

Ms Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549 – 1090
USA

4 October 2007

Dear Ms Morris

Acceptance from foreign private issuers of financial statements prepared in accordance with International Financial Reporting Standards without reconciliation to US GAAP

General Comments

This is the British Bankers' Association's response to the above SEC request for comment. The BBA is the leading UK banking and financial services trade association and acts on behalf of its members on domestic and international issues. Our 225 members are from 60 different countries and collectively provide the full range of banking and financial services. They operate some 130 million personal accounts, contribute £50bn to the economy, and together make up the world's largest international banking centre.

We warmly welcome the Commission's proposal to eliminate the requirement for foreign private issuers to reconcile their financial reports compiled in accordance with IFRS to US GAAP, as an important step towards achieving a common set of high quality global accounting standards. We believe that IFRS has made remarkable progress in recent years and that the SEC should seize the moment and press ahead with the removal of the US GAAP reconciliation requirement for foreign private issuers without delay.

We fully understand the reasoning behind the Commission's view that the reconciliation requirement for financial statements should be removed only for financial statements prepared in accordance with IFRS as published by the IASB and agree that this is the appropriate position in principle. It minimises the prospect of different jurisdictions adopting IFRS on only a partial basis and ensures that investors understand IFRS. Furthermore, it is compatible with the commitment given by the European Union to the IASB and the work being undertaken on consistent application.

However, it must be recognised that listed companies in the European Union are required to prepare financial statements in accordance with IFRS as adopted by the European Union. Currently, IFRS as adopted by the European Union is largely as published by the IASB. There are, however, aspects of the hedge accounting rules in IAS 39 'Financial Instruments' that have so far not been endorsed, although this does not prevent companies fully complying with IFRS as published by the IASB.

In determining that the IASB should develop accounting standards for major European companies the European Union has invested considerable faith in the IASB, a private body outside its jurisdiction; the setting of standards is of significant importance to the well-being of its capital

markets, the investing public and other key stakeholders. We therefore see it as inevitable that the European Union would see a need to retain review powers over IFRS.

The European endorsement mechanism may in some instances lead to short term timing differences emerging between when a new IFRS standard becomes applicable and when it is available for use in the EU. As it would not be possible to revert to a US GAAP reconciliation in such circumstances, we suggest that disclosure of the expected impact of new standards as already required by IFRS would be sufficient to provide investors with the information they need.

It would be unfortunate if this were viewed as an irreconcilable difference between the SEC and the European Commission that resulted in delay in the removal of the requirement for foreign listed companies following IFRS to reconcile to US GAAP. It would also fail to reflect the huge strides that have been made since the decision at the March 2000 Lisbon Summit that EU-listed companies should follow IFRS and the time and resource invested since first time adoption in respect of ensuring consistent application. Non-recognition at this point in time would also bring to the surface pressures on the European Commission to require US companies to reconcile to IFRS and, all-in-all, the opportunity to make a huge step in support of global accounting standards may be lost for some years.

The importance of the hedge accounting carve out should not be exaggerated. Of the 7,000 listed companies required to follow IFRS under the European Union IAS Regulation all bar a handful of banks apply IFRS as published by the IASB. Our understanding is that of the small number of banks taking advantage of the difference between the standard as adopted by the European Union and the standard as published by the IASB very few also have a US listing. UK banks have not utilised the alternative approach permitted under the European adoption of IAS 39 and therefore apply IFRS as published by the IASB. They have therefore been able to include a statement in their 20-Fs that the financial statements have been prepared in accordance with IFRSs as published by the IASB, in addition to the statement required by law that they have been prepared in accordance with IFRS as adopted by the European Union.

There is a need to remove the reconciliation requirement expeditiously and since there is, for all practical reasons, no difference between IFRS as adopted by the EU and IFRS as published by the IASB we agree that the removal of the reconciliation should be tied to the use of IFRS as published by the IASB; however, the SEC needs to be sensitive to the legal requirements placed on listed companies in the EU.

Further progress should be made towards firmly establishing IFRS at the centre of global accounting. This includes not only further work on the US GAAP and IFRS convergence programme, but also a review of the IASB's financing, as agreed in principle by European Finance Ministers, in order to ensure its independence and objectivity. Further improvements in the IASB's governance and due process arrangements are also needed so that the IASB and its major stakeholders reach early agreement on its strategic agenda and key milestone projects. This is the key to ensuring that individual jurisdictions including the European Union are tied into the full adoption of IFRS and do not find it necessary to selectively or partially endorse standards.

We should add that the experience of our member banks suggests that US investors and analysts are already well versed in IFRS. Several hold US investor relations events and we are told that little, if any, interest is shown in the US GAAP reconciliation. This is compatible with it being understood that it is the IFRS accounts that provide the key to understanding the running of the business and its performance.

We therefore believe that the SEC should press ahead with the removal of the GAAP reconciliation in time for foreign registrants to benefit for their 2008 interim reports if not before. This would bring the added benefit that they would not be placed in a position of having to apply new US standards including SFAS 157, which have similar principles to IFRS but could give rise to additional differences and disclosures that would not meet cost/benefit tests.

Specific Questions

1. Do investors, issuers and other commentators agree that IFRS are widely used and have been issued through a robust process by a stand-alone standard setter, resulting in high quality accounting standards?

It seems clear to us that IFRSs are widely used and understood by investors, issuers and preparers. As discussed above, we believe that the standards are of a high quality. We would like to see, however, further enhancements made to the IASB's structure and governance. This will be a necessary requirement for national governments to relinquish their oversight requirements.

2. Should convergence between US GAAP and IFRS as published by the IASB be a consideration in our acceptance in foreign private issuer filings of financial statements prepared in accordance with IFRS as published by the IASB without a US GAAP reconciliation? If so, has such convergence been adequate? What are commentators' views on the processes of the IASB and the FASB for convergence? Are investors and other market participants comfortable with the ongoing process for convergence? How will this global process, and, particularly, the work of the IASB and FASB, be impacted, if at all, if we accept financial statements prepared in accordance with IFRS as published by the IASB without a US GAAP reconciliation? Should our amended rules contemplate that the IASB and FASB may in the future publish substantially different final accounting standards, principles or approaches in certain areas?

The convergence process between IFRS and US GAAP has, in large part, brought us to the point where the SEC can consider the removal of the reconciliation requirement because both sets of standards essentially provide equivalent information to users. The convergence process has made good progress to date and we have no reason to believe that this will not continue to be the case. We believe the removal of the reconciliation requirement will have a positive effect on the convergence process as it will enable standard setters to focus on the creation of high quality accounting standards rather than on the need to avoid potential GAAP differences. When finalised, the jointly developed conceptual framework for financial reporting will provide a centripetal pull towards convergence and will help minimise the possibility of the FASB and IASB proceeding in different directions. It must be remembered that it is not necessary for standards to be identical, so long as they provide equivalent information to users and meet the qualitative characteristics of financial reporting. As such, we do not believe it is necessary for the SEC to contemplate there being substantially different approaches between IFRS and US GAAP.

3. Is there sufficient comparability among companies using IFRS as published by the IASB to allow investors and others to use and understand the financial statements of foreign private issuers prepared in accordance with IFRS as published by the IASB without a US GAAP reconciliation?

We believe that the growing usage of IFRS demonstrates that they provide an excellent basis for users to understand and compare financial statements compiled in accordance with IFRS. We are not aware of any evidence that the US GAAP reconciliation is used by investors to understand financial statements prepared in accordance with IFRS and it is not used by our members as a tool for communicating with the market. The reconciliation is highly technical in nature and, as such, is not produced in a time period which is useful for investors. Additionally, as most preparers of IFRS financial statements do not manage their business on a US GAAP basis, US results are not a good basis for making investment decisions.

4. Do you agree that the information sharing infrastructure being built in which the Commission participates through both multilateral and bilateral platforms will lead to an improved ability to identify and address inconsistent and inaccurate applications of IFRS? Why or why not?

We fully support the initiative being taken by the SEC and CESR to avoid conflicting conclusions regarding the application and enforcement of IFRS. It seems clear to us that the more attention there is focused on the application of IFRS, then the greater the chance of examples of inconsistent application will be identified. However, the IASB and IFRIC must remain the only bodies which can interpret IFRS.

5. What are commentators' views on the faithful application and consistent application of IFRS by foreign companies that are registered under the Exchange Act and those that are not registered?

We believe that companies, whether or not registered under the Exchange Act, take their legal responsibility to publish financial statements seriously and therefore faithfully and consistently apply IFRS to the best of their abilities.

6. Should the timing of our acceptance of IFRS as published by the IASB without a US GAAP reconciliation depend upon foreign issuers, audit firms and other constituents having more experience with preparing IFRS financial statements?

European companies and their auditors spent three years and expended much effort to fully understand the requirements of IFRS in the period before adoption on 1 January 2005. This resulted in the not inconsiderable achievement of a trouble free transition to IFRS. Therefore, while it is true that preparers and their auditors have only had a short period of experience of preparing IFRS financial statements they have in reality gained considerably more experience with IFRS. We also believe users have adapted well to using IFRS and, as such, do not believe there is any reason to delay the removal of the reconciliation requirement on this account.

7. Should the timing of any adoption of these proposed rules be affected by the number of foreign companies registered under the Exchange Act that use IFRS?

We believe that the adoption of the proposal will lead to an increase in the number of foreign companies registered under the Exchange Act and likewise a decline in the number registered if the proposal is not accepted. We believe the balance of US interests lies in the SEC adopting the proposed rules as soon as possible.

8. The IASB Framework establishes channels for the communication of regulators' and others' views in the IFRS standard-setting and interpretive processes. How should the Commission and its staff further support the IFRS standard-setting processes?

The very nature of the IASB prevents any one national regulator or user of financial statements from exercising disproportionate influence on its work and spreads the burden of supporting the work. In our view, the SEC currently plays a sufficient part in the IASB's activities, through membership of IOSCO in particular, and, as such, it is not required to provide any further support for its work.

9. How should the Commission consider the implication of its role with regard to the IASB, which is different and less direct than our oversight role with the FASB?

It is inevitable that the SEC will have less of an oversight role in the case of an international standard setter than for one within its own national jurisdiction. We suggest that in the first instance the SEC looks to how regulators in other jurisdictions which have accepted IFRS have dealt with this challenge. To preserve the benefit of the proposal to remove the reconciliation requirement, the SEC must resist taking any actions which could result in the version of IFRS it accepts differing to that promulgated by the IASB. This however is not to say that the IASB should be given a completely free hand and we suggest that in longer term, the SEC works with the European Commission to enhance the governance and oversight arrangements of the IASB so that national regulators can have greater confidence that it will behave in a manner they are comfortable with.

10. The Commission has gathered certain information from representatives of issuers, investors, underwriters, exchanges and other market participants at its public roundtable on IFRS. We are interested in receiving information from a broader audience. Is the development of a single set of high quality globally accepted standards important to investors? To what degree are investors and other market participants able to understand and use financial statements prepared in accordance with IFRS as published by the IASB without a US GAAP reconciliation? We also encourage commentators to discuss ways in which the Commission may be able to understand and use financial statements prepared in accordance with IFRS. How familiar are investors with financial statements prepared in accordance with IFRS as published by the IASB? Will the ability of an investor to understand and use financial statements that comply with IFRS as published by the IASB vary with the size and nature of the investor, the value of the investment, the market capitalization of the issuer, the industry to which the issuer in question belongs, the trading volume of its securities and the regulation to which they may be subjected, or any other factors? If so, should any removal of the reconciliation requirement be sensitive to one or more of these matters, and, if so, how?

We believe that investors' understanding of IFRS is sufficient for the reconciliation requirement to be removed in accordance with the proposed timeline. We encourage, however, the SEC to work with investor groups to increase understanding in any areas where it is felt this is necessary.

11. Without a reconciliation, will investors be able to understand and use financial statements prepared using IFRS as published by the IASB in their evaluation of the financial condition and performance of a foreign private issuer? How useful is the reconciliation to US GAAP from IFRS as published by the IASB as a basis of comparison between companies using different bases of accounting? Is there an alternative way to elicit important information without a reconciliation?

As we stated in answer to question 3, we do not believe that the US GAAP reconciliation adds to a user's understanding of financial statements prepared in accordance with IFRS. With IFRS increasingly becoming the default standards used to prepare financial statements (and the prospect that US companies will shortly also be able to use IFRS) we do not believe that the US GAAP reconciliation provides a useful basis of comparison between companies using different bases of accounting. As IFRS provides a comprehensive set of high quality accounting standards, we can not see that any important information would be omitted in the absence of the US GAAP reconciliation.

12. In addition to reconciling certain specific financial statement line items, issuers presenting an Item 18 reconciliation provide additional information in accordance with US GAAP. What uses do investors and other market participants make of these additional disclosures?

We do not believe that investors or other market participants utilize additional US GAAP disclosures presented by foreign private issuers. Where US GAAP and IFRS disclosure requirements address the same topics but in slightly different ways, compliance with both sets of disclosure requirements is onerous for companies without any discernable benefit for investors.

13. Should we put any limitations on the eligibility of a foreign private issuer that uses IFRS as published by the IASB to file financial statements without a US GAAP reconciliation? If so, what type of limitations? For example, should the option of allowing IFRS financial statements without reconciliation be phased in? If so, what should be the criteria for the phase-in? Should only foreign private issuers that are well known seasoned issuers, or large accelerated filers, or accelerated filers, and that file IFRS financial statements be permitted to omit the US GAAP reconciliation?

No. We can see no conceptual reason for not removing the reconciliation for all foreign private issuers at the same time.

14. At the March 2007 Roundtable on IFRS, some investor representatives commented that IFRS financial statements would be more useful if issuers filed their Form 20-F annual reports earlier than the six-month deadline. We are considering shortening the deadline for annual reports on Form 20-F. Should the filing deadline for annual reports on form 20-F be accelerated to five, four, or three months, or another date, after the end of the financial year? Should the deadline for Form 20-F be the same as the deadline for an issuer's annual report in its home market? Should we adopt the same deadlines as for annual reports on Form 10-K? Why or why not? Would the appropriateness of a shorter deadline for a Form 20-F annual report depend on whether US GAAP information is included? If a shorter deadline is appropriate for foreign private issuers that would not provide a US GAAP reconciliation under the proposed amendments, should other foreign private issuers also have a shorter deadline? Should it depend on the public float of the issuer?

We can understand calls from investors to shorten the deadline for issuers to file their form 20-F if the proposal to remove the reconciliation requirement is approved. It would be unreasonable, however, to expect foreign private issuers to meet a deadline which is shorter than for the issuer's annual report in the market where it is domiciled. It would be burdensome to align the timeline with that of the home market as producing the data required by Form 20-F is complex and time consuming.

15. Although reconciliation to US GAAP of interim periods is not ordinarily required under the Exchange Act, foreign private issuers that conduct continuous offerings on a shelf registration statement under the Securities Act may face black-out periods that prevent them from accessing the US public capital market at various times during the year if their interim financial information is not reconciled. Even if commentators believe we should continue the US GAAP reconciliation requirement for annual reports that include IFRS financial statements, to address this should we at least eliminate the need for the US GAAP reconciliation requirement with respect to interim financial statements prepared using IFRS as published by the IASB for use in continuous offerings? Should we extend this approach to all required interim financial statements?

We believe the reconciliation requirement should be eliminated. If the SEC was, however, to decide not to eliminate the requirement, our members would welcome relief being granted for all interim financial statements.

16. Is there any reason why an issuer should not be able to unreservedly and explicitly state its compliance with IFRS as published by the IASB? Is there any reason why an audit firm should not be able to unreservedly and explicitly opine that the financial statements comply with IFRS as published by the IASB? What factors may have resulted in issuers and, in particular auditors, refraining from expressing compliance with IFRS as published by the IASB?

There is no reason why, when a company makes an explicit and unreserved statement that its financial statements have been prepared in accordance with IFRS as published by the IASB, that an audit firm should not also be able to opine unreservedly and explicitly that the financial statements comply with IFRS as published by the IASB.

As discussed in our opening comments above, however, in some extreme future situations, it may not always be possible for foreign private issuers based in the EU to make such a statement due to the requirement to prepare financial statements in accordance with IFRS as adopted by the European Union. We believe that, in such a rare situation, the SEC and European Commission will need to work together to determine an enduring solution.

17. If the proposed amendments are adopted, should eligible issuers be able to file financial statements prepared using IFRS as published by the IASB without a US GAAP reconciliation for their first filing containing audited annual financial statements? If the amendments are

adopted, what factors should we consider in deciding when issuers can use them? For example, should we consider factors such as the issuer's public float (either in the United States or worldwide), whether the issuer has issued only public debt, or the nature of the filing to which the amendments would be applied? Will investors be prepared to analyse and interpret IFRS financial statement without the reconciliation by 2009? If not, what further steps, including investor education, may be necessary?

We believe the reconciliation requirement should be removed for all foreign private issuers and that there is no conceptual reason for treating issuers differently based on factors such as public float or public debt. It would be burdensome to develop an implementation rule which attempted to differentiate between foreign private issuers on factors such as these and would, in our view, be confusing for market participants.

We do not believe that there is any lack of understanding of IFRS on the part of investors and see no difficulty with removing the reconciliation requirement by 2009. The SEC should, however, engage with investor groups to bolster understanding if this is considered necessary.

18. Do we need to make any other changes to Items 17 or 18 or elsewhere to implement fully the proposed elimination of the reconciliation requirement for issuers using IFRS as published by the IASB?

We disagree with the proposal to delete Items 17(c) (2)(iv)(B) and (c). For the reasons explained above, it may well be possible for a company to comply with IAS 21 but not be able to state full compliance with IFRS as promulgated by the IASB. It seems to us illogical that additional disclosures would be required in this situation when in the past compliance with IAS 21 was considered to provide sufficient information to users without the need to reconcile to US GAAP. Changes may be necessary to the Instruction for these items to make clear, for instance, that when an IFRS earnings per share is presented it is not necessary to also present a US GAAP earnings per share.

19. Is any revision necessary to clarify that the provisions relating to issuers that use proportionate consolidation contained in Item 17(c) (2)(vii) would not apply to IFRS financial statements that are not reconciled to US GAAP under the proposed amendments? If so, what changes would be appropriate?

It may be clearer if the text referred to issuers that prepare financial statements on a basis of accounting other than US GAAP principles or IFRS as published by the IASB.

20. Is the IAS 21 accommodation still useful for non-IFRS issuers? It is clear that an issuer using IFRS would not need to provide disclosure under Item 17(c)(2)(iv)? If not, what changes would be necessary to make it clear?

Where the exemption from the reconciliation requirement does not apply, the IAS 21 accommodation is still useful. Again, it may be clearer if the text referred to issuers that prepare financial statements on a basis of accounting other than US GAAP principles or IFRS as published by the IASB.

21. Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS, and do they make express statements to that effect?

The publication of interim period financial statements will be compulsory for European based issuers from 2008 and can be produced with no greater difficulty than IFRS compliant annual financial statements.

22. Do foreign private issuers that have changed to IFRS generally prepare interim financial statements that are in accordance with IFRS, and do they make express statements to that effect?

They do. European companies will need to make express statements of compliance with IAS 34 from 2008.

23. How significant are the differences between IAS 34 and Article 10? Is the information required by IAS 34 adequate for investors? If not, what would be the best approach to bridge any discrepancy between IAS 34 and Article 10? Should issuers comply with IAS 34? Should we consider any revision to existing rules as they apply to an issuer that would not be required to provide a US GAAP reconciliation under the proposed rules?

We believe the information required by IAS 34 is adequate to satisfactory investors needs; it is equivalent if not identical to Article 10. Acceptance of financial statements prepared in accordance with IFRS implies that there should be no additional requirement to provide a US GAAP reconciliation on this, or any other issue.

24. Are there accounting subject matter areas that should be addressed by the IASB before we accept IFRS financial statements without a US GAAP reconciliation?

No. IFRS provides a full suite of high quality accounting standards. Issues such as accounting for insurance accounting are currently being addressed by the IASB. It is our view that the proposed elimination of the reconciliation requirement will generate savings of such a magnitude for foreign private issuers that any delay in its adoption cannot be justified. Any delay would also undermine the competitiveness of the US capital markets.

25. Can investors understand and use financial statements prepared using IFRS as published by the IASB in those specific areas or other areas that IFRS does not address? If IFRS do not require comparability between companies in these areas, how should we address those areas, if at all? Would it be appropriate for the Commission to require other disclosures in these areas not inconsistent with IFRS published by the IASB?

IFRS 8 requires preparers to disclose accounting policies used in areas not covered by IFRS. We do not agree, therefore, that IFRS does not require comparability in these circumstances. In our view, it would be inappropriate and inconsistent with the rationale behind removing the reconciliation requirement to make additional requirements in this area.

26. Should issuers that are permitted to omit a US GAAP reconciliation for their current financial year or current interim period be required to disclose in their selected financial data previously published information based on the US GAAP reconciliation with respect to previous financial years or interim periods?

We see little value in repeating disclosures made in previous years. We would suggest that selected information going forward is based on IFRS information only.

27. With regard to references to US GAAP in non-financial statement disclosure requirements, should we amend the references to US GAAP pronouncements that are made in Form 20-F to also reference appropriate IFRS guidance, and, if so, what should the references refer to? Would issuers be able to apply the proposed broad US GAAP pronouncements and would this approach elicit appropriate information for investors? Should we retain the US GAAP references for definitional purposes?

Reference to the appropriate IFRS guidance would be beneficial for preparers, particularly those who operate in an IFRS-only regime and which have no experience of dealing with the US GAAP requirements. Further, it would undermine the benefit of removing the reconciliation requirement if foreign private issuers are required to maintain their understanding of US GAAP for definitional purposes. It may be useful, however, to maintain the US GAAP references for definitional purposes in the short term to avoid misunderstanding of requirements.

28. Should foreign private issuers that prepare financial statements in accordance with IFRS as published by the IASB be required to continue to comply with the disclosure requirements of FAAS 69? What alternatives may be available to elicit the same or substantially the same disclosure?

In principle, we do not believe that it is consistent with the principle of removing the reconciliation requirement to require compliance with FAAS 69. However, we are unable to comment on the detail of FAAS 69 as the banking industry falls outside of its scope.

29. Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbour provision or other relief or statement be appropriate?

We believe that the current safe harbour provisions for information outside the financial statements should be extended to accommodate forward looking statements explicitly required by IFRS. This will increase the utility of disclosures to investors, particularly around the risk management disclosures of IFRS 7.

30. Are there issues on which further guidance for IFRS users that do not reconcile to US GAAP would be necessary and appropriate? Should issuers and auditors consider guidance related to materiality and quantification of financial measurements?

Guidance on issues such as materiality and quantification of financial measurements should already be considered by US filers, irrespective of the reconciliation requirement. As such, we do not consider that any additional IFRS specific guidance is necessary or appropriate. Requirements relating to listing rules, rather than accounting standards, should apply to all issuers, no matter what accounting standards used to prepare their financial statements.

31. If a first-time adopter provides, in a registration statement filed during the year in which it changes to IFRS, three years of annual financial statements under a previous GAAP and two years of interim financial statements prepared under IFRS as published by the IASB, should we continue to require that the interim financial statement be reconciled to US GAAP?

No. This would not be consistent with the principle of accepting financial statements prepared in accordance with IFRS and the costs of preparing a one off reconciliation to US GAAP would exceed the benefits. It would also, in our view, have the effect of discouraging new listings on US markets by foreign private issuers. Furthermore, IFRS 1 requires first time adopters of IFRS to disclose the impact of the conversion, so users will already have sufficient information available.

32. Would a US GAAP reconciliation be a useful bridge from Previous GAAP financial statements to annual financial statements prepared under IFRS as published by the IASB that are not reconciled to US GAAP?

No. As above, we believe this would be contrary to the principles behind the elimination of the reconciliation requirement and would impose an unnecessary burden on preparers. The information disclosed under IFRS 1 should be sufficient.

33. Should the Commission extend the duration of the accommodation contained in General Instruction G for a period longer or shorter than the proposed five years? Would seven years, ten years or an indefinite period be appropriate? If so, why?

The SEC will need to make an assessment of the number of countries which will move from using their own local GAAP to adopting IFRS. While the desire to have five year comparable data is understandable; it is highly improbable that registrants will have the resources to prepare five years worth of IFRS data when converting to IFRS. The value of this data to users must be balanced

against the cost to issuers of preparing it and the need for the SEC to protect the competitive nature of US markets.

34. Should any extension of the accommodation to first-time adopters be tied in any way to US GAAP reconciliation? If so, how?

No. Again we believe this would be inconsistent with the principles behind the proposal to remove the elimination requirement.

35. Are the proposed changes to Rules 3-10 and 4-01 sufficient to avoid any ambiguity about our acceptance of financial statements without reconciliation? If not, what other revisions would be necessary?

Yes, they are clear. No further revisions are necessary.

36. Are there other rules in Regulation S-X that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to US GAAP? If so, how would the application of those rules be unclear if there were no changes to those rules, and what changes would be suggested in order to make them clear.

We do not believe any further amendments are necessary.

37. Is the application of the proposed rules to the preparation of financial statements provided under Rules 3-05, 3-09, 3-10 and 3-16 sufficiently clear? If not, what areas need to be clarified? Are any further changes needed for issuers that prepare their financial statements using IFRS as published by the IASB?

We do not believe any further amendments are necessary.

38. Are the proposed changes in forms F-4 and S-4, and in Rule 701, sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, how should we revise those forms or rule?

We do not believe any further amendments are necessary.

39. Under part F/S of Form 1-A relating to offerings conducted under Regulation A, Canadian issuers may use unaudited financial statements that are reconciled to US GAAP. Should we amend Form 1-A to permit the use of by Canadian companies of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation? Does the fact that financial statements under form 1-A are not required to be audited militate in favour of retaining a US GAAP reconciliation whenever a Canadian issuer uses a GAAP other than US GAAP?

We do not believe that any requirement to maintain a US GAAP reconciliation is compatible with the principle of accepting IFRS without reconciliation. However, the constituents we represent are not affected by this form and so we do not have the mandate to comment further.

40. Are there other rules or forms under the Securities Act that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to US GAAP? If so, how would the rules or forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?

We are not aware of any other rules or forms which should be specifically amended for this purpose.

41. Should Schedule TO and Schedule 13E-3 be specifically amended to permit the filing of financial statement as prepared in accordance with IFRS as published by the IASB without a reconciliation to US GAAP? If so, how would the rules or forms be unclear if there were no changes to those Schedules, and what changes would be suggested in order to make them clear?

We agree with the SEC's reasoning and agree that no change is required to implement the proposal.

42. Without the reconciliation to US GAAP, should we be concerned about member firm requirements to have persons knowledgeable in accounting, auditing and independence standards generally accepted in the United States review IFRS financial statements filed with the Commission? Are there alternative ways in which concerns may be addressed?

In reality, a knowledgeable person would have to have an understanding of the GAAP in which the financial statements was prepared in order to make sense of a US GAAP reconciliation. As knowledge of US GAAP is no longer needed for financial statements prepared under IFRS, the SEC may wish to review this PCAOB requirement in light of this development and other developments in mutual recognition of auditors. This does not, however, need to be addressed in the short term.

43. Should Form 40-F or F-10 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without reconciliation to US GAAP? If so, how would the forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?

We have no comments.

44. If progress does not continue towards implementing a single set of high quality globally accepted accounting standards, will investors and issuers be served by the absence of a US GAAP reconciliation for financial standards prepared using IFRS as published by the IASB?

In our view, the US GAAP reconciliation is of extremely limited use to investors and other users of financial statements. Further we do not believe that it is contributing to the development of a single set of high quality accounting standards. The maintenance of the requirement will hinder progress towards the establishment of a single set of high quality accounting standards and so we urge its removal.

45. Where will the incentives for continued convergence lie for standard setters, issuers, investors and other users of financial statements if the reconciliation to US GAAP is eliminated for issuers whose financial statements are prepared using IFRS as published by the IASB?

Although the elimination of the reconciliation requirement has been, and continues to be, a key goal in the convergence process, this does not mean that momentum will be lost following its removal. The objectives of standard setters, issuers and users differ but all want the highest possible quality accounting standards to communicate information and so have an incentive to engage in the convergence process. This will not change following the elimination of the reconciliation requirement. The proposal will have the effect of focusing standard setters' minds on the development of the highest possible accounting standards rather than on the need to avoid new GAAP differences. It is more probable that a decision not remove the reconciliation will lead to a loss of momentum in the convergence process.

46. Are there additional interim measures, beyond the proposed elimination of the US GAAP reconciliation from IFRS financial statements, that would advance the adoption of a single set of high quality globally accepted accounting standards? If so, what are they? Who should undertake them?

Work towards the establishment of a single set of high quality accounting standards is progressing on a number of fronts and is beginning to yield results. As such, we do not have any specific recommendations to advance this objective, other than to request that the SEC and other regulators work in collaboration to facilitate progress towards a single set of accounting standards.

47. Do you agree with our assessment of the costs and benefits as discussed in this section? Are there costs or benefits that we have not considered? Are you aware of data and/or estimation techniques for attempting to quantify these costs and/or benefits? If so, what are they and how might the information be obtained?

If anything, the costs of producing the reconciliation requirement are understated and the benefits exaggerated. Many companies do not only conduct the reconciliation for external reporting but also for internal management purposes to ensure that all reconciling items are correctly identified and are calculated regularly.

48. Which foreign private issuers would have the incentive to avail themselves of the proposed amendments, if adopted? Are there any reasons for which an issuer that is eligible to file IFRS financial statements would elect to file a reconciliation? If so, what are they?

We believe that all foreign private issuers would make use of the amendments if adopted. We are aware of no logical reason for an issuer to elect to continue to produce and file a reconciliation.

49. Are there particular industry sectors for which a critical mass of the issuers who raise capital globally already report in IFRS? If so, which industries are they and why?

As the number of countries which permit their companies to prepare their financial statements in accordance with IFRS now numbers well over a 100, we believe this to be a critical mass. The banking industry, in particular, makes extensive use of IFRS.

Yours sincerely



Paul Chisnall
Executive Director

Direct Line: 020 7216 8865
E-mail: paul.chisnall@bba.org.uk