB) of the Canadian Institute of Chartered Accountants is pleased to provide comments on the proposed amendments to National Instrument 51-102 *Continuous Disclosure Obligations*. The CPRB publishes guidance about corporate reporting other than financial statement reporting, and is responsible for

the development of the CICA's *Management's Discussion and Analysis: Guidance on Preparation and Disclosure*.

The CPRB believes that it is essential that Management's Discussion & Analysis (MD&A) have a forward-looking orientation for it to be valuable to investors. As well, forward-looking disclosures should be based on the best information available, supportable, and accompanied by appropriate disclosures, including assumptions, updates, and comparison to actual performance. With this in mind, we offer the following comments.

Impact of proposed amendments on forward-looking disclosures

An unfortunate consequence of the proposed amendments may be a reduction in forward-looking information provided to capital markets in continuous disclosures. We believe that it is important that Canadian Securities Administrators expressly communicate their expectation that reporting issuers adopt a forward-looking orientation in their MD&A disclosures and provide appropriate forward-looking information.

We note that the Securities and Exchange Commission stated in its December 2003 *Interpretation: Commission Guidance Regarding Management's Discussion and Analysis of Financial Condition and Results of Operations*:

“In addressing prospective financial condition and operating performance, there are circumstances, particularly regarding known material trends and uncertainties, where forward-looking information is required to be disclosed. We also encourage companies to discuss prospective matters and include forward-looking information in circumstances where that information may not be required, but will provide useful material information for investors that promotes understanding.”

Classification of forward-looking information

We believe that the classification of forward-looking information into three types, including future-oriented financial information (FOFI) and the new category, financial outlook, is not appropriate. Instead, we suggest that a distinction be made between quantitative and qualitative forward-looking information. To the extent that material forward-looking information is disclosed in MD&A, it should be based on the best information available, supportable, and accompanied by appropriate disclosures. Under the proposed amendments, material quantitative forward-looking information that does not fit the definition of financial outlook or FOFI would be subject to lesser requirements. Yet, depending on the key drivers of a reporting issuer's business (for example, customer subscriptions, sales order backlog), quantitative forward-looking information on these drivers may be precisely the information most material to investor decision-making and therefore should be subject to the same requirements, including comparison to actual results.

Period covered by forward-looking information

Paragraph 4A.8 of the companion policy states that in most cases FOFI or financial outlook should not extend beyond the reporting issuer's next fiscal year. We believe this is too restrictive. Rather, the policy should discuss factors issuers should consider when determining the period of time over which quantitative forward-looking information may be reasonably estimated, including both the nature of the business and the type of information (for example, issuers with longer business cycles, research and development costs, and capital expenditures). In addition, it may be confusing to include information about the time period addressed by FOFI when this is already discussed in CICA Handbook Section 4250.

Oral statements

It is not clear why forward-looking information in oral statements should not be covered by the proposals.

Specific disclosure requirements

We question the value of requiring disclosure of the purpose of FOFI and financial outlooks. As well, we question the need to disclose the date that FOFI or a financial outlook was approved by management, particularly when the MD&A must already take into account information available up to the disclosed date of the MD&A, and in view of the existing requirement to disclose the date of management's FOFI assumptions in CICA Handbook Section 4250. We believe the cumulative effect of requirements such as these will be to act as a disincentive to forward-looking disclosures that will outweigh any benefits.

Danier Leather

We understand that the Supreme Court of Canada is likely to render its ruling on the Danier Leather case in the near future. That ruling could deal with matters such as requirements for updating, the standard to be applied in determining whether an assumption is "reasonable", and what implied representations may be imbedded in forecasts. Accordingly, it would seem to be prudent to withhold finalizing changes to rules for forward-looking information in continuous disclosure requirements until this decision is published.

Thank you for the opportunity to comment on the proposed amendments to National Instrument 51-102. Should you wish to discuss any of our observations in greater detail, please contact Chris Hicks, CA, at (416) 204-3233 or at chris.hicks@cica.ca

Yours truly,

Viki Lazaris, CA
Chair, Canadian Performance Reporting Board