

IN THE MATTER OF  
THE SECURITIES LEGISLATION OF  
Qu<sup>灑</sup>c, ONTARIO, BRITISH COLUMBIA,  
ALBERTA, MANITOBA, PRINCE EDWARD ISLAND,  
SASKATCHEWAN, NOVA SCOTIA, NEW BRUNSWICK  
AND NEWFOUNDLAND

AND

IN THE MATTER OF  
THE MUTUAL RELIANCE REVIEW SYSTEM  
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF  
LA CAISSE CENTRALE DESJARDINS DU Qu<sup>灑</sup>c

MRRS DECISION DOCUMENT

**WHEREAS** the local securities regulatory authority or regulator (the "**Decision Maker**") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Qu<sup>灑</sup>c, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "**Jurisdictions**") has received an application from La Caisse centrale Desjardins du Qu<sup>灑</sup>c (the "**Caisse**") for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") that it be allowed, under the Legislation, to draw up its audited annual financial statements, to depart from Canadian generally accepted accounting principles ("GAAP") to the sole extent needed to conform with the Policy (as defined hereunder) issued and the Rules (as defined hereunder) prescribed by the Inspector General of Financial Institutions of Qu<sup>灑</sup>c (the "**Inspector General**");

**AND WHEREAS** under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the *Commission des valeurs mobili<sup>灑</sup>s du Qu<sup>灑</sup>c* is the principal regulator for this application;

**AND WHEREAS** the Caisse has represented to the Decision Makers that:

1. The Caisse was established on June 22, 1979 by an act of the Qu<sup>灑</sup>c Legislature, later replaced by *An Act respecting the Mouvement des Caisses Desjardins* (1989, chapter 113, as amended) (the Caisse's "**Statute of Incorporation**").
2. The Caisse is also governed by the *Savings and Credit Unions Act* (Revised Statutes of Qu<sup>灑</sup>c, chapter C-4.1), as amended (the "**Credit Unions Act**").
3. The Caisse's principal place of business is located in Montr<sup>灑</sup>, Qu<sup>灑</sup>c.

4. The Caisse is a reporting issuer in all the Jurisdictions.
5. The Caisse is a deposit institution governed by the *Credit Unions Act* and the special provisions of its *Statute of Incorporation*, and its activities are supervised and controlled by the Inspector General. It is as well a member in good standing of the *Régie de l'assurance-dépôts du Québec*, an agency of the *Gouvernement du Québec* insuring deposits whose mandate is similar to the Canadian Deposit Insurance Corporation.
6. Of the one hundred and forty-one (141) holders of Caisse debt securities currently outstanding, only two reside in Ontario and, moreover, each of them has subscribed for debt securities for an amount of no less than \$2,000,000. The remaining debt holders reside in Québec.
7. Prior to the adoption of the hereafter defined Rules, the Inspector General has issued a policy statement (the "Policy") to the Caisse for the year ended December 31, 1999, for it to reevaluate the level of its general allowances for credit losses by taking into account a certain number of relevant economic factors including business and economic cycles.
8. On December 16, 1999, amendments to the *Credit Unions Act* and the Caisse's *Statute of Incorporation* came into effect to allow the Inspector General to prescribe accounting standards that may differ from GAAP. As of the same date, the Inspector General exercised such power and prescribed specific accounting rules (the "Rules") in connection with the preparation of the annual financial statements of the caisses Desjardins and the Federations under ss. 303 (4") of the *Credit Unions Act*. Pursuant to s. 74 of its *Statute of Incorporation*, the Rules are binding on the Caisse.
9. The Rules specify that when the accounting of general provisions for credit losses leads to an appreciable adjustment, the institution subject to their application has to apply this adjustment to its general reserve.
10. Consequently, the Caisse's financial statements for the year ended December 31, 1999 will be prepared in accordance with GAAP, except for the adjustment to the general provision for credit losses, which will be charged to the general reserve in order to conform with the Rules.
11. The adjustment to the general provision for credit losses is sufficient as of December 31, 1999 to comply with the Policy issued and the Rules prescribed by the Inspector General. It is therefore an ad hoc adjustment, which will not recur.
12. As of February 11, 2000, the Caisse's external auditors issued an unqualified report stating the financial statements are presented fairly in accordance with GAAP other than the accounting for the adjustment to the general provision for credit losses which is in accordance with the Rules.
13. It is intended that the charge to the general reserve of the adjustment to the general provision for credit losses will be discussed in management's discussion and analysis (the "MD&A") included in the Caisse's annual report.

14. The Caisse did not file its quarterly financial statements for the first quarter ended March 31, 2000, nor its annual filing in lieu of an information circular, where this requirement is applicable, because of the possible impacts thereon of the Decision (as defined hereunder). Consequently, the Caisse undertakes to file, at the same time it files its annual financial statements for the year ended December 31, 1999 and in any event no later than June 30, 2000, its quarterly financial statements for the quarter ended March 31, 2000 together with its annual filing in lieu of an information circular. But for the foregoing, the Caisse is not deemed to be on the list of defaulting reporting issuers that may be maintained in any of the Jurisdictions.

**AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

**AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdictions to make the Decision has been met;

The Decision of the Decision Makers under the Legislation is that the Caisse is authorized to depart from GAAP in drawing up its financial statements for the year ended December 31, 1999 to the sole extent needed to conform with the Policy and the Rules provided that:

1. the financial statements and the MD&A include full disclosure of the fact that there is a departure from GAAP, the reasons for the departure from GAAP, the nature of the departure from GAAP and its quantified effect on all significant elements (the "Significant Elements") of the financial statements, which disclosure should include the following:

(a) the Significant Elements of the financial statements, that include, but are not necessarily limited to, the income statement provision for credit losses, net income, the loans balance, income taxes and general reserve;

(b) disclosure of the quantified effects of the departure from GAAP, that include a comparison of the dollar amounts for each Significant Element of the financial statements, as determined by the accounting approach taken in the financial statements, and the amounts that result from the accounting treatment that would be appropriate under GAAP; and

(c) where the MD&A refers to performance measures, including presentation by way of charts, graphs, tables and schedules, a prominent cross reference to the discussion of the departure from GAAP;

2. the Caisse issues a press release at the same time it files its annual financial statements for the year ended December 31, 1999 that prominently discloses that its financial results for the year ended December 31, 1999 reflect a departure from GAAP, the reasons for the departure from GAAP, the nature of the departure from GAAP and a summary of the quantified effects of the departure from GAAP;

3. where the disclosure in the Caisse's annual and quarterly report, including but not limited to disclosure in the sections entitled "Selected Financial Information", "Management Message", "Five (5) Year Profile of Business Development", presents performance measures impacted by the departure from GAAP, including but not limited to net income, provision for credit losses, loans balance and any ratios calculated using provision for credit losses or net income, there must be a prominent cross reference to the discussion of the departure from GAAP; without limiting the generality of the foregoing, the "Quarterly Financial Information" section of the annual report must include a prominent cross reference to the discussion of the departure from GAAP and include disclosure of the performance measures prepared on a basis that is consistent with GAAP;

4. any discussion of the annual financial statements for the year ended December 31, 1999 included in the annual filing in lieu of an information circular, where this requirement is applicable, must include a prominent cross reference to the note to such financial statements discussing the nature of the departure from GAAP and its quantified effects on the Significant Elements of the financial statements;

5. conditions 1 and 3 above also apply to the financial statements presented as comparatives to the Caisse's financial statements for the year 2000, and condition 4 above also applies to any discussion of the financial statements included in the annual filing in lieu of the information circular, where this requirement is applicable, for the year 2000;

6. for the purpose of the Caisse's interim financial statements and accompanying material for the periods subsequent to the year ended December 31, 1999, where any of the comparative periods presented are prepared on the basis that includes accounting for the adjustment to the general provision for credit losses in accordance with the Policy issued and the Rules prescribed, information similar to that set out in conditions 1 and 3 must be provided.

**DATED** "June 29", 2000.

Guy Lemoine Viateur Gagnon