

Please note that the comments expressed herein are solely my personal views

Securities and Exchange Commission
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05 October 2011

- **File No. 4600**
- **Commission Statement in Support of Convergence and Global Accounting Standards**

Dear Sir.

Thank you for giving us the opportunity to comment on your SEC Staff Paper: Exploring a Possible Method of Incorporation.

This Staff Paper describes a possible framework of incorporation that has not been described in much detail and outlines benefits and risks that may be associated with this incorporation approach. Incorporation of IFRS through the framework described in the Staff Paper would have the objectives of achieving the main goal of having a single set of high-quality, globally accepted accounting standards and of providing for a US issuer complying with US GAAP also to be in a position to assert that it is compliant with IFRS as issued by the IASB.

I strongly agree that our main goal must be to achieve a single set of high-quality, global accounting standards, as required by the Group of Twenty Finance Ministers and Central Bank Governors (G20).¹ The approach presented in the Staff Paper, called endorsement², is certainly a reasonable and measured approach, which would phase in the transition to IFRS in an effort to minimise its overall burden. This approach has the strong advantage that US issuers would be complying with both US GAAP and IFRS. It would also maintain the enforcement role of the FASB and SEC in the process. However, I am not convinced that this approach is optimal, as I outline below.

¹ See for example Declaration - Summit on Financial Markets and the World Economy, G20, November 2008; Leaders' Statement - the Pittsburgh Summit, G20, September 2009; The G20 Toronto Summit Declaration, G20, June 2010 etc.

² A mixture of convergence and endorsement.

Whether, when and how

The key issues here are “whether, when and how the current financial reporting system for U.S. issuers should be transitioned to a system incorporating International Financial Reporting Standards”.³ I would like to address each of these issues in turn.

Whether: I would suggest that incorporating IFRS is in the best interests of US issuers and investors. IFRS is a high quality reporting system, with a large international constituency. Incorporating IFRS will provide critical mass, and promote others to incorporate IFRS, so that we would reach the main goal of achieving a single set of high-quality, global accounting standards. I would ask for your leadership here in taking the decision to incorporate IFRS.

When: I would recommend that you should announce that US issuers shall apply IFRS in their financial statements for periods beginning on or after 1 January 2016. This will reduce the risks of transition-slippage and inconsistent and incomparable accounting practices, both domestically and internationally, and allows enough time for all parties to prepare and deliver the appropriate education, training, resource commitment and implementation.

How: Given the risks inherent in the condorsement approach, particularly the convergence part, which you have highlighted in Section V of the staff paper, I would rather recommend that you should announce a “big-bang” approach, in which US issuers would incorporate the entire body of IFRS all at once. This is eminently achievable within the timeframe suggested above. I agree that you should maximise the number of IFRSs subject to prospective application, as long as comparative information is also provided, in order to manage the expectations of preparers and users.

Decision

In some cases there are perceptions that incorporating IFRS is like “giving in” to the IASB, or weakening US sovereignty in this arena. I disagree with these perceptions. I would suggest that a decision to incorporate IFRS is a sign of strong leadership here, especially as this decision will almost certainly act as the catalyst, which would promote others to incorporate IFRS, so that we would more quickly reach our main goal of achieving a single set of high quality, global accounting standards.

Yours faithfully

Chris Barnard

³ Quoted at page 1 of the Staff paper.