



EUROPEAN COMMISSION

Internal Market and Services DG

Director-General

Brussels, 26 SEP. 2007 D/3791  
DG MARKT/ RC/pb D (2007) 13560

Ms Nancy M. Morris  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303  
The United States of America

**Subject: Proposed Rules on acceptance from foreign private issuers of financial statements prepared in accordance with international financial reporting standards without reconciliation to U.S. GAAP (File Number S7-13-07)**

Dear Ms Morris,

This letter constitutes the response of the European Commission ('the Commission') to the call for comments made by the US Securities and Exchange Commission ('the SEC') in relation to its proposed rule, of 2 July 2007, on acceptance from foreign private issuers of financial statements prepared in accordance with international financial reporting standards ('IFRS') without reconciliation to US GAAP.

The observations in this letter have been compiled following extensive consultations with the governments of the 27 Member States of the European Union ('EU'), associations representing European issuers, financial intermediaries, accountancy firms and other stakeholders. This response should be considered in the context of the ongoing discussions between the SEC and the Commission to arrive at a situation where US GAAP and *IFRS as adopted by the EU* are accepted in each other's jurisdictions. The European Parliament was also consulted (without prejudicing its right to evaluate the final outcome of the discussions).

The Commission does not seek to respond to each of the specific questions set out in the SEC's proposal but rather would draw the attention of the SEC to the following European views.

1. The Commission strongly welcomes the SEC proposal which is a major step forward towards promoting greater efficiency and dynamism of global capital markets whilst at the same time lowering the compliance costs of internationally operating companies.





4. On a further point, the Commission also notes the apparent inconsistency of the SEC proposal with US auditing requirements. Even where an issuer using IFRS is no longer required to prepare the reconciliation to US GAAP, it, and its auditor would nevertheless still be required to have the audit conducted in accordance with the standards of the PCAOB and follow any SEC guidance that relates to auditing issues. The Commission considers that this area clearly needs further discussion and consideration of equivalence.
5. In the Commission's view *IFRS as adopted by the EU* as at today already meets the criteria for filing without any reconciliation. If it deems it appropriate, the SEC could revisit the situation at some future time.

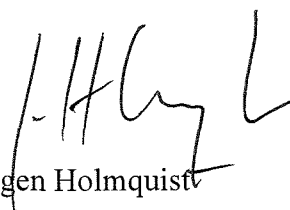
This approach would have the advantage of bringing stability to the markets.

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In summary, the Commission very much welcomes the direction that the SEC is proposing to take. The suggestions made in this letter are intended to address the acceptability of *IFRS as adopted by the EU* without any reconciliation, which remains an issue of major importance. A satisfactory resolution of this issue will in our view, greatly enhance the efficiency and thus prosperity of Trans-Atlantic and US financial markets.

In the context of supporting the SEC's initiative of removing the reconciliation requirement for EU issuers, we would, of course, be happy to discuss or explain further the views expressed in this letter, and to support the SEC's initiative in any other way.

Yours sincerely,



Jörgen Holmquist

Copies to: Christopher Cox, the SEC Chairman  
Paul S. Atkins, the SEC Commissioner  
Roel C. Campos, the SEC Commissioner  
Kathleen L. Casey, the SEC Commissioner  
Annette L. Nazareth, the SEC Commissioner  
Members of the Accounting Regulatory Committee and the European Securities Committee  
Pervenche Berès, Chair of the Committee of Economic and Monetary Affairs, European Parliament  
Eddy Wymeersch, Chairman of the Committee of European Securities Regulators