



APRIL 2011

“We endorse the use of IFRS because being able to use one set of accounting standards certainly makes doing business around the world easier.” Linda Walker, Senior vice-president, controller and chief accounting officer, Thomson Reuters.

Executive Summary

The International Financial Reporting Standards (IFRS) were developed as a response to the growing need among companies and institutional investors worldwide for uniform standards around accounting, reporting and financial statement interpretation. As companies continue to expand their operations outside their home country, a common set of standards ensures consistency of information and empowers auditors, analysts and regulators with the transparency necessary to compare companies and make informed assessments. Founded on April 1, 2001, IFRS have quickly been adopted on every continent with new countries regularly coming on board. In early 2008, Canada’s Accounting Standards Board (AcSB) announced the implementation of IFRS. Since then, CIBC Mellon has been working closely with its clients to assess these changes and develop solutions that meet clients’ accounting and reporting needs during the transition and well into the future.

IFRS in Canada

In 2008, the AcSB, Canada’s “independent body with the authority to develop and establish standards and guidance governing financial accounting and reporting” (acsbcanada.org) confirmed an adoption date of January 1, 2011 for the move to IFRS. Different implementation dates have been established for up-coming fiscal year reporting depending on the type and reporting structure of the organization.

- January 1, 2011 – publicly accountable enterprises (PAEs)
- January 1, 2011 – government business enterprises (GBEs)
- January 1, 2012 – entities with rate-regulated activities
- January 1, 2012 – not-for-profit organizations
- January 1, 2013 – investment companies and segregated accounts of life insurance enterprises

In addition, private enterprises have the option of adopting IFRS or the AcSB's newly established accounting standards for private enterprises (ASPE). "ASPE were developed to meet the specific needs of private enterprises and users of their financial statements. Notable changes, as compared to pre-changeover standards, include simplification of recognition, measurement and presentation in areas that were identified as being overly complex, for example, accounting for financial instruments. The new standards also significantly reduce the burden of disclosure requirements. Private enterprises are required to adopt ASPE or IFRS for fiscal years beginning on or after January 1, 2011." (acsbcanada.org)

The response

In a recent poll conducted by the Canadian Investor Relations Institute (CIRI), 50% of responding investor relations professionals reported "the investment community is not prepared for the use of IFRS" and only 8% believed "investors are well educated" on IFRS and how to interpret financial statements going forward. Tom Enright, President and CEO of CIRI, stated "what really jumps out is the important education role that investor relations professionals play in this transition." Mr. Enright highlighted the recent change-over witnessed in Australia and noted that "companies that proactively provided a greater level of IFRS disclosure during the conversation ... benefited from more accurate analyst forecasts." (CIRI: November 24, 2010)

In addition to investor education, the annual reports of Canada's big five banks feature the impacts resulting from the changeover. The Canadian Imperial Bank of Commerce (CIBC)'s annual report outlines the priority and sensitivity of the transition and states:

"The transition to IFRS represents a significant initiative for CIBC and is supported by a formal governance structure with an enterprise view and a dedicated project team. Our IFRS transition program has been divided into three phases: (i) discovery; (ii) execution; and (iii) conversion. The discovery phase included an accounting diagnostic which identified the accounting standards that are relevant to CIBC, and the identification and planning for the execution phase. The execution phase which we are currently in, commenced with a detailed analysis of the IFRS standards and continues through to the preparation of the policies, processes, technologies, strategies, and reporting for the upcoming transition. The final conversion phase will report on the new IFRS standards in 2012 and reconcile Canadian GAAP to IFRS with fiscal 2011 comparative information under IFRS. (CIBC Annual Report 2010)."

Comparatively, the Bank of Montreal highlights in its 2010 annual report the importance of education, stating:

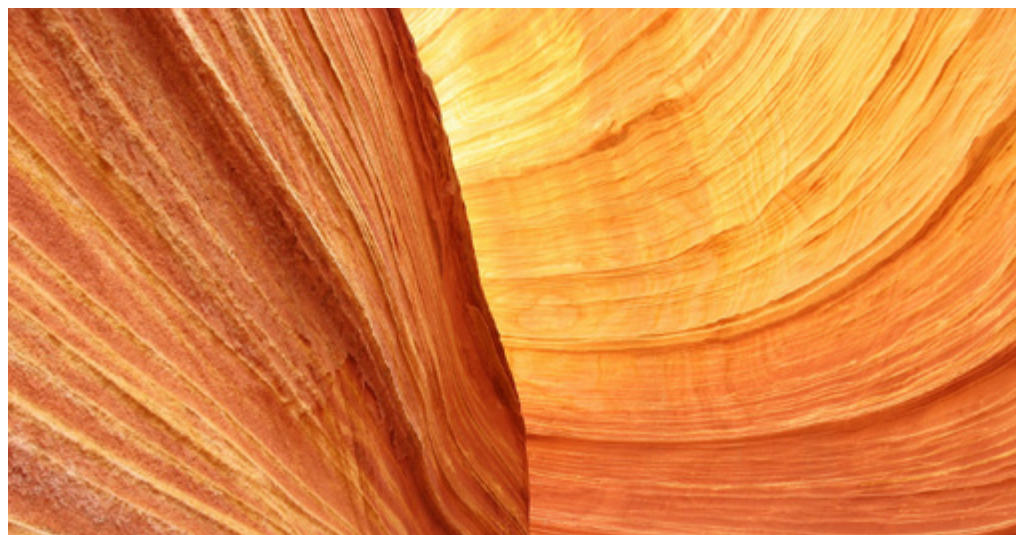
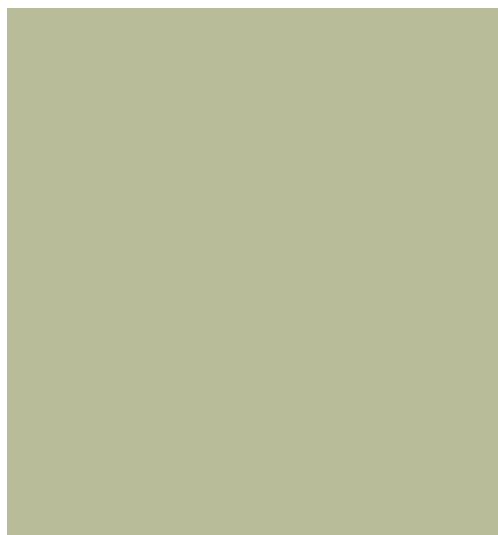
"In order to meet the requirement to transition to IFRS, we established an enterprise-wide project and formed an Executive Steering Committee. The transition plan is comprised of three phases: a diagnostic review and assessment to identify potential differences between IFRS and the bank's current accounting policies; implementation and education, which includes confirming actual differences between IFRS and the bank's current accounting policies; and completion of all integration requirements for actual differences identified." (BMO Annual Report 2010)

These statements clearly highlight the sensitivity and scale of this conversation.

Global IFRS outlook

IFRS is being quickly adopted by the G20 countries. In response to the need for standardization of accounting and reporting, during the September 2009 G20 meeting, leaders “called on international accounting bodies to redouble their efforts to achieve this objective within the context of their independent standard-setting process. In particular, they asked the IASB and the US FASB to complete their convergence project by June 2011.” (ifrs.org). The accompanying table shows a timeline for the adoption of IFRS across the G20 as at April 2010.

| Country | Status for listed companies as of April 2010 |
|--------------------------|---|
| Argentina | Required for fiscal years beginning on or after 1 January 2011 |
| Australia | Required for all private sector reporting entities and as the basis for public sector reporting since 2005 |
| Brazil | Required for consolidated financial statements of banks and listed companies from 31 December 2010 and for individual company accounts progressively since January 2008 |
| Canada | Required from 1 January 2011 for all listed entities and permitted for private sector entities including not-for-profit organisations |
| China | Substantially converged national standards |
| European Union | All member states of the EU are required to use IFRSs as adopted by the EU for listed companies since 2005 |
| France | Required via EU adoption and implementation process since 2005 |
| Germany | Required via EU adoption and implementation process since 2005 |
| India | India is converging with IFRS at a date to be confirmed. |
| Indonesia | Convergence process ongoing; a decision about a target date for full compliance with IFRS is expected to be made in 2012 |
| Italy | Required via EU adoption and implementation process since 2005 |
| Japan | Permitted from 2010 for a number of international companies; decision about mandatory adoption by 2016 expected around 2012 |
| Mexico | Required from 2012 |
| Republic of Korea | Required from 2011 |
| Russia | Required for banking institutions and some other securities issuers; permitted for other companies |
| Saudi Arabia | Not permitted for listed companies |
| South Africa | Required for listed entities since 2005 |
| Turkey | Required for listed entities since 2008 |
| United Kingdom | Required via EU adoption and implementation process since 2005 |
| United States | Allowed for foreign issuers in the US since 2007; target date for substantial convergence with IFRS is 2011 and decision about possible adoption for US companies expected in 2011. |



How CIBC Mellon is helping

CIBC Mellon has been closely monitoring the introduction of the new accounting standards in Canada in order to understand its impacts on our clients as well as our industry. Furthermore, we have been working with our two parent companies, CIBC and BNY Mellon, to integrate and understand global developments and implications. CIBC Mellon remains at the forefront of changes and is prepared to support our clients' evolving requirements.

At the heart of this change over is the need for accountants, auditors and analysts to be able to clearly and concisely compare statements during the transition years. As an example, IAS 39 Financial Instruments: Recognition and Measurement outlines how fair value should be determined and reported. CICA Section 4600 explains that pension plans with fiscal years beginning on or after January 1, 2011 must use "bid prices" when measuring long positions (assets) and "ask prices" when measuring short positions (liabilities). To assist clients with meeting these reporting requirements, CIBC Mellon provides a secondary bid pricing valuation report effective December 31, 2010. This report will be required to determine an opening balance for comparative purposes with December 31, 2011 bid pricing values. Going forward, clients' year-end reporting package will include a valuation using both the current methodology (closing prices) together with a new bid pricing valuation.

Working collaboratively with institutional investment clients, we have put several reporting and monitoring systems in place to support the conversion to IFRS. We will continue to play a proactive role in supporting our clients as they make the transition to IFRS and determine their new reporting and accounting needs.

For further information, please contact:

David Linds
Senior Vice President, Business Development and Relationship Management
416-643-6358
david_linds@cibcmellon.com

About CIBC Mellon

CIBC Mellon currently services approximately 32% of Canadian assets. Our client base is comprised of approximately 1,100 relationships representing 1,000 domestic clients and nearly 100 foreign financial institutions; total assets under administration were more than CAD \$1,052 billion, as at December 31, 2010.

Our clients include Canadian pension funds, investment funds, corporations, government, insurance companies, foreign insurance trusts, foundations and foreign financial institutions whose clients invest in Canada. We work in partnership with our clients to increase operational efficiencies, manage risk, and increase performance.

Built on the strengths and traditions of our two parent companies: Canadian Imperial Bank of Commerce (CIBC) and The Bank of New York Mellon Corporation (BNY Mellon), CIBC Mellon strives to design and deliver reliable asset servicing solutions to institutional investors operating in Canada. We first began offering asset services to institutional investors in 1996, when CIBC joined forces with Mellon Financial Corporation (Mellon) to form a 50/50 joint venture—CIBC Mellon Global Securities Services Company. On July 1, 2007, Mellon—our U.S. parent company—merged with The Bank of New York Company Inc. to form the 11th-largest financial services company in the world. As a result of this merger, BNY Mellon is now the global leader in asset servicing with more than US \$24 trillion in assets under custody and administration.

For further information about CIBC Mellon, please visit cibcmellon.com.



➤ A BNY MELLON AND CIBC JOINT VENTURE COMPANYSM

CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks.
