

November 13, 2007

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

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RE: File Number S7-20-07 Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards

Dear Ms. Morris:

The Center for Audit Quality (CAQ or the Center) is an autonomous public policy organization serving investors, public company auditors and the capital markets and is affiliated with the American Institute of Certified Public Accountants. The CAQ's mission is to foster confidence in the audit process and aid investors and the markets by advancing constructive suggestions for change rooted in the profession's core values of integrity, objectivity, honesty and trust. Based in Washington, D.C., the CAQ consists of approximately 800 member firms that audit or are interested in auditing public companies. We welcome the opportunity to share our views on the Securities and Exchange Commission's (SEC or Commission) *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (the Concept Release).

As discussed in more detail in the attached Appendix, the Center believes that investors would benefit if issuers around the world prepared financial statements using a single set of high quality accounting standards, and that allowing U.S. domestic registrants the option of using International Financial Reporting Standards (IFRS) as part of an overall transition plan should further such a move to one set of globally accepted standards. The benefits for all market participants would be substantial if there would be agreement on the creation of a common accounting language that would be universally and easily accessible to preparers and investors. Achieving the worldwide use of a single set of high quality accounting standards should be a primary consideration as the financial reporting community and the SEC consider the questions contained in the Concept Release.

Some believe the goal can be achieved through the efforts of convergence. Others believe convergence is worthwhile but too slow and complex to achieve the vision within a reasonable period of time. Although the

convergence process that the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have undertaken clearly has produced progress, most acknowledge that the process has been slow and still has quite a distance to go before substantial harmonization of the two sets of standards occurs.

Notwithstanding the work that lies ahead to continuously improve the standards, we believe that IFRS has proven to be a reputable set of standards for preparing transparent financial information. As the standard-setters continue down a path of establishing like-minded standards, the Commission, with this Concept Release, offers a proactive step toward achieving the goal of a single set of global accounting standards.

We believe that the Commission should develop a comprehensive plan, with appropriate timetables and a date certain, for moving all U.S. domestic registrants to IFRS. Within this context, the Center supports the Commission's efforts. In summary, we believe that U.S. domestic registrants should be given the option to file financial statements using IFRS as part of an overall plan to transition all U.S. domestic registrants to IFRS. We believe that this option should be available once there is sufficient time for preparers, auditors and users to be educated and trained in IFRS.

IFRS generally are considered to have less detailed implementation guidance than U.S. GAAP. A decision by the Commission that a change to IFRS is in the best interests of investors and the U.S. capital markets, therefore, carries within it a decision that the SEC would accept the use of reasoned professional judgment in the application of IFRS, which may lead to different outcomes in what appear to be similar circumstances, as long as sufficient transparency for investors is achieved.

We would expect that any plan for moving U.S. domestic registrants to IFRS would consider appropriate changes in the U.S. legal and regulatory environments to lessen the possibilities that others unnecessarily may second-guess the reasonable professional judgments of preparers and auditors under IFRS. For widespread or mandatory use by U.S. domestic registrants of a single set of global accounting standards, such changes in the regulatory and legal systems are essential. The Commission's Advisory Committee on Improvements to Financial Reporting and the Treasury's Advisory Committee on the Auditing Profession are appropriate bodies to deliberate these issues and it is our understanding that both have items on their agendas that may address the current legal and regulatory environments.

Such a plan to transition all U.S. domestic registrants to IFRS also should take into account adjustments to, among other things: IFRS training for investors, auditors, and managements of U.S. domestic registrants; the accounting curriculum at U.S. universities; Commission regulations; and the IASB infrastructure. These and other issues are discussed in more detail in the attached Appendix.

Providing a period during which U.S. domestic registrants would have an option to convert to IFRS as part of the overall transition plan to a single set of globally accepted accounting standards would generate multiple opportunities for further assessment of how IFRS functions in the U.S. market. Resolution of questions about investor understanding, preparer education, auditor effectiveness, regulator enforcement of consistent application, and willingness to apply or accept professional judgments under IFRS by all constituents would be facilitated by the experiences of registrants who

elect to convert to IFRS during the optional period. In addition, an optional period would provide time and an opportunity for additional technical accounting or financial reporting concerns or other issues to be revealed and resolved prior to the date all domestic registrants would be required to adopt IFRS.

The Center believes that the auditing profession in the United States is ready to support the use of IFRS by all U.S. domestic registrants, including an optional period, through appropriate training of professionals, encouraging the exercise of well-reasoned professional judgments under IFRS, supporting investor and issuer education efforts, and supporting the academic community in the education of teachers and students. Furthermore, the Center stands ready to work with the Commission on the development of a detailed plan for the transition of all U.S. domestic registrants to IFRS.

Please see the Appendix for more detailed responses to specific aspects of the Concept Release.

We appreciate the opportunity to comment on the Concept Release and would welcome the opportunity to meet with you to clarify any of our comments.

Sincerely,



Cynthia M. Fornelli
Executive Director
Center for Audit Quality

Cc: SEC
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APPENDIX

This appendix provides detailed responses to specific aspects of the Concept Release and summarizes various issues and positions that we believe should be considered in deciding whether to provide registrants domiciled in the United States with the option of using International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). Although some of the discussions apply to more than one set of topical questions, in order to avoid repetition we generally have presented each discussion only under the most relevant topic.

The Possible Use of IFRS by U.S. Issuers (Questions 1 – 9)

As noted in the attached cover letter, the Center for Audit Quality (CAQ or Center) believes that U.S. domestic registrants should be permitted to prepare financial statements in accordance with IFRS as part of a comprehensive transition plan to a single set of globally accepted accounting standards.

Market Forces

The Center believes that, during any voluntary period, registrants would be in the best position to evaluate which reporting basis will minimize their cost of capital, taking into account internal costs of preparing financial statements and the reaction of financial markets to IFRS versus U.S. generally accepted accounting principles (GAAP). Stated differently, during the transition period leading to mandatory adoption of IFRS, the Commission should allow market forces to determine when U.S. domestic registrants adopt IFRS.

Allowing such market forces to play a significant role in the decision making process allows for implementation difficulties and costs to be borne initially by those companies that expect to benefit. Initial participation by a motivated voluntary filing population will permit the issues that arise and are resolved to benefit those that follow on later.

Market forces already have provided the impetus for many constituents to develop familiarity and expertise with IFRS. U.S. companies have subsidiaries in locations where IFRS is required. Auditors have increasingly been asked to provide more services around IFRS reporting. Analysts and investors have developed expertise to better manage their activities and to expand their choices. We would expect the increasing use of IFRS to continue to motivate those with a core level of IFRS knowledge to improve, and for others to begin their development. All these activities would help bring us closer toward the goal of a single set of globally accepted accounting standards.

While the costs of converting to IFRS may be significant, we note that the benefits also may be substantial. For example, if some U.S. domestic registrants that already use IFRS in their global operations would be allowed to use IFRS to prepare financial statements filed with the Commission, they may experience cost savings due to the elimination of one reporting system. In summary, in our view, although difficult to quantify, there are potentially substantive efficiencies that some

companies can derive by changing to IFRS and those efficiencies, together with the benefits to the global market place from a more efficient allocation of capital, make the ultimate change to IFRS worthwhile.

Incentives to a U.S. Domestic Registrant Choosing to Use IFRS

The Center believes that during an optional period U.S. domestic registrants would choose to adopt IFRS if they believe it would reduce their cost of capital, considering both the internal costs of preparing financial statements and the reaction of the financial markets to IFRS. Investors are not passive participants in this process. Investors' reactions—the prices at which they are willing to buy securities issued by companies reporting under IFRS versus U.S. GAAP—will be an important influence on registrants' decisions. We believe that the balance of costs and benefits, and the reaction of investors, likely will differ for different registrants. As a result, prior to a mandatory adoption date, registrants likely will reach different decisions about whether to adopt IFRS and, if so, when to adopt.

The Center believes that three types of U.S. domestic registrants would have stronger incentives to prepare IFRS financial statements:

- Issuers in an industry segment or market in which many non-U.S. peer companies already prepare financial statements in accordance with IFRS.
- Issuers with substantial numbers of subsidiaries that are required to file statutory financial statements in accordance with IFRS.
- Issuers that believe that IFRS would better reflect the economic substance of their business transactions.

In regard to the third bullet above, whether IFRS and U.S. GAAP would be viewed as better reflecting the economic substance of a transaction would depend on specific facts and circumstances.

Barriers to a Company Choosing to Use IFRS

The Center believes that U.S. domestic registrants would consider the following barriers, among others, in their overall assessment of the costs, benefits and timing of their decisions to prepare financial statements in accordance with IFRS.

Cost of Education and Training

The Center believes that the biggest barrier to a U.S. domestic registrant preparing IFRS financial statements is the cost of educating its own employees, particularly in the accounting function, about IFRS, so that they can prepare accurate and timely financial statements in accordance with IFRS. This may include the costs of hiring consultants and other advisers and making changes to accounting systems. Ultimately the costs of converting to IFRS will vary and are a function of how pervasive the differences between U.S. GAAP and IFRS are for a particular registrant.

Regulatory Constraints

Regulatory constraints will vary. If a regulator requires regulated entities to prepare statutory financial statements in accordance with U.S. GAAP (as is the case in the banking industry) some or all of the cost savings from adopting IFRS would be negated. By contrast, if a regulator requires regulated entities to prepare statutory financial statements in accordance with statutory accounting principles (as is the case in the insurance industry and for preparation of income tax returns) those entities already incur costs of preparing financial information in accordance with different accounting frameworks (statutory accounting principles and GAAP). For these entities, the obligation to master different accounting frameworks would exist whether the entity reports to shareholders using U.S. GAAP or IFRS.

Contractual Requirements

Some contracts may have requirements (such as debt compliance provisions in a borrowing agreement) based on U.S. GAAP. These requirements may need to be adjusted if the registrant changes to IFRS, and there may be a cost associated with negotiating with third parties regarding those adjustments. If so, that cost would be factored into the overall cost/benefit consideration to decide whether to choose to prepare IFRS financial statements during the optional period.

Convergence of IFRS and U.S. GAAP (Questions 10 – 12)

IFRS as a High Quality Set of Accounting Standards

The Center supports continued convergence efforts and continued improvements in IFRS. We do not believe, however, that convergence or improvements in any particular area should be a precursor to allowing U.S. issuers to use IFRS. We believe that IFRS is of sufficient quality for use by U.S. domestic registrants and that the Commission should develop a comprehensive plan, with appropriate mileposts, timetables and a date certain for a move by all U.S. domestic registrants to IFRS.

Transition to a Single Set of Accounting Standards

Continued work toward convergence should help ease a transition to a single set of high quality accounting standards. Accordingly, we believe that it is important for the Financial Accounting Standards Board (FASB) and the IASB to continue their convergence efforts. Continued joint FASB/IASB efforts in the development of the conceptual framework, financial statement presentation, revenue recognition, and accounting for financial instruments should result in significant improvements towards a single set of globally accepted accounting standards. Furthermore, we believe that the FASB and IASB should continue to focus on those areas not currently addressed by IFRS (e.g., insurance and extractive industries).

Although the Center views the results of the convergence projects thus far to be successful and we support continued efforts toward convergence, we believe the process is taking substantially longer

than desired. The process by which convergence through dual standard-setters is achieved is complicated. In addition, the process still may generate differences in conclusions and in levels of detail provided in final guidance, as demonstrated by the outcome of the business combinations convergence efforts. The horizon for the convergence calendar is growing increasingly distant due to the time it has been taking to reach substantial consensus. We encourage both standard-setters to revisit their convergence plan to determine the best ways to streamline the process so that converged standards are issued on a timelier basis. As part of developing a comprehensive transition plan, the Commission should be cognizant of the progress that the standard-setters are making towards a single set of global accounting standards.

Effect on Convergence Efforts of U.S. Domestic Registrants Using IFRS

Continued convergence efforts may be affected if the Commission accepts IFRS financial statements from U.S. domestic registrants. Some have expressed a concern that the convergence efforts will slow down if an option to use IFRS is granted to U.S. domestic registrants because the dynamic tension between the two standard setters would be eased and market pressures, particularly outside the U.S., could persuade the IASB to "go its own way." Others assert convergence would continue because the increased use of IFRS in the U.S. will increase U.S. constituents' interest in the standards, and therefore their effect on IFRS standards, resulting in greater U.S. influence on the direction of IFRS. The true outcome is difficult to predict; however, we would continue to support convergence work because it generally is viewed as being in the best interests of the global capital markets.

The Case for a Single Set of Globally Accepted Accounting Standards (Question 13)

Choice as a Step Towards A Single Set of Acceptable Standards

As discussed elsewhere in this Appendix, the Center believes that giving U.S. domestic registrants the choice to prepare financial statements using IFRS furthers the development of a single set of globally accepted accounting standards, which, once achieved, would benefit investors and other users of financial information by giving them the ability to compare the performance of similar companies regardless of where those companies are domiciled or the country or region in which they operate. Accordingly, we support giving U.S. domestic registrants a choice of preparing financial statements in U.S. GAAP or IFRS as part of a comprehensive transition plan for moving all U.S. domestic registrants to one set of high quality global accounting standards. This choice should be available after there is sufficient time for preparers, auditors and users to be educated and trained on IFRS.

We understand that this method of transition would translate into two acceptable sets of accounting principles in the United States for a limited period of time. Allowing U.S. domestic registrants the choice of using IFRS when coupled with a comprehensive plan to move all such registrants to IFRS, however, would both demonstrate the Commission's support for the goal of a single set of high-quality standards and signal the initiation of a process toward that goal.

Transition Issues

Although not conditions to allowing U.S. domestic registrants a choice to use IFRS, in addition to ongoing convergence efforts as discussed above, there are other areas that should be addressed as part of any comprehensive transition plan to IFRS. For example, the IASB structure and funding, regulatory matters related to the application of SEC rules and regulations under IFRS, the willingness of the Commission to accept reasonable professional judgments in preparing and auditing IFRS financial statements, the willingness of other regulators (such as bank regulators) to accept financial statements prepared using IFRS as opposed to U.S. GAAP, and inclusion of IFRS in the educational system are just a few of the many issues that should be considered and addressed as part of a comprehensive plan for all U.S. domestic registrants to transition to IFRS. Many of these issues are discussed in the attached cover letter and elsewhere in this Appendix.

The International Accounting Standard Setter (Questions 14 – 16)

The Journey to a Single Global Standard Setter

The journey to a single set of high quality accounting standards should lead to the designation of a single standard setting organization to develop and interpret such standards. The Center believes that the IASB is well positioned to be the global standard setter that could continue to develop a single set of high quality and understandable international accounting standards that the global capital market demands.

IFRS are issued through a robust process that is transparent to the public. The IASB process includes exposure of draft standards and consideration of the comments received on the proposals. The IASB publicly conducts its deliberations. As a result, the IASB process reflects the collective input of practitioners, preparers and users from around the world who both serve on the IASB and contribute to the standards development process in other ways. Many of these individuals are professionals who also have served on the various local standard setters, which represent an important source of candidates for the IASB.

The Center believes that the structural enhancements implemented by the IASB in recent years have improved its deliberative process. Key to any standard setter's success, however, is the ability to remain independent and objective. In that regard, an important consideration is the funding mechanism for the IASB so that the IASB may operate independently. A global funding mechanism for the IASB, other than through private contributions, should be developed that is commensurate and consistent with the role of the IASB as the independent global standard setter. We understand that the International Accounting Standards Committee Foundation Trustees currently are developing a mechanism for public funding of the IASB's work. With appropriate funding, the IASB would continue to have the resources for a full-time Board as well as the staff required to address an increased workload.

The Financial Accounting Standards Board

The Center does not believe that permitting U.S. domestic registrants the option to report in accordance with IFRS requires near-term changes in the standard setting role of the FASB. Because of the likelihood that substantial numbers of U.S. domestic registrants would continue to report in accordance with U.S. GAAP until the date designated by the Commission for transition of all U.S. domestic registrants to IFRS, the role of the FASB should remain the same.

As noted elsewhere, we support continued convergence efforts of the IASB and the FASB.

The Commission's Role

Should the SEC allow U.S. issuers to use IFRS, it would be confronted with the issue of how to use the sovereign power of the United States to set and interpret accounting principles for those issuers. We would encourage the Commission to work with other regulators around the world to agree to an appropriate framework for the acceptance of IFRS, to provide input during the IASB standard setting process, and then routinely to accept new standards as issued by the IASB.

In this regard, the Center believes that the SEC's and other regulatory bodies' acceptance of, and participation in, not only the process to develop IFRS but also the governance of the IASB would promote the integration of the capital markets globally. Accordingly, the Center encourages the SEC and other regulatory bodies around the world to work toward a framework for acceptance of the IASB process underlying the issuance of IFRS standards.

The development of a single set of high quality accounting standards, developed and interpreted by a single standard setter, would facilitate an efficient functioning of the global capital markets. Achieving such a goal requires the cooperation of many organizations, such as the IASB, the International Organization of Securities Commissions (IOSCO), major securities regulators, the accounting firms, and others. We commend the SEC, the European Commission, the Financial Services Agency of Japan, and IOSCO for furthering this process with the announcement on November 7, 2007, of joint efforts to strengthen the framework for governing the IASB.

Education and Training (Questions 17 – 19)

Education and training of professionals takes place in three phases. It starts with education in a university setting followed by preparing for and taking the Uniform CPA Examination, and then the process continues throughout our careers with professional education.

Universities

In the university phase, IFRS is not currently a major part of the accounting curriculum. Colleges generally offer an international accounting course as an elective in either undergraduate or graduate programs. It is our understanding that the major textbook authors stand ready to incorporate

international accounting standards into their intermediate or advanced financial accounting courses. Some professors have expressed concern, however, that increasing the amount of information that is covered in the accounting curriculum will stress the system. The Center would encourage the Commission to discuss this issue with representatives of the academic community as it develops a comprehensive plan and date for moving U.S. domestic registrants to IFRS.

The Uniform CPA Examination

The UNIFORM CPA EXAMINATION™ is used by state boards of accountancy as part of their licensure process. It tests the knowledge and skills required of an entry-level CPA. Today, the content focuses on U.S. GAAP, U.S. Auditing Standards (including those standards issued by the American Institute of Certified Public Accountants' (AICPA) Auditing Standards Board, the Public Company Accounting Oversight Board (PCAOB) and the Government Accountability Office), U.S. regulations, and business environment and concepts in the U.S. As entry-level CPAs begin to address international financial reporting issues, the Exam will need to be modified to test the skills required to address those issues. The Center would encourage the Commission to discuss this issue with representatives of the AICPA and the National Association of State Boards of Accountancy as it develops a comprehensive plan and date for moving all U.S. domestic registrants to IFRS.

Continuing Professional Education

Turning to continuing professional education, the requirements for CPAs that audit public companies applying IFRS to understand those standards is found in our profession's professional standards (Statement of Auditing Standards No. 1, Section 210). Those standards require that we possess the appropriate skills to perform an audit competently. As new or changed standards are introduced routinely into the financial reporting system, CPAs consistently devote resources to expand their knowledge and skills.

The accounting firms employ a combination of in-house training and outside vendors to train their experienced professionals. For IFRS, some of the firms already have developed in-house training courses and trained individuals that support foreign private issuers and U.S. professionals that perform work on the U.S. affiliates of foreign IFRS reporting clients of their firm's international network. A review of vendors' websites indicates there are a limited number of courses that allow an experienced professional to learn IFRS. The formats are generally conferences or self-study.¹ The objective of these courses is to provide an understanding of the differences in the two accounting models. As the market demands more training, we expect vendors will produce the needed courses. We see no barriers to vendors in having those courses available.

¹ The average length of those courses is 10 hours, with an average cost of \$200 for self-study courses and \$1,000 for conferences.

Application in Practice (Questions 20 – 22)

Applying Professional Judgment

With the use of IFRS, U.S. domestic registrants and auditors, as well as regulators, will need to use an accounting and financial reporting framework that generally is considered to have less detailed implementation guidance. U.S. domestic registrants and auditors today understand U.S. GAAP and its underlying principles and objectives and routinely make professional judgments based on that understanding. With a change to IFRS, U.S. domestic registrants and auditors will be required to understand base principles and objectives underlying IFRS and to exercise professional judgments when applying those base principles and objectives. One challenge for U.S. domestic registrants and auditors, and particularly for regulators, may be to accept that alternative outcomes may be within the conceptual parameters of an IFRS standard and that a well-reasoned outcome, when accompanied by appropriate disclosure, may provide the desired transparency for users without the need for a single “right” answer.

Applying U.S. GAAP and IFRS

Differences between U.S. GAAP and IFRS regarding the level of detailed guidance are particularly apparent for certain industry specific issues, such as insurance and oil and gas exploration activities (please see the section of this Appendix below on Integration with the Commission’s Existing Requirements). In certain cases, the accounting conclusion a registrant has reached under U.S. GAAP may be acceptable under IFRS. In other cases it may not be acceptable. The number and significance of different accounting outcomes relating to the application of U.S. GAAP and IFRS will vary from registrant to registrant, and will depend on important factors such as the industry in which the company operates and the accounting policy choices the company has made.

As noted in our comment letter on the Commission’s proposing release relating to elimination of the U.S. GAAP reconciliation for foreign private issuers using IFRS, and as further discussed below, we believe it is important for the Commission to address the implications, if any, of using IFRS on the SEC’s rules and non-financial statement disclosure regime.

Auditing (Questions 23 – 26)

Requirement for Adequate Training and Proficiency

A primary factor impacting the quality of audits of IFRS financial statements of U.S. domestic registrants would be the First General Standard for conducting audits in accordance with the standards of the PCAOB, which states, “The auditor must have adequate technical training and proficiency to perform the audit” (see AU §150). We believe that auditors will be called upon to exercise professional judgment regarding whether interpretations of IFRS are appropriate under the specific circumstances. In order to apply required professional judgment, the auditor must be adequately trained and be proficient with respect to IFRS. As noted above in the Education and Training section of this Appendix, we believe that courses are being developed that would provide

this training and that many of the larger firms have developed or are developing IFRS training in the U.S.

We also believe that larger audit firms in the U.S. are, and would continue to be, willing to obtain the required training and proficiency to audit financial statements prepared in accordance with IFRS. The adoption of a comprehensive plan and date for moving all U.S. domestic registrants to IFRS might encourage some smaller audit firms, with limited numbers of U.S. domestic registrant clients, to begin acquiring the requisite training and proficiency to audit financial statements prepared in accordance with IFRS.

International Auditing Standards

We believe that a proposal to allow U.S. domestic registrants to use IFRS also should explore the possibility of the eventual convergence of auditing standards. In any case, we believe that the PCAOB should become more engaged in the setting of world-wide auditing standards.

Regulation (Question 27)

Information Sharing Among Regulators

We believe information sharing among securities regulators aids in the timely identification and resolution of financial reporting matters under IFRS. We understand protocols for information-sharing between the Committee of European Securities Regulators' (CESR) and SEC staffs have been established for companies listed in the European Union (EU) and registered with the SEC. We believe it is in the best interest of both agencies to consult on registrant-specific matters regarding the application of GAAP in order to facilitate a mutually-agreeable solution. These mechanisms allow securities regulators to avoid conflicting decisions on IFRS application matters.

Additional Cooperative Efforts

Further, we understand securities regulators have developed an infrastructure to identify and address the application of IFRS globally under the auspices of IOSCO to foster the consistent and faithful application of IFRS. However, consistency should be approached with caution. If two acceptable methods of accounting are available for the same transaction, we believe either method should be appropriate for use (together with appropriate disclosure and financial statement transparency) rather than having a securities regulator select the preferred method. This, of course, will require regulators to accept reasonable professional judgments of preparers and auditors in applying IFRS.

While we view cataloguing and sharing securities regulators' experiences on IFRS application as positive, we believe that in the absence of IFRS guidance, guidance should come from an appropriate interpretive body. Perhaps the securities regulators, under the auspices of IOSCO, could participate in the IASB and International Financial Reporting Interpretations Committee (IFRIC), similar to how the SEC interacts with the FASB's Emerging Issues Task Force (EITF).

The challenge will be balancing the needs of the investors, and in turn the needs of the securities regulators, with the objective of a single set of global accounting standards. In the end, we believe any activity to remove organizational barriers and avoid geographical differences ultimately will aid in achieving a single set of global accounting standards.

Integration with the Commission's Existing Requirements (Questions 28 – 29)

Commission Requirements and Disclosures

We believe that the Commission's requirements relating to financial statements and non-financial statement disclosures should be the same for all registrants preparing financial statements under IFRS, regardless of whether the registrant is considered to be a United States issuer or a foreign private issuer. Applying the form and content provisions of Regulation S-X differently to U.S. domestic registrants using IFRS than to foreign private issuers using IFRS could be confusing for investors attempting to weigh investment alternatives and add to the costs associated with preparing financial statements.

As discussed in the Concept Release, the Commission contemplated many of the operational issues connected with the acceptance of financial statements prepared in accordance with IFRS when it issued its proposal to accept such statements from foreign private issuers without reconciliation to U.S. generally accepted accounting principles (Release No. 33-8818; File No. S7-13-07). In our comment letter responding to that proposal ("our prior comment letter"), we stated our belief that it is important for the Commission to identify references to U.S. GAAP pronouncements in the Commission's rules and releases, and in Staff Accounting Bulletins, and to address the implications, if any, of using IFRS.

Our prior comment letter suggests categorizing non-financial statement disclosure requirements that contain references to U.S. GAAP as follows:

1. Instances where similar guidance exists in both U.S. GAAP and IFRS.
2. Instances where no guidance exists in IFRS.
3. Instances where guidance in U.S. GAAP and IFRS is different.

In category 2, where no IFRS guidance exists, the Commission may wish to consider whether the required disclosure is relevant to registrants using IFRS. If the Commission determines that it is relevant to investor understanding, then it may want to consider describing the underlying disclosure in generic terms, without reference to the U.S. GAAP pronouncement. Similarly, for category 3, where IFRS and U.S. GAAP guidance differs, if the Commission determines that the disclosure concept underlying the U.S. GAAP pronouncement remains relevant, then the Commission may wish to consider issuing a rule or guidance calling for that disclosure that does not specifically cite U.S. GAAP. Removing the references to U.S. GAAP in Commission disclosure rules would make it clear that a company using IFRS would not have to keep records under U.S. GAAP for the purpose of complying with the Commission's disclosure requirements.

The appendix to our prior comment letter contained illustrative examples of items in each of these three categories. The appendix notes, for example, that the definition of “related parties” in Rule 1-02 of Regulation S-X and in Statement of Financial Accounting Standards No. (FAS) 57, *Related Party Disclosures*, is different than the definition in International Accounting Standard No. 24. That appendix also discusses the supplemental disclosures on reserves required by FAS 69, *Disclosures about Oil and Gas Producing Activities*, that are not found in IFRS. An exhibit to our prior comment letter cites several Commission rules and disclosure items that contain references to U.S. GAAP, including the references in item 402 of Regulation S-K to FAS123R, *Share-Based Payment*, and various references to FAS 5, *Accounting for Contingencies*. Because these examples and references generally should be considered in the context of U.S. domestic registrants as well as foreign private issuers using IFRS, we incorporate by reference the appendix and exhibit attached to our prior comment letter into this letter.

Materiality

With regard to materiality and misstatements, we note that in practice foreign private issuers using IFRS generally have looked to the guidance in Staff Accounting Bulletin Topic 1.M (SAB 99). We would expect that U.S. domestic registrants using IFRS also would use this guidance.

Timing and Transition (Questions 30 – 35)

Rulemaking Related to Transition

We believe that during the option period a registrant should disclose to investors and other market participants its reasons for switching to IFRS and we would support any necessary and appropriate rulemaking to that effect. Potential disclosure items include: the company’s overall rationale for the change, competitive considerations, timing considerations, and the estimated effect on financial results.

Market Forces

As noted above, we believe the Commission should allow U.S. domestic registrants to file financial statements prepared in accordance with IFRS on a voluntary basis during a transitional period that is part of a comprehensive plan relative to the use of IFRS by all U.S. domestic registrants. As companies make the decision whether to use IFRS, the Commission may wish to study the market forces at work that influence whether a company reports under U.S.GAAP or IFRS. Information about the way companies respond to the influences in their environment likely would be useful in finalizing decisions about how to move toward a single set of global accounting standards.

We see no reason to limit the availability of the option to use IFRS when it is introduced. Companies will make their own cost-benefit determinations as to whether to participate. That determination would consider advantages that are company-specific, which may be independent of size or experience. We would not support limiting the option to companies that are a certain size or have demonstrated a specified level of knowledge or experience. Such distinctions are difficult and

often arbitrary, but more importantly have the potential to deprive those not included from enjoying the actual benefits, including lower costs, or the harder to measure potential intangible benefits.