

September 10 & 11, 2012, Toronto

Two-Day Event!

Latest practices in identifying and bifurcating complex, hidden financial instruments

9<sup>th</sup>

# Taxation of Financial Products & Derivatives

Understand recent tax structures and identify key tax issues arising in the design of structured products

*Workshop Included: Taxation of Debt Instruments*

APPLICABLE TOWARD CPD REQUIREMENT

## participating organizations

Blake, Cassels & Graydon LLP  
Borden Ladner Gervais LLP  
Hurley, Cunningham, LLP  
KPMG LLP  
MacLeod Dixon LLP  
McCarthy Tétrault LLP  
Ontario Teachers' Pension Plan  
Osler Hoskin & Harcourt LLP  
PricewaterhouseCoopers LLP  
Stikeman Elliott LLP  
Torys LLP

## who should attend

Tax executives in the financial sector & other industries, tax accountants, and tax lawyers who want to expand this knowledge area or keep up-to-date in order to best serve the needs of their clients

## course highlights

- Hear from our faculty of leading Canadian tax specialists to get senior-level, up-to-date tax information on financial products and derivatives
- Get a detailed overview of what is in the capital markets
- Update your knowledge of recent case law affecting the tax treatment of structured products and derivatives
- Analyze the tax consequences of cross-border financing techniques and financial products
- Review the guidelines in applying reputational risk standards to tax structuring
- Hear the latest practices in identifying and bifurcating complex, hidden financial instruments
- Avoid tax traps in planning for the use of financial products
- Look at the tax implications of using default derivatives

*"This is a unique course that stands out among competitor offerings"*

*"Improved my understanding of derivatives arrangements and their intended objectives"*



**Course Leader**  
Sabrina Wong,  
Blake, Cassels  
& Graydon LLP



Catrina M. Card,  
Torys LLP



Mario M. Abrioux,  
McCarthy  
Tétrault LLP



Lara G. Friedlander,  
Osler Hoskin &  
Harcourt LLP



Edward A. Heakes,  
MacLeod Dixon  
LLP



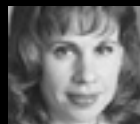
Hersh Joshi,  
CA, CPA,  
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Abigail Kan,  
McGovern,  
Hurley,  
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LLP



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LLP



Carmela  
Pallotto, KPMG  
LLP



Laura M. White,  
Borden Ladner  
Gervais LLP



Jonathan W.  
Willson,  
Stikeman Elliott  
LLP

# FACULTY

## COURSE LEADER

### SABRINA WONG

Sabrina Wong is a Partner in the tax group at **Blake, Cassels & Graydon LLP** with experience in investment vehicles.

## CO-LECTURERS

### MARIO M. ABRIOUX

Mario Abrioux is a Partner in the tax group of **McCarthy Tétrault LLP**. He has a broad corporate income tax practice.

### CATRINA M. CARD

Catrina M. Card is a lawyer at **Torys LLP**.

### LARA G. FRIEDLANDER

Lara Friedlander is a Partner in taxation at **Osler Hoskin & Harcourt LLP**. Her practice focuses on corporate finance, financial products, derivatives and mutual funds.

### EDWARD A. HEAKES

**Edward Heakes** is a Founding Partners of MacLeod Dixon LLP's Toronto office, and he leads their national tax group.

### HERSH JOSHI, CA, CPA, MTAX

Hersh Joshi is the Director of Taxation with **Ontario Teachers' Pension Plan Board**.

### ABIGAIL KAN

Abigail Kan is a Senior Tax Manager at **McGovern, Hurley, Cunningham LLP**.

### RICHARD MARCOVITZ

Richard Marcovitz is a Partner in the financial services tax practices at **PricewaterhouseCoopers LLP**.

### CARMELA PALLOTTO

Carmela Pallotto is a Tax Partner with **KPMG LLP** and leads the financial services tax group in Toronto.

### LAURA M. WHITE

Laura White, a Partner at **Borden Ladner Gervais LLP**, is a tax lawyer specializing in a wide range of issues relevant to the investment funds industry.

### JONATHAN W. WILLSON

Jonathan Willson is a Partner in **Stikeman Elliott LLP**'s tax group. The emphasis of his practice is on structured finance, financial products, derivatives, M&As and investment funds.

# COURSE PROGRAM

## TAXATION OF STRUCTURED PRODUCTS & DERIVATIVES: IMPACT OF CASE LAW & RECENT TAX RULES

The rapid pace of development of financial products and derivatives has challenged regulatory, accounting, legal and tax frameworks. This session will help attendees understand recent tax structures and identify key tax issues and challenges that arise in the design of structured products. The session will also provide a review of recent case law as well as legislative and tax administrative positions affecting the tax treatment of structured products and derivatives.

- Taxation of derivatives and synthetic financial products
- The basic tax character of the transaction
- The use of derivatives for hedging and the implications on the reporting of derivative use
- Key tax issues and challenges arising in structured products
- Case law update

## TAXATION OF CROSS-BORDER FINANCING AND INVESTMENT

As North American markets continue to be volatile, the need for senior level, up-to-date tax information is critical. Tax agencies are becoming increasingly aggressive in this climate as they target new tax planning devices and challenge existing strategies. This session will highlight the Canadian taxation implications of a number of U.S.-Canadian financing and investment structures.

- Tax implications of cross-border financing and investment structures
- How the Canadian and U.S. tax regimes interact
- Hybrid entities and the Canada-U.S. tax treaty
- Hybrid instruments
- Repatriation issues and strategies
- Hedging and foreign currency translation issues
- Effect of recent administrative guidance and proposed legislation on cross-border structures

## SUPPLEMENTARY COURSE MATERIAL

Federated Press is now providing delegates with access to an innovative new database containing at least 25 interactive multimedia presentations by leading experts and approximately 20 hours of lectures on the topics covered by this course, including all slides and speakers' papers. See the list of presentations on page 4.

Delegates will also receive a trial subscription to the Tax Channel, a much broader resource representing hundreds of hours of interactive multimedia lectures on leading edge Tax topics as delivered at our many recent Tax conferences and courses.

- *This program can be applied towards 9 of the 12 hours of annual Continuing Professional Development (CPD) required by the Law Society of Upper Canada. Please note that these CPD hours are not accredited for the New Member Requirement.*
- *For Alberta lawyers, consider including this course as a CPD learning activity in your mandatory annual Continuing Professional Development Plan as required by the Law Society of Alberta.*
- *Attendance at this course can be reported as 10 hours of Continuing Professional Development (CPD) to the Law Society of B.C.*
- *The Barreau du Québec automatically accredits training activities held outside the Province of Quebec and accredited by another Law Society which has adopted MCLE for its members*

## BASIC INSTRUMENTS USED IN DEVELOPING FINANCIAL PRODUCTS

In recent years, financial products and derivatives have become a mainstay of financial markets. This session will provide a detailed understanding of what these products are and provide an overview of what is happening in the capital markets.

- Recent market developments
- Risk management policy
- Main derivatives traded by corporations: the economics of these instruments?
- Hedging strategies
- Accounting for derivatives: hedge accounting

## TAX STRUCTURED INSTRUMENTS AND REPUTATIONAL RISK

Recently, the issue of using structured products and derivatives to achieve tax results has become increasingly questionable. The challenge of navigating this issue is key to tax practitioners working in this area. This discussion will address the following topics:

- Parameters of reputational risk
- Documentation requirements
- Guidelines in applying reputational risk standards to tax structuring
- Risks of opportunistic tax arbitration
- The purpose of a structured investment

## EMBEDDED DERIVATIVES

An embedded derivative can arise from deliberate financial engineering and intentional shifting of certain risks between parties. However, many embedded derivatives arise inadvertently through market practices. This presentation looks at the latest practices in identifying and bifurcating complex, hidden financial instruments.

- Standard business agreements or terms that could be an embedded derivative
- How to conduct an enterprise-wide inventory of embedded derivatives
- Issues in the fair valuation of embedded derivatives
- Looking at specific examples of embedded derivatives

## TAX TRAPS AND HOW TO AVOID THEM

This session will focus on how to avoid tax traps in planning for the use of financial products, providing a discussion of the taxable preferred share rules and dividend-related rules such as the term-preferred share rules, dividend rental arrangement rules and dividend stop-loss rules.

- Taxable preferred share rules
- Dividend-related rules
- Term-preferred share rules
- Dividend rental arrangement rules
- Dividend stop-loss rules

## FORWARDS, FUTURES AND CURRENCY SWAPS TAX CONSIDERATIONS

This presentation will explore the tax implications, advantages and disadvantages of using forwards, futures and currency swaps. You will learn about various rulings and court decisions that affect the taxation of these products.

- Income tax treatment of gains or losses in respect of futures, forwards and foreign exchange transactions
- Income versus capital treatment
- Use of the funds hedged by a currency swap
- Examples of tax planning for options and futures contracts
- Strategic use of margins and speculation

## TAXATION OF OPTIONS

An option is not included in the security definition in subsection 39(6) and, consequently, it is not covered by a taxpayer election under subsection 39(4) to treat any gain arising on disposition of a Canadian security as a capital gain. This session will discuss determining whether option transactions are on account of income or capital.

- Factors that would be considered in the income or capital determination
- Determining whether all possible areas of intervention were taken into account in developing a financial strategy using options and futures contracts

## TAXATION OF SECURITIES LENDING ARRANGEMENTS AND REPURCHASE TRANSACTIONS

This session is intended to provide a review of the treatment of securities lending arrangements and repurchase transactions under the Income Tax Act (Canada).

- Classification as a “securities lending arrangement”
- Treatment of the transfer and the return
- Treatment of compensation payments
- Considerations for nonresidents

## LATEST DEVELOPMENTS IN THE DERIVATIVES MARKET & REGULATION

Financial products and derivatives have been in the past couple of years at the centre of the turmoil in the markets. This session will provide a detailed understanding of the latest developments and regulations in the derivatives market and provide an overview of how these developments impact tax planning.

- Clearing of standardized OTC derivatives
- Margin for OTC derivatives
- Provincial regulation of derivatives trading and markets
- Characterization risks in derivatives structures

## WORKSHOP

### TAXATION OF DEBT INSTRUMENTS

This session will explore the taxation of debt instruments from the perspectives of both the issuer and the holder. Specific areas to be discussed include:

- Current issues regarding withholding tax
- Current issues regarding interest deductibility
- Linked debt instruments
- Current issues regarding paragraph 20(1)(f) deductions

Your registration includes an interactive multimedia database comprising the following presentations from recent Federated Press courses and conferences. They are presented in their entirety with complete audio or video and accompanying slides. You may also purchase the multimedia proceedings of the course which will be available on CD-ROM 60 days after the course.

## Tax Traps and How to Avoid Them

Jason Swales  
PricewaterhouseCoopers LLP

## Embedded Derivatives

Pamela Zabarylo  
KPMG LLP

## Taxation of Options

Richard Johnson  
Torys LLP

## Taxation of Structured Products & Derivatives: Impact of Case Law & Recent Tax Rules

Hugh G. Chasmar  
Deloitte & Touche LLP

## Taxation of Securities Lending Arrangements and repurchase transactions

Lara G. Friedlander  
Osler Hoskin & Harcourt LLP

## Forwards, Futures and Currency Swaps Tax Considerations

Laura M. White  
Borden Ladner Gervais LLP

## Tax Structured Instruments and Reputational Risk

Abigail Kan, CMA  
McGovern, Hurley, Cunningham, LLP

## Taxation of Debt Instruments

Edward A. Heakes  
MacLeod Dixon LLP

## Taxation of Cross-Border Financing and Investment

Sabrina Wong  
Blake, Cassels & Graydon LLP

## Latest Developments in the Derivatives Market & Regulation

Margaret Grottenthaler  
Stikeman Elliott LLP

## Accounting Treatment of Embedded Derivatives

Barbara Yager  
KPMG LLP

## Income Tax analysis of Default Derivatives

John J. Tobin  
Torys LLP

## Forwards, Futures and Currency Swaps Tax Considerations

Pamela Zabarylo  
KPMG LLP

## Minimizing Asset-liability Risk & Including Derivatives and Structured Products in an LDI Strategy

Serge Lapierre  
Standard Life Investments Inc.

## Taxation of Options

Craig Burley  
Gowling Lafleur Henderson LLP

## Accounting for Embedded Derivatives

Barbara Yager  
KPMG LLP

## Securities Lending Rules

Christopher R.J. Van Loan  
Blake, Cassels & Graydon LLP

## Taxation of Structured Products & Derivatives: Impact of Case Law & Recent Tax Rules

Hugh G. Chasmar  
Deloitte & Touche LLP

## Capital Gains vs. Income and Taxation of Options

Robert Kepes  
Morris & Morris LLP

## Accounting for Income Taxes - Financial Instruments

Pamela Zabarylo  
KPMG LLP

## Basic Instruments Used in Developing Financial Products and their Taxation

Peter H. Blessing  
Shearman & Sterling LLP

## Taxation of Forward Contracts and Swap Transactions

Doug Watson  
Canada Revenue Agency

## Including Derivatives & Structured Product in a Liability-led Investment Strategy

Louis Basque  
State Street Global Advisors Limited

## New Accounting Rules for Financial Instruments

Pamela Zabarylo  
KPMG LLP

**Registration:** To reserve your place, call Federated Press toll-free at 1-800-363-0722. In Toronto, call (416) 665-6868 or fax to (416) 665-7733. Then mail your payment along with the registration form. Places are limited. Your reservation will be confirmed before the course.

**Location:** Novotel Toronto Centre Hotel, 45 The Esplanade, Toronto, ON, M5E 1W2

**Conditions:** Registration covers attendance for one person, the supplementary course material as described in this document, lunch on both days, morning coffee on both days and refreshments during all breaks. The proceedings of the course will be captured on audio or video. Multimedia proceedings with all slides and handouts can be purchased separately on a CD-ROM which will also include the course material.

**Time:** This course is a two-day event. Registration begins at 8:00 a.m. The morning sessions start promptly at 9:00. The second day ends at 4:00 p.m.

**Cancellation:** Please note that non-attendance at the course does not entitle the registrant to a refund. In the event that a registrant becomes unable to attend following the deadline for cancellation, a substitute attendee may be delegated. Please notify Federated Press of any changes as soon as possible. Federated Press assumes no liability for changes in program content or speakers. A full refund of the attendance fee will be provided upon cancellation in writing received prior to August 28, 2012. No refunds will be issued after this date.

**Discounts:** Federated Press has special team discounts. Groups of 3 or more from the same organization receive 15%. For larger groups please call.

**Payment must be received prior to September 3, 2012**

**Phone: 1-800-363-0722 Toronto: (416) 665-6868 Fax: (416) 665-7733**

## TO REGISTER FOR TAXATION OF FINANCIAL PRODUCTS & DERIVATIVES

Name \_\_\_\_\_  
 Title \_\_\_\_\_ Department \_\_\_\_\_  
 Approving Manager Name \_\_\_\_\_  
 Approving Manager Title \_\_\_\_\_  
 Organization \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ Province \_\_\_\_\_ Postal Code \_\_\_\_\_  
 Telephone \_\_\_\_\_ Fax \_\_\_\_\_ e-mail \_\_\_\_\_  
 Please bill my credit card:  AMEX  VISA  Mastercard  
 # \_\_\_\_\_ Expiration date: \_\_\_\_ / \_\_\_\_  
 Signature : \_\_\_\_\_  
 Payment enclosed:  Please invoice. PO Number: \_\_\_\_\_

## REGISTRATION COSTS

NUMBER OF PARTICIPANTS:   
 COURSE: \$1975  
 COURSE + PROCEEDINGS CD-ROM:  
 \$1975 + \$175 = \$2150  
 PROCEEDINGS CD-ROM: \$599  
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