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[insert OFA letterhead once received]

November 24th, 2017

Mr. Charles-Antoine St-Jean
Chair Public Sector Accounting
Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, ON
M5V 3H2

Dear Mr. St-Jean,

Re: Timeliness of PSAB decision(s) around PS 3450 and PS 2601

It is our understanding that after an extensive stakeholder exercise by PSAB staff on financial instruments, a soon-to be-released Statement of Concepts on the Conceptual Framework document in 2018, and possible consideration to adopting the concepts in IPSASB Exposure Draft 62 Financial Instruments, PSAB staff may present the Board several options, including another deferral of the PS 3450 and PS 2601 implementation date at the March 2018 Board Meeting.

We are writing to ask you to accelerate the timeliness of presenting to the Board such a decision from March 2018 to your upcoming Board meeting in December 2017.

As you are aware, senior governments across Canada are approaching their Budget season release of the 2018 Budget could precede the March 2018 PSAB board meeting. Ontario released its 2016 Budget on February 25, 2016 and its 2017 Budget on April 27, 2017. These Governments present Budgets that cover three fiscal years, which for 2018 will be 2018-19 and the two out-years. Given that the implementation date of PS 3450 and PS 2601 is April 1, 2019, the Budget numbers for 2019-20 would need to incorporate the impacts of these standards on net debt, interest on debt, and surplus/deficit. Ontario and several other jurisdictions have already submitted to PSAB the reporting difficulties of making Budget forecasts as required under certain sections of PS 3450, so we will not elaborate on those difficulties, although it is our understanding from the 2017 Controllers' Conference that jurisdictions are still not prepared adequately for the April 1, 2019 implementation date. In addition, based on the work that PSAB has undertaken as noted above, we believe that most jurisdictions are waiting for clarity from PSAB before undertaking the work needed to be ready to adopt these standards.

The uncertainty of not knowing the direction PSAB will take and therefore whether the 2018 Annual Budget projections need to incorporate PS 3450 and PS 2601 or not, poses operational, communication and administrative difficulties. In the absence of a decision, we believe we will have to assume that PS 3450 and PS 2601 will be adopted as currently written. Should a deferral then be decided, it will be difficult to explain to appointed Minsters, Credit Rating Agencies, investors, select officers of the Legislature as well as to the public that material financial impacts of PS 3450 and PS 2601 for the out-years incorporated in the 2018 Budget need to be reversed out in subsequent publications, including the 2018 Fall Economic Statement and 2019 Budget. It is our belief that large variances and discrepancies from previously published documents, even with sufficient explanation, will reduce transparency of government finances to stakeholders.

As discussed in our recent meeting, we are pleased that PSAB staff has been receptive to the concerns expressed by the controllership and borrowing communities of the provinces and are reviewing the possibility of developing a hedging option based on IPSASB ED 62.

Yours sincerely,

Cindy Veinot
ADM & Provincial Controller
Office of the Provincial Controller Division

Ken Kandeepan
Chief Financial and Risk Officer
Ontario Financing Authority

c. Michael Puskaric, Director, CPA Canada
Helen Angus, Deputy Minister and Secretary of Treasury Board/Management Board of Cabinet, Treasury Board Secretariat
Scott Thompson, Deputy Minister, Ministry of Finance
Gadi Mayman, CEO, Ontario Financing Authority
Karen Hughes, Associate Deputy Minister, Treasury Board Secretariat
Tim Schuurman, Assistant Deputy Minister, Ministry of Finance