CENTER FOR AUDIT QUALITY

Serving Investors, Public Company Auditors & the Markets

April 9, 2009

Ms. Florence Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File Number S7-27-08, Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

Dear Ms. Harmon,

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 CPAs. The CAQ's mission is to foster confidence in the audit process and to 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. The CAQ appreciates the opportunity to respond to the Securities and Exchange Commission's (SEC or Commission) Proposed *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (the Proposal or the Roadmap). This letter represents the observations of the CAQ, but not necessarily the views of any specific firm, individual or CAQ Governing Board member.

OVERALL COMMENTS ON THE ROADMAP

Consistent with our response letter dated November 13, 2007, to the Commission's Concept Release on *Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (Concept Release Response), the Center believes that investors would benefit if issuers around the world prepared financial statements using a single set of high-quality accounting standards. We believe that International Financial Reporting Standards as published by the International Accounting Standards Board (IFRS)[1] has proven to be a high-quality set of standards for preparing transparent financial information and is well positioned to be the set of globally accepted accounting standards.

The Roadmap contemplates potential mandatory adoption of IFRS for U.S. public companies beginning with filings for 2014 year ends for large accelerated filers, 2015 year ends for accelerated filers, and 2016 year ends for non-accelerated filers. Given the implementation issues that would need to be addressed in order to achieve a smooth transition to IFRS in the United States, we believe that the overall timeline proposed of five to seven years *from now* is reasonable and achievable. This belief is premised on the view, as expressed in more detail below, that the Commission provide a firm mandatory adoption date (i.e., a “date certain”) as soon as possible.

We have a series of observations and suggestions on how to further improve the Roadmap; chief among those observations is the need to reinforce the SEC's commitment to moving U.S. domestic registrants to IFRS. That need along with our other observations and suggestions are expanded upon throughout the rest of the letter.

Need for a Date Certain

The Roadmap contemplates the Commission making a final decision in 2011 on whether to mandate IFRS beginning with 2014 year end filings. While we agree with the Commission’s three-year phased transition approach, the lack of a firm date and a final decision to be made in 2011 is a source of significant uncertainty for the financial reporting community. We believe that this uncertainty needs to be resolved as soon as possible.

The global economic and regulatory events of the past year have underscored not only the interrelationship among securities markets around the world, but also the need for a single set of high-quality accounting and financial reporting standards. IFRS is uniquely positioned to fill that need. This was recently reinforced by the leaders of the Group of Twenty countries in response to the financial crisis.

While the need is clear, we believe that public companies will be hesitant to commit resources toward adopting IFRS prior to having certainty around the related requirements. The lack of a date certain will discourage companies, regulators, standard-setters, auditors, academics and other constituents from beginning the work necessary to make the transition to IFRS. Furthermore, a decision by the SEC in 2011 contemplating a mandatory adoption in 2014 would not give companies sufficient time to prepare for the conversion.

[1]For purposes of this letter, references to IFRS are in the context of the English language version of IFRS, as published by the IASB, unless otherwise noted.

We note that the experiences in Europe and Canada have demonstrated the need for sufficient preparation time in making the transition to IFRS. Prudent companies will want to have the appropriate processes and systems in place by the date of transition (i.e., the beginning of the earliest period presented in the company's first IFRS financial statements). Under the Roadmap, large accelerated filers would, therefore, only have one year or less (after establishment of a firm date) to transition in such a prudent fashion. This is because in 2014 large accelerated filers would need audited IFRS statements for the years ending 2012, 2013 and 2014. The compressed timetable may result in higher costs, while also introducing undue strain on the ability to thoughtfully implement IFRS.

We recommend, therefore, that the Commission vote as soon as possible on a firm mandatory adoption date. Putting forth a firm date with appropriate monitoring of implementation sends a positive signal to the financial reporting community of the Commission's firm intent to move to IFRS reporting. Establishing a date certain also will focus the attention of all constituents to the need for preparation and implementation. Regardless of the milestones in the Commission's final roadmap, progress reports should be provided to the public on a regular basis so that all constituents can understand the timing of any future rulemaking, and the related effects, if any, on the proposed transition dates.

We are clearly, for the reasons outlined above, in favor of setting a firm mandatory transition date as soon as possible. However, if the Commission concludes that it will not make a definitive decision before 2011, we believe that, in order to be able to implement IFRS by the 2014 target date, the change recommended below regarding the inclusion of one comparative year versus two becomes more imperative.

Scope and the Broader Environment

We note that the Roadmap carves out certain entities such as investment companies under the Investment Company Act of 1940, and regulated entities such as registered broker-dealers. We believe that the ultimate goal of the Roadmap should be to have all companies move to IFRS, including those companies currently excluded from the Roadmap. Even if the path to adoption is not clear for all entities, we believe that the aforementioned ultimate goal should be clearly articulated within the Roadmap.

We would expect that any implementation 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 may use hindsight and preferences to unnecessarily challenge and overturn the reasonable professional judgments of preparers and auditors under IFRS. In this regard, we encourage the Commission to implement the recommendations of the SEC's Advisory Committee on Improving Financial Reporting relating to the use of judgment, which was reiterated in the SEC's fair value study.

MILESTONES BEFORE A DECISION ON MANDATORY USE

The Roadmap sets forth certain milestones which, if achieved, could lead to the Commission deciding to require the eventual use of IFRS by U.S. domestic registrants if the Commission believes it to be in the public interest and for the protection of investors. While we believe there is merit in establishing goals that should be accomplished in connection with embracing IFRS, these milestones generally should be viewed in the context of a continual process improvement instead of pre-requisites to a final decision on mandatory adoption. As noted earlier, we believe the Commission should, as soon as possible, establish a firm timeline for the mandatory use of IFRS by all U.S. public companies. With the exception of funding and accountability of the IASC Foundation, none of the improvement goals should be viewed as gating factors to the mandatory adoption of IFRS by all U.S. public companies. Additionally, with respect to the milestones themselves, we have the following observations:

Improvements in Accounting Standards

The first milestone relates to making improvements in the standards while ensuring that new standards continue to be developed under a robust, independent process. We believe that IFRS are generally issued through a robust process that is transparent to the public, and that process should be followed as changes to IFRS are considered in the future.

The Center supports continued convergence efforts and continued improvement in IFRS; however, we do not believe that convergence or improvements in any particular area should be a precondition to requiring U.S. domestic registrants to use IFRS. While convergence efforts generally have resulted in bringing U.S. GAAP and IFRS in closer alignment, they have not and do not intend to result in “identical” standards, which we believe are critical given the current financial crisis. Besides creating a more level playing field, having identical standards will eliminate the potential for accounting arbitrage, and may lessen the possibility of political interference in the standard-setting process. Experience has shown that fundamental differences may remain throughout the convergence deliberations and that the goal of identical standards will not be met under the current approach to convergence.

We agree that the projects identified in the Memorandum of Understanding (MoU) between the FASB and the International Accounting Standards Board (IASB) represent areas in need of additional standard-setting and deserve ongoing focus within both accounting frameworks. We also believe, however, that if standards issued by the FASB and the IASB are to be closely aligned, the framework underlying them must also be aligned. Outside of the MoU, each board has a project to improve its existing framework. These are very important projects that should be prioritized, as their results would guide and impact the conclusions that may be reached on the projects included in the MoU.

Funding and Accountability of the IASC Foundation

The only milestone that the Center believes must be achieved before the transition to IFRS relates to the funding and accountability of the International Accounting Standards Committee (IASC) Foundation. The Center believes that the IASB and the related standard-setting processes must be operationally and financially independent, as this is critical to the success of any standards setter. In that regard, an important consideration is the funding mechanism for the IASC Foundation so that the IASB may operate independently.

A global funding mechanism for the IASC Foundation, 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. 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 Center believes the IASB is well positioned to be the global standard-setter.

We agree that the accountability of the IASC Foundation will be enhanced with the newly established Monitoring Board. We believe the Monitoring Board will provide a forum for the interaction between the world's securities authorities and the IASC Foundation Trustees. In addition, we believe that the Monitoring Board could assist the IASC Foundation with its goal of developing a funding system that is broad-based, compelling, open ended and country specific.

We believe, therefore, that it is imperative that the IASC Foundation has a secure, stable funding mechanism, and a governance structure that will permit it to function independently and enhance the IASB's standard setting process.

XBRL

In our response letter dated August 1, 2008, to the Commission's proposal *Interactive Data to Improve Financial Reporting* (Interactive Data Response), we recommended that the SEC be mindful of the need to coordinate and align the adoption of XBRL with the implementation of IFRS. We agree with the Commission on the appropriateness to monitor the IASC Foundation's progress in the development of an updated IFRS taxonomy. We note the IASC Foundation's commitment to continue to improve the functionality of its IFRS taxonomy, as demonstrated by the recent release for public comment of the near final version of the IFRS Taxonomy 2009. We believe that while important, improvements to the IFRS taxonomy should not be a precondition to requiring U.S. domestic registrants to use IFRS. We do believe, however, that setting a date certain for the mandatory use of IFRS by U.S. domestic registrants would focus the attention on the need to accelerate the development of a more detailed IFRS taxonomy.

Education and Training

As is described in greater detail in our Concept Release Response, 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 continues throughout our careers with professional education. We note that many efforts are currently underway by accounting firms to address IFRS education and training needs. These efforts include establishing IFRS web sites, development of IFRS educational materials for use by professors, and the development of in-house training courses. The Center also notes that the AICPA and the National Association of State Boards of Accountancy have begun the necessary modifications to the UNIFORM CPA EXAMINATION ™ to incorporate IFRS.

As previously stated, the Center believes setting a date certain as soon as possible would provide the impetus and encourage acceleration of efforts by all constituencies toward increased IFRS education and training.

PROPOSAL FOR THE LIMITED EARLY USE OF IFRS

The Roadmap contemplates providing a period during which certain U.S. domestic registrants would have an option to convert to IFRS. This would not only enhance comparability for U.S. investors, but also 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 could be facilitated by the experiences of early users. In addition, an optional period would provide time and an opportunity for additional technical accounting or financial reporting concerns or other issues to be identified and resolved prior to the date all domestic registrants would be required to adopt IFRS. We believe this knowledge sharing would benefit all constituents and facilitate a smoother transition to IFRS for companies adopting later.

The Center believes that certain U.S. domestic registrants should be permitted to prepare financial statements in accordance with IFRS during a limited transition period, as part of a comprehensive IFRS transition plan. However, the Proposal includes numerous disincentives to companies wishing to early adopt. As stated above, the lack of a firm mandatory adoption date will dissuade some registrants from committing time and resources to IFRS reporting, if there is uncertainty regarding the Commission's ultimate decision in 2011. In addition, registrants choosing to make the investment to convert to IFRS may be required to revert back to U.S. GAAP at a future date (i.e., there is no assurance that these issuers would be able to continue filing IFRS if the Commission decides against mandatory IFRS adoption in 2011). Issuers also face the additional disincentive of a potential ongoing U.S. GAAP reconciliation requirement. We believe it is important that the disincentives to early use be removed in order to encourage eligible early adopters to seriously consider and execute on this option. Otherwise, the eligibility requirements for early adoption, as discussed below, will be essentially pointless.

Eligibility Requirements

Under the Roadmap, a limited number of U.S. companies could use IFRS for filings for fiscal years ending on or after December 15, 2009, if the Commission believes such use would improve comparability of information for U.S. investors. As proposed, a domestic registrant would be eligible to early adopt IFRS if (1) the issuer is among the 20 largest companies in its industry on a global basis, and (2) IFRS is used as the basis of financial reporting more often than any other basis of financial reporting by the 20 largest listed companies worldwide in that industry, as measured by market capitalization on a global basis. Under these criteria, the Commission estimates that at least 110 U.S. companies in 34 different industries currently would meet these requirements.

The Center believes that the early use eligibility requirements in the Proposal are too restrictive. The Commission should be aware that using too narrow a group of registrants may not provide enough information for it to accomplish its objectives. As a result, the Commission's knowledge three years from now may not be any greater than it is today if the proposal as structured is implemented.

We suggest that the Commission broaden the scope of eligibility for proposed early use, and consider including companies:

- With substantial numbers of subsidiaries that are required to publish statutory financial statements in accordance with IFRS.

- With a parent company (or significant investor) that publishes statutory financial statements in accordance with IFRS.

- With listings on foreign exchanges where many non-U.S. peer companies already prepare financial statements in accordance with IFRS.

- That are not considered foreign private issuers but operate primarily outside of the U.S.

- Of all sizes within industry segments or markets in which many non-U.S. peer companies already prepare financial statements in accordance with IFRS.

We believe that having a sufficient number of issuers that are eligible, and reasonably expected to early adopt IFRS, is important to maximizing the benefits of early use.

Alternative Proposals for U.S. GAAP Information

The Proposal presents two alternatives with respect to the disclosure of U.S. GAAP information by U.S. domestic registrants that elect to provide IFRS financial statements in their Commission filings. Alternative A would require those issuers to simply follow IFRS 1 *First-time Adoption of International Financial Reporting Standards* (IFRS 1) that requires the inclusion of certain reconciling information related to equity, and comprehensive income (or profit and loss), in a footnote to the audited financial statements. Alternative B would require these issuers to provide, in addition to the IFRS 1 footnote, unaudited, supplemental U.S. GAAP information for each of the three years' IFRS financial statements in the company's Form 10-K. The Alternative B reconciliation would cover all of the financial statements required to be presented under IFRS (statements of financial position, income, cash flows, changes in shareholders' equity, and comprehensive income) and would be an on-going requirement.

We strongly support Alternative A, which is consistent with the Commission's disclosure requirements for foreign private issuers that use IFRS. We believe that Alternative B represents a substantial disincentive to early adoption as it further raises the possibility of potentially needing to revert back to U.S. GAAP and introduces a significant ongoing cost. As noted earlier, we believe that the Commission should establish a date certain for mandatory use of IFRS by U.S. domestic registrants as soon as possible, and focus on the implementation of IFRS. This would obviate the issue of reversion back to U.S. GAAP, and eliminate the need for those issuers who early adopt IFRS to continue to maintain U.S. GAAP information. Aside from the potential reversion issue, we do not believe that the benefits of providing such information are commensurate with the costs of maintenance.

Periods to be Included Upon Transition

The Proposal would require three years of financial information in the year an issuer first adopts IFRS. We believe the Commission should allow U.S. domestic registrants the ability to provide only one year of comparative information in the year of adoption. This is consistent with previous Commission accommodation regarding first-time adoption of IFRS by foreign private issuers. It also would make the timeline in the Proposal more reasonable.

PROPOSED AMENDMENTS TO THE COMMISSION'S RULES/REGULATONS

The Commission has taken steps to improve the use of its rules and regulations by proposing a new definition of IFRS issuer and creating a new Article 13 to aggregate the requirements applicable to such an issuer. We commend the Commission for taking this important first step, but reiterate our belief that a more comprehensive modification of guidance is required. Our comment letter responding to File No. S7-13-07 suggests analyzing all non-financial statement disclosure requirements that contain references to U.S. GAAP. The appendix to that comment letter contained illustrative examples of an approach to analyzing such disclosure requirements. We believe the examples and references generally should be considered in the context of U.S. domestic registrants, as well as, foreign private issuers using IFRS. Therefore, we incorporate by reference the appendix and exhibit attached to our prior comment letter into this letter.

We believe the Commission also should address the implications of forward looking disclosures that are contained in the footnotes to IFRS financial statements (e.g., IFRS 7 *Financial Instruments: Disclosures* requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk that may contain forward looking information). Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 provide safe harbor protection for forward-looking statements, subject to certain conditions and limitations. However, these statutory safe harbor provisions do not extend to forward looking statements "included in a financial statement prepared in accordance with generally accepted accounting principles." Accordingly, we encourage the SEC to utilize its rule-making authority to extend the statutory safe harbor protections to the forward looking information required in the notes to financial statements under IFRS.

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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 a limited 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 in facilitating the transition of all U.S. domestic registrants to IFRS.

We appreciate the opportunity to comment on the Proposal and would welcome the opportunity to respond to any questions you may have regarding any of our comments and recommendations.

Sincerely,

Cynthia M. Fornelli

Cynthia M. Fornelli
Executive Director
Center for Audit Quality

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