

**E-mail**

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Securities and Exchange Commission  
100 F Street, NE,  
Washington, DC 20549-1090

Brussels, 4 October 2007

**Subject: Acceptance from foreign private issuers of financial statements prepared in accordance with international financial reporting standards without reconciliation to U.S. GAAP**

Dear Ms Morris,

Set up in 1960, the European Banking Federation (EBF) is the voice of the European banking sector. It represents the interests of over 5000 European banks, large and small, from 29 national Banking Associations, with assets of more than EUR 20 000 billion and over 2.3 million employees.

We would like to point out first that the European Banking Federation is committed to the goal of high quality, internationally consistent and comparable accounting standards. We believe that every effort should be made to improve the governance of the international standard setting process which in our opinion will lead to a reduction in the instances of divergent approaches being taken by jurisdictions which adopt IFRS.

We would like to thank you for the opportunity to comment on the SEC proposal to accept financial statements of foreign private issuers prepared in accordance with International Financial Reporting Standards ("IFRS") without reconciliation to generally accepted accounting principles as used in the United States ("US GAAP").

The proposal marks an important step in the international recognition of IFRS. We support the SEC's intention to clarify under which circumstances foreign private issuers would not need to reconcile their financial statements to US GAAP. We understood that the aim of the proposal is to eliminate the burden of dual reporting for non US companies listed in the US. This is very much appreciated as it would lead to considerable cost and time savings and probably to a significant increase in US market's attractiveness. However, we are concerned that the proposal as currently drafted could cause practical difficulties for European companies with a US listing.

In the European Union all companies subject to the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their Consolidated Financial Statements for the years beginning on or after January 1, 2005 in conformity with the International Financial Reporting Standards adopted in the European Union through a specific endorsement procedure. The EU endorsement mechanism has been designed to ensure that accounting rules applied in Europe are subject to review and could therefore result in timing differences arising as to when IASB standards can be applied in Europe. In some rather rare circumstances the European endorsement process may also result in more enduring differences comparing to full IFRS.

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We believe that it should be readily possible to accommodate short term timing differences without resorting to requiring EU companies to provide US GAAP reconciliation while they await the endorsement of a new standard. For example, disclosures of the expected impact of new standards as already required by IFRS should be sufficient to provide investors with more useful information than trying to revert to US GAAP reconciliation, which would not be possible.

At present, the only area in which there is a difference between full IFRS and EU endorsed IFRS is in relation to certain aspects of the hedging rules in IAS 39 'Financial Instruments'.

The importance of this difference should not, however, be overstated. Our understanding is that of the small number of banks taking advantage of the difference between the IAS 39 standard as adopted by the European Union and the standard as published by the IASB very few also have a US listing. It can be reasonably expected that this situation will not change in the foreseeable future and the vast majority of European companies with a US listing will be able to prepare financial statements which meet the requirements of both the European Commission and the SEC. We also wish to place on record that the European Banking Federation is working with the IASB in order to find a hedge accounting solution that would enable European banks to apply the full IAS 39 hedge accounting rules.

It should be recognised, however, that the European Union has placed much trust in the IASB and that it is only to be expected that it needs to retain a certain level of control over the accounting standards followed by European companies. At the same time, it is imperative that the reconciliation requirement be eliminated as expeditiously as possible for financial statements prepared in accordance with IFRS. Should you nevertheless decide to require an analysis of the differences we would urge that the SEC accept disclosure of the differences between "EU-IFRS" and "full IFRS" with respect to the accounts of an issuer. Such disclosures would give sufficient and clear information to the market without bringing back the burdens of the US GAAP reconciliation, and in fact would be more useful disclosure in the future, given the broad acceptance of IFRS. In this context we believe that you should consider relying on audit opinions based on the EU auditing standards to state whether any registrant is in compliance with EU-IFRS.

In addition, the acceptance of EU-IFRS could avoid that companies currently reporting under EU-IFRS would, in order to qualify for the SEC's proposed reconciliation requirements, fall within the scope of IFRS 1 (paragraph 3) and have a different transition date for IFRS-EU and full IFRS as a consequence. Such companies without the acceptance of EU-IFRS would (to qualify under the SEC's proposal and to continue to meet EU law) need to issue two sets of IFRS accounts in the public domain with different transition date accounting (e.g. resetting foreign currency translation reserves and the pension corridor at different dates) and consequently have two different reported amounts for profit and equity.

Yours faithfully,



Guido Ravoet