

**Financial Services
Commission
of Ontario**

5160 Yonge Street
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North York ON M2N 6L9

**Commission des
services financiers
de l'Ontario**

5160, rue Yonge
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North York ON M2N 6L9



December 1, 2006

To the Attention of all Credit Unions and Caisses Populaires Registered in Ontario

Re: New Financial Instruments Accounting Standards for Ontario's Credit Unions and Caisses Populaires

The purpose of this letter is to inform you of the expectations of the Financial Services Commission of Ontario (FSCO) with respect to the new accounting standards for financial instruments.

The new accounting standards are found in new sections 3855, 3865 and 1530 of the Handbook of the Canadian Institute of Chartered Accountants ("the Handbook"), which is the primary source for generally accepted accounting principles ("GAAP"). These new standards, which are effective for financial years beginning on or after October 1, 2006, allows for some choice in the recognition and measurement of financial instruments.

As you are aware, all credit unions and caisses populaires in Ontario are required to follow GAAP unless the Superintendent specifies otherwise. The Superintendent does have the authority to specify accounting principles. Where the new standards allow for choice, then the Superintendent's guidance in making that choice constitutes allowable "GAAP". In providing the guidance, we have given consideration for the need for consistency and harmonization with other provincial and national regulatory agencies, including the Office of the Superintendent of Financial Institutions (OSFI).

A copy of the guidance is attached in French and English for your reference. The guideline can also be accessed from FSCO's website: www.fSCO.gov.on.ca, under: "Credit Unions / Caisses Populaires – Guidelines for Credit Unions and Caisses Populaires."

You will see that all credit unions and caisses populaires are expected to continue to follow GAAP as pronounced in the new sections of the Handbook, except for loans and mortgages to companies with annual gross revenues below \$62.5 million.

If you have any questions, please contact Paul Chung, Principal Examiner, in the Licensing and Market Conduct Division, at: (416) 590-7530, or by email: pchung@fSCO.gov.on.ca.

Sincerely,

Bob Christie
Chief Executive Officer and
Superintendent of Financial Services

Attachments: Superintendent's Guideline - New Financial Instruments Accounting
Standards for Ontario Credit Unions and Caisses Populaires