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Annual

Leadership

Conference

## Accounting Roundup: NAV Error, IFRS 9, Alternative Funds and Cryptocurrencies

# AGENDA

- Accounting Advisory Update
  - NAV Error
  - IFRS 9
  - Alternative Funds
- Cryptocurrencies
  - Operations
  - Valuation
  - Oversight
  - Fund Accounting
  - Financial Reporting

# ACCOUNTING ADVISORY UPDATE

- NAV Error

- Original bulletin June 2000
- Update issued July 2018
- Highlights of key changes:
  - Definitions – NAV Error, Differential, Adjustment
  - Self-dealing transactions excluded
  - Internal controls

- IFRS 9 and the IFRS Toolkit

- IFRS 9 Transition and disclosure addendum issued
- Toolkit update July 2018
- Incorporates IFRS 9 changes
- Removed guidance on ‘year of adoption of IFRS’, IAS39 etc.

# ACCOUNTING ADVISORY UPDATE

- **Alternative Funds**

- Accounting Advisory Group activity in 2018 – focused on impact on disclosure requirements – Return calculations, MER/TER
- Return disclosures – NI 81-106 F1 4.2
  - Return bifurcation between long portfolio positions and short positions
- MER/TER – types of short-related expenses
  - Short position borrow costs; interest/dividend expense on shorts; interest expense on borrowing
- Letter sent to OSC laying out positions

# CRYPTOCURRENCIES AND WHAT TO THINK ABOUT

- Areas to think about in relation to cryptocurrency:
  - Financial reporting
  - Valuation
  - Custody
  - Operations
  - Trade capture
  - Oversight
  - Compliance
  - Tax
  - Legal
- Areas we will discuss:
  - Operations
    - Custody
    - Trade capture
  - Valuation
  - Oversight
  - Fund accounting
  - Financial reporting

# YOU RECEIVED THE GO-AHEAD, BUT ARE YOU REALLY READY?

- **Operations**

- What is the investment?
  - Currency
  - Physical
  - Derivative
- Using a derivative
  - Exposure to counterparties
  - Margin requirements
- Trade capture
  - How do you report the transaction?
  - How do you settle the transaction?

- **Valuation**

- How do you value the asset?
- What is the asset type?
- What is the primary market?
- How is volatility in the markets addressed?
- What is the price source?
- What to do when there is no source?
- How do you determine a fair value?

- **Oversight**

- How to conduct testing, validation and check reasonability?
- What is the source you would use to oversee the valuation? (e.g. an exchange or counterparty)

# YOU RECEIVED THE GO-AHEAD, BUT ARE YOU REALLY READY?

- **Fund Accounting**

- What will be the timing and frequency of valuation of the assets?
- How will primary market be monitored?
- What controls will be required over existence of the assets?
- How will liquidity be managed?

- **Financial Reporting**

- Which accounting standards apply?
- How will digital assets be classified?
- Will treatment differ depending on entity holding the asset?
- What is the levelling and how often may it change?

QUESTIONS?

# FOR MORE INFORMATION, CONTACT US

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THANK YOU