AICPA INTERNATIONAL PRACTICES TASK FORCE
AICPA Washington Office
November 22, 2005
HIGHLIGHTS

The AICPA SEC Regulations Committee's International Practices Task Force (the "Task Force") meets periodically with the Staff of the SEC to discuss emerging technical accounting and reporting issues relating to SEC rules and regulations. The purpose of the following highlights is to summarize the issues discussed at the meetings. These highlights have not been considered and acted on by senior technical committees of the AICPA, or by the Financial Accounting Standards Board, and do not represent an official position of either organization. In addition, these highlights are not authoritative positions or interpretations issued by the SEC or its Staff. The highlights were not transcribed by the SEC and have not been considered or acted upon by the SEC or its Staff. Accordingly, these highlights do not constitute an official statement of the views of the Commission or of the Staff of the Commission.

ATTENDANCE

Task Force Members

D.J. Gannon, Chairman (Deloitte & Touche)
John Abbott (PricewaterhouseCoopers)
Wayne Carnall (PricewaterhouseCoopers)
Paul Curth (Ernst & Young)
Jon Fehleison (KPMG)
Tim Martin (McGladrey & Pullen)
Peter Nurczynski (Ernst & Young)
Joel Osnoss (Deloitte & Touche)
Eric Phipps (Deloitte & Touche)
Debra MacLaughlin (BDO)
Carol Riehl (Grant Thornton)
Michael Walters (KPMG)

Observers

Jill Davis (SEC Staff Observer)
Paul Dudek (SEC Staff Observer)
Len Jui (SEC Staff Observer)
Susan Koski-Grafer (SEC Staff Observer)
Andrew McLelland (SEC Staff Observer)
Craig Olinger (SEC Staff Observer)
Georgene Palacky (SEC Staff Observer)
Annette Schumacher Barr (AICPA)
Sondra Stokes (SEC Staff Observer)

The meeting commenced at 10:00 am.

AGENDA ITEMS

1. Inflationary status of certain countries

Discussion

A summary of the countries considered to be highly inflationary as well as those on the "watch list" is in Appendix A.

2. Reporting issues

(a) SOX 404 reports on foreign private issuers

Discussion

The Task Force continued its discussion from its July 2005 meeting regarding the applicability of PCAOB Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction With* an *Audit of Financial Statements* (AS 2) to the U.S. GAAP reconciliation information and reporting on internal controls over financial reporting. The Task Force further discussed these issues without conclusion and agreed to consider continuing the discussion in the future.

The SEC Staff noted that it is still considering whether it would be appropriate for management to conclude, in its assertion on internal control over financial reporting, that the controls surrounding "local GAAP" financial statements were effective, but that the controls surrounding the "U.S. GAAP reconciliation" were not effective. The staff also noted that they were considering the effect of this situation on the auditor's attestation under AS 2.

Subsequent to the Task Force meeting, the issue was dropped from consideration by the staffs of the SEC and PCAOB given the differing views expressed within the accounting profession.

The Staff indicated that it would undertake further discussions with the PCAOB staff.

(b) Update on interim reports and SOX 404

Discussion

The Task Force continued its discussion from its July 2005 meeting regarding whether the provisions of AS 2 are applicable to quarterly and interim reporting published by foreign private issuers. At the November 22, 2005 meeting, the Task Force reached a conclusion that a foreign private issuer, for the purposes of SOX 404 reporting in its annual report on Form 20-F, is not required to consider its internal controls with respect to published interim information.

The SEC staff indicated that because foreign private issuers are not required to file interim financial statements as part of their 1934 Act reporting and that SOX 404 doesn't apply to 1933 Act reporting, management's report on internal control over financial reporting need not cover those periods. Consequently, controls over information included in a Form 6-K that is incorporated by reference into a 1933 Act filing also need not be reported on. The staff also indicated that, consistent with the Task Force view, it is not necessary for a foreign private issuer filing on foreign forms, nor its auditor, to consider interim periods as part of the assessment of Internal Controls over Financial Reporting. It was further noted that foreign private issuers filing on domestic forms are subject to the same requirements with respect to interim information as domestic issuers.

(c) Disclosures required under Item 15 of Form 20-F

Background

The PCAOB has amended AU 325 to require use of the definitions in AS 2 of "material weaknesses" and "significant deficiencies". These changes are effective for periods ending after July 15, 2005 for issuers that are not subject to Section 404.

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Issue

Where either (i) the auditor reports a "material weakness" to the audit committee under AU 325, (ii) another advisor informs the registrant of a "material weakness", or (iii) the registrant determines that there is a "material weakness", what information should be presented under Item 15 this year (i.e., should the registrant disclose the "material weakness")?

Discussion

The Task Force noted the following extract of the disclosure requirements of Item 15 of Form 20-F:

Item 15. Controls and Procedures.

(a) Disclosure Controls and Procedures. Where the Form is being used as an annual report filed under Section 13(a) or 15(d) of the Exchange Act, disclose the conclusions of the issuer's principal executive and principal financial officers, or persons performing similar functions, regarding the effectiveness of the issuer's disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e)) as of the end of the period covered by the report, based on the evaluation of these controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15.

(b) Management's annual report on internal control over financial reporting. Where the form is being used as an annual report filed under Section 13(a) or 15(d) of the Exchange Act, provide a report of management on the issuer's internal control over financial reporting (as defined in Rule 13a-15(f) or Rule 15d-15(f)) that contains:

(1) A statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the issuer;

(2) A statement identifying the framework used by management to evaluate the effectiveness of the issuer's internal control over financial reporting as required by paragraph (c) of Rule 13a-15 or Rule 15d-15;

(3) Management's assessment of the effectiveness of the issuer's internal control over financial reporting as of the end of the issuer's most recent fiscal year, including a statement as to whether or not internal control over financial reporting is effective. This discussion must include disclosure of any material weakness in the issuer's internal control over financial reporting identified by management. Management is not permitted to conclude that the issuer's internal control over financial reporting is effective if there are one or more material weaknesses in the issuer's internal control over financial reporting; and

(4) A statement that the registered public accounting firm that audited the financial statements included in the annual report containing the disclosure required by this Item has issued an attestation report on management's assessment of the issuer's internal control over financial reporting.

The SEC Staff noted that foreign private issuers currently are subject to the Disclosure Controls and Procedures reporting requirements of Item 15 of Form 20-F as well as Form 40-F and must consider the impact of restatements on previous control effectiveness disclosures. In cases where "material weaknesses" are found, the Staff expects that careful consideration be given to the need for disclosure under Item 15 of Form 20-F as well as in Form 40-F. The staff also noted that where a "material weakness" has been identified it generally would expect a company to conclude that the disclosure controls and procedures were not effective. In this regard, the staff indicated that it would not be appropriate to qualify or use conditional language in expressing the conclusion. For example, if there was an error in the U.S. GAAP reconciliation that led to a restatement, it would not be appropriate for the issuer to conclude that the disclosure controls and procedures were effective except with respect to U.S. GAAP.

3. Follow up on non-GAAP measures

Background

The Task Force discussed previously the applicability of the SEC non-GAAP measures rule to foreign private issuers. These discussions were generally in the context of disclosures by companies in the UK environment that presented various income statement formats (e.g., multiple columns, boxes, subtotals that excluded certain costs, etc.). At its November 25, 2003 meeting, the Task Force concluded that such presentations could continue to be used in SEC filings provided certain additional information was included. This conclusion was based, in part, on the view that it would only be applicable for a few years until International Financial Reporting Standards (IFRS) were implemented.

More recently, the Task Force has revisited its prior discussions on the applicability of the non-GAAP measures rule to IFRS. It is noted that under IAS 1, *Presentation of Financial Statements* (IAS 1) only minimum income statement disclosures are required on the face of the income statement. Additionally, IAS 1 allows for the introduction of additional line items and sub-totals, as well as, flexibility to the order in which items appear on the face of the statement. Paragraph 83 of IAS 1 allows for the introduction of other additional line items, headings and subtotals that may be relevant to an understanding of the entity's financial performance.

IFRS does not address specifically so-called "non-GAAP measures" (also referred to as "alternative performance measures"). The Committee of European Securities Regulators (CESR) issued in October 2005 a recommendation, *Alternative Performance Measures,* for purposes of reporting IFRS financial statements in the European Union (EU). The recommendation defines an "Alternative Performance Measure" as anything but a "defined measure", which is defined as all information included in the audited IFRS financial statements, including the notes, in view of providing a true and fair view. In effect, if a measure is in the financial statements it is not an "Alternative Performance Measure", but rather a "GAAP measure". The recommendation also noted that EU Member States are not allowed to impose their own formats.

Discussion

The SEC Staff noted that the non-GAAP measures rule was not intended to prohibit additional useful captions and subtotals that are consistent with the underlying financial reporting basis. However, in the context of IFRS adoption, the Staff noted the discussion in paragraph BC 13 of IAS 1, which states:

> *The Board recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. In such cases, the Board notes that the entity should ensure the amount disclosed is representative of activities that would normally be considered to be 'operating'. In the Board's view, it would be misleading and would impair the comparability of financial statements if items of an operating nature were excluded from the results of operating activities, even if that had been industry practice. For example, it would be inappropriate to exclude items clearly related to operations (such as inventory write-*

downs and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses.

The SEC Staff indicated that they will evaluate compliance with IFRS and challenge the purpose and usefulness of unusual/additional measures and presentations that appear to be misleading or inconsistent with IAS 1. Where the income statement presentation is considered acceptable under IFRS, additional disclosure under the non-GAAP measures rule generally would not be required.

4. Guarantor Information

Background

A number of foreign private issuers have guarantees on debt or preferred stock by either the parent company or other subsidiaries that require the inclusion of consolidating information under Rule 3-10 of Regulation S-X. The consolidating information is presented in lieu of presenting separate financial statement of either the issuer or the guarantor entity. If separate financial statements were presented using a basis of accounting other than U.S. GAAP, the registrant would be required to reconcile such information under Item 17/18 of Form 20-F.

Requirement to Reconcile Each Column. The disclosure requirements with respect to the reconciliation of consolidating information is included in Rule 3-10(i)(12) of Regulation S-X, which states:

> *(12) Where the parent company's consolidated financial statements are prepared on a comprehensive basis other than U.S. Generally Accepted Accounting Principles, reconcile the information in each column to U.S. Generally Accepted Accounting Principles to the extent necessary to allow investors to evaluate the sufficiency of the guarantees. The reconciliation may be limited to the information specified by Item 17 of Form 20-F (§249.220f of this chapter). The reconciling information need not duplicate information included elsewhere in the reconciliation of the consolidated financial statements*

Mexican Cash Flow Requirement. Mexican companies are required by Mexican GAAP to prepare a statement of changes in financial position, which is different from a statement of cash flows, as required under U.S. GAAP. The Task Force previously concluded that these companies are required, for purposes of the US GAAP reconciliation, to also present a statement of cash flows that complies with either U.S. GAAP or IAS 7. In addition, this statement would include the effects of inflation consistent with the primary financial statements.

Issues

1) How should the phrase *"the extent necessary to allow investors to evaluate the sufficiency of the guarantees"* be applied in practice?

2) Is this requirement regarding the need to include cash flow information that complies with US GAAP or IAS 7 that includes the effects of inflation in the cash flow information equally applicable for the consolidating information required by Rule 3-10 of Regulation S-X?

Conclusion

The SEC Staff noted that regardless of whether a registrant applies local GAAP or IFRS, it must reconcile the condensed consolidating information required under Article 3-10 of Regulation S-X with U.S. GAAP. The reconciliation should be prepared with a level of detail consistent with Item 17 of Form 20-F to aid investors in evaluating the sufficiency of the guarantees.

The SEC Staff indicated that the determination of "*the extent necessary to allow investors to evaluate the sufficiency of the guarantees*" should be based on each registrant's specific facts and circumstances. As this information is being presented in lieu of separate financial statements, the presumption is that each column should be reconciled. However, there may be situations in which a reconciliation is not considered necessary (e.g., where substantially all of the reconciling differences fall within a single consolidating column, and the registrant can adequately explain and quantify, as appropriate, how the differences impact the guarantor column). Companies proposing not to reconcile each column are encouraged to discuss their specific fact pattern with the SEC staff before filing.

Mexican Cash Flow Requirement: The SEC Staff also noted that condensed consolidating cash flow statement data presented under Article 3-10 should be presented in a manner consistent with the supplemental consolidated cash flow information presented under US GAAP or IAS 7. The staff noted that they would allow registrants to prospectively apply this guidance beginning with fiscal years ending December 31, 2005.

5. Classification of French SICAV

Discussion deferred to a future meeting.

6. Guide 3 information on non-accrual loans

Background

Guide 3 requires the disclosure of non-accrual loans. IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39), requires the recognition of interest on all loans using the same rate of interest used to discount the future cash flows in measuring any impairment loss. As a result, registrants adopting IFRS will no longer have loans that are not accruing interest as all loans will accrue interest.

Issue

How should registrants that have adopted IFRS present the information required under Guide 3?

Discussion

The Task Force discussed the following options:

<u>Option 1</u>

Continue to disclose "non-accrual loans" using criteria similar as in previous filings. For example, loans that would have been placed on non-accrual status had it not been for the requirement to continue to recognize interest income on all loans (e.g., disclose as non-accrual those loans that would have been placed on non-accrual status had the preparer continued to report under prior local GAAP or was to report under U.S. GAAP).

Option 2

Disclose "non-accrual loans" using criteria that identify those loans for which the only source of interest recognition is unwinding of the discount (loans are no longer "accruing coupon interest ").

Option 3

Disclose no loans as non-accrual on the basis that all loans are now accruing interest income in some form. Include loans that are accruing interest in accordance with the requirements of IAS 39 within the nonperforming loans category of "Past due 90 days and still accruing interest" as this category is designed to disclose those loans (past due 90 days) on which income continues to be recognized.

No conclusions were reached on the possible approaches noted above.

The SEC Staff noted the Task Force discussion and indicated that they would consider the issue further.

7. Follow up on Mexico Issue – Statement 112 and D-3

Background

Under Mexican Labor Law, Mexican employees are entitled to receive a severance payment equal to 90 days of salary, plus 20 days salary for every year of services rendered in prior years when they are terminated without a justified reason (i.e. rights accumulate). Should an employee leave on his own, the employer is not required to pay any severance (i.e. rights are non vesting). In practice, many companies negotiate settlements with employees in return for "voluntary resignations".

Mexican Bulletin D-3, "Labor Obligations" ("Bulletin D-3") was recently revised and provides guidance on how to account for post-employment benefits, including severance payments, defining them as the benefits paid after employment but before retirement. Bulletin D-3 paragraphs 20-28 indicates that severance payments should be accounted for in the same manner as other retirement benefits and should use actuarial calculations. This provision of Bulletin D-3 goes into effect January 1, 2005. Prior to the revised guidance, severance payments were charged to expense as incurred.

At its May 2005 meeting the Task Force discussed whether there was any difference between Mexican and U.S. GAAP in the application of the "probability" concept for the purpose of recognizing a liability. At its July 2005 meeting, the Task Force noted that practice was mixed in applying US GAAP. Some companies accrued for the liability under Statement 112 while others recognized the expense as incurred (similar to that under Mexican GAAP). As a result of Bulletin D-3, Mexican companies are now required to estimate the amount.

Conclusion

Based on its understanding of Bulletin D-3 and the expected application under Mexican GAAP, the Task Force noted that if a liability was recorded under Mexican GAAP for severance then there would be an expectation that a liability also would exist under U.S. GAAP based on the application of SFAS 112.

The SEC staff indicated that it would question situations where a company recorded a liability under Mexican GAAP but eliminated it in the reconciliation to U.S. GAAP.

Historically, practice was mixed in that some companies did not record a liability under either Mexican GAAP or U.S. GAAP for these severance payments and others did. While any liability recorded for the first time under Mexican GAAP will be a change in accounting, companies recording a liability for the first time under U.S. GAAP will need to determine the appropriate accounting (e.g., correction of an error, immaterial adjustment in the current year etc.).

8. **Accounting for Minimum Dividends in Various Countries**

Background

The corporate laws in certain countries, such as Brazil, Greece and Chile, require the payment to shareholders of a minimum dividend in the amount of a stated percentage of adjusted annual net income. The Task Force discussed the classification of minimum dividends in Chile at its meeting on August 15, 1996. The highlights to that meeting state, in part:

> *"Chilean Minimum Dividends-- Chilean companies are required by law to distribute 30% of their net income to shareholders. An approval of the majority of shareholders is required in order for a company not to pay such dividend. The SEC Staff would require registrants to identify as temporary equity, in the reconciliation to US GAAP, the amount of retained earnings applicable to the dividend to be distributed, as the amount is not permanent equity."*

Since the prior Task Force discussion, there have been changes to U.S. GAAP, including the issuance of SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* (Statement 150). While Statement 150 is not applicable to minimum dividends, it has contributed, in part, to the ongoing discussion within the accounting profession and by standard-setters about liability versus equity classification more generally.

Issues

In light of the evolution in the discussion about liability versus equity classification, the following questions have arisen in the context of minimum dividends:

1. For countries in which the law requires the payment of a minimum dividend, to what extent is the discussion in the August 15, 1996 highlights applicable outside Chile?

2. If a minimum dividend should be classified as a liability, how should the liability be measured? There are potentially two ways of measuring the liability:

    a. Since the minimum dividend liability is based on annual net income, and therefore, is similar to an income tax liability, measure the liability similar to the measurement of a tax liability; or

    b. Since the minimum dividend represents a contractual obligation to deliver cash to shareholders at a future date, treat it in a manner similar to a derivative, and mark it to market, based on expected future earnings.

3. If the minimum dividend is presented as a liability rather than "temporary equity", does that change the classification of the corresponding debit (i.e., income statement, rather than permanent equity)?

4. Are there countries that require minimum dividends, for which the accounting determined in questions (2) and (3) above would differ from other countries?

5. If a company is required by its bylaws to pay a minimum dividend, should the classification and/or measurement of the minimum dividend be the same as those for a minimum dividend required by law?

6. Should there be a difference between U.S. GAAP and IFRS in the classification and/or measurement of a minimum dividend?

Discussion

Task Force members agreed to follow up with their respective networks to identify other countries in which the law requires the payment of a minimum dividend. The Task Force also agreed to consider the issues at a future meeting.

9. IFRS issues

(a) Foreign currency and Cumulative Translation Adjustment

Background

PwC wrote to the FASB on June 24, 2005 asking the FASB to consider providing a one-time accommodation to the application of U.S. GAAP for foreign private issuers that are converting to IFRS 1 (e.g., the determination of functional currency and the ability to zero out any prior cumulative transition adjustments or CTA). The PwC paper described the thinking behind the need for one-time accommodations, and discussed the areas in which it believed substantial benefits could be achieved for the capital markets.

In response, the FASB subsequently determined that they would not act on the proposal, but instead noted that any relief from the SEC requirements on the form and content of the "U.S. GAAP reconciliation" should be addressed by the SEC Staff.

Conclusion

The SEC Staff indicated that they were not inclined to grant any relief under U.S. GAAP relating to the IFRS 1 exemptions. As a result, the effect of the use of such exemptions should be included in the Item 17/18 reconciliation to U.S. GAAP.

(b) De-facto control under IAS 27

Background

At its October 2005 meeting, the International Accounting Standards Board (IASB) discussed the notion of "de facto" control in the context of its project on consolidation. The question discussed was whether the "power to appoint" in paragraph 13(c) of IAS 27 requires that the entity have the legal power to exercise more than half the votes available or whether the "power to appoint" is a matter of fact? That is to say, does the fact that an entity is able to dominate the voting because the remaining shares are held by parties who are not organized together and are unlikely to be able to be organized together, constitute the power to appoint?

It was noted at the IASB meeting that most preparers do not consider the above to be a control relationship and hence were not consolidating. The majority of the IASB members indicated that their intention in IAS 27 was to include the notion of de facto control (that is, control in the above circumstances would exist and therefore consolidation would be required). Board members acknowledged how constituents had arrived at their understanding of IAS 27 given the wording of that Standard.

The Board decided to make a statement via the IASB Update and its website indicating that it is aware of this divergence in practice and acknowledge the different interpretations until such time that the Board clarifies the control notion in its broader project on this issue.

Given the comments issued by the Board, companies that currently report using IFRS may re-evaluate those entities that were not consolidated to determine if any of them should be consolidated based on the "de facto" control concept.

Issue

If a registrant that is reporting under IFRS determines that a material entity should be consolidated based on the "de facto" control concept, how should it be presented in the financial statements?

Discussion

Given the subjective nature of "de facto" control, the SEC Staff noted that if a registrant determined that a material entity should be consolidated based on "de facto" control, it should review the fact pattern with the Staff to determine the appropriate accounting and also how to describe the change in policy.

DATE OF NEXT MEETING

The Task Force agreed to meet on March 7, 2006.

The meeting adjourned at 5:00 pm.

Monitoring inflation in certain countries

Background

At the March 2003 meeting of the Task Force, it was noted that it would be helpful to be more proactive in assessing the inflationary status of countries. As a result, it was agreed that a mechanism be developed for proactively monitoring the inflationary status of countries. That approach and the related assumptions used by the Task Force are described below:

Approach

The Task Force agreed to regularly consider the inflationary status of a number of countries for the purpose of determining whether they were highly inflationary as defined in FASB Statement 52. It was agreed that inflation rates be monitored regularly (monthly to the extent possible) in order to identify cases where the Task Force could discuss a country's inflationary status. Based on the cumulative inflation information, countries would be categorized as follows:

1. Countries that are clearly highly inflationary (i.e., that have cumulative inflation approaching or exceeding 100%).

2. Countries with increasing cumulative inflation rates that should be monitored.

3. Countries that are clearly not highly inflationary (i.e., with sufficiently low cumulative inflation).

Assumptions

The following assumptions were developed as a means of screening countries in order to determine whether the Task Force should discuss their inflationary status:

- Inflation rates used would be based on a consumer price index, unless otherwise noted. Where an index other than the CPI is used, the Task Force would need to discuss the appropriateness of the index.

- Inflation information would be derived from the "International Financial Statistics" on the IMF website. In cases where information is not provided to the IMF, local sources would be used (e.g., country central bank data).

- Countries with cumulative inflation rates not exceeding a certain level, say 70%, generally would not be considered highly inflationary based on quantitative factors alone. However, qualitative factors ultimately would be considered pursuant to EITF Topic D-55, as deemed necessary by the Task Force.

- Countries with cumulative inflation rates between 70% and 100% would be assessed for highly inflationary status given recent trends, based on the guidance in EITF Topic D-55. For example, in cases where the cumulative rate has declined below 100%, is that decline "other than temporary"? Or, in cases where the inflation rate has been increasing, is the cumulative rate at a level that "approximates" 100%? In addition, countries with a significant increase in inflation during the current period would be monitored.

In certain cases inflation information is not updated regularly. In such cases the following was agreed:

- Where a country was previously considered highly inflationary (i.e., the last known cumulative inflation rate previously exceeded or approached 100%), presume that still highly inflationary.

- Where a country was previously not considered highly inflationary (i.e., the last known cumulative inflation rate did not previously exceed or approach 100%), deduce the current inflation rate necessary in order to exceed 100% (the "deduced rate"). The deduced rate would be calculated solely for the purpose of determining whether or not the Task should analyze a particular country's inflationary status. The ultimate determination of that status would depend on all relevant facts and circumstances.

    - If deduced inflation rate for the current period(s) exceeds a certain level, say 30%, then presume that not highly inflationary unless the deduced rate is consistent with the trend in recent known periods.

    - If deduced inflation rate does not exceed a certain level, say 30% then presume highly inflationary unless the deduced rate is not consistent with the trend in recent known periods.

The Task Force agreed that qualitative factors also should be considered. The Task Force noted that the existence of objective and verifiable evidence would be necessary for a country to no longer be considered highly inflationary.

Current inflationary status of certain countries

<u>Countries considered highly inflationary</u>

At its November 22, 2005 meeting the Task Force concluded that the following countries should be considered highly inflationary through December 31, 2005:

Angola	Serbia and Montenegro *
Belarus **	Suriname *
Democratic Republic of Congo *	Turkey **
Dominican Republic	Uzbekistan **
Myanmar	Zimbabwe

* These countries will come off highly inflationary status. The Task Force agreed that registrants may change status as of the first period beginning after June 15, 2005, if practicable, but no later than the first period beginning after December 15, 2005.

** These countries will come off highly inflationary status. The Task Force agreed that registrants may change status as of the first period beginning after December 15, 2005, if practicable, but no later than April 1, 2006.

<u>Countries on the highly inflationary "watch list"</u>

The following countries are on the Task Force's inflation "watch list":

Significant cumulative inflation	*Significant inflation in current or prior year*
Eritrea	Ghana
Haiti	Guinea
Venezuela	Zambia