



The Chairman

Ref.: CESR/07-650c

To: Ms. Nancy M. Morris  
Secretary U.S. Securities and  
Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-9303  
Email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Paris, 23 October 2007

**Subject: File Number S7-13-07**

Dear Madam,

The Committee of European Securities Regulators (CESR) wishes to thank the Securities and Exchange Commission for this opportunity to provide its input on the proposed rule *“Acceptance from foreign private issuers of financial statements prepared in accordance with IFRS without reconciliation to US GAAP”*.

CESR welcomes the efforts made by the SEC to advance the issue of the removal of the reconciliation requirements and to continue to work positively on the Roadmap. In encouraging the acceptance of IFRS, the SEC recognises that information contained in financial statements produced under IFRS is adequate for investors even if that information is not strictly the same as under US GAAP. CESR commends the SEC for this huge step taken towards the emergence of one single set of global standards. Furthermore, CESR thinks it is the right time to move towards mutual acceptance of the standards as applied and enforced in the EU and the US GAAP.

To the extent that this proposed rule could be used by a sufficiently large number of European issuers listed in the US, it will have very positive impacts, including on:

- the harmonisation of financial reporting and hence the improvement in investors' information;
- the simplification in the elaboration of financial reporting;
- the significant reduction in the costs necessary to produce the financial information; and
- the fluidity and efficiency of the global financial markets.

Moreover, CESR believes that GAAP-reconciliations do not necessarily provide relevant information for investors. The higher investor appreciation of reconciliations in relation to disclosures in many cases does not offset the additional costs incurred by companies to prepare such reconciliations. In addition to this, it is noted that in many cases companies' management do not manage their business based on reconciled figures but rather on their primary financial reporting GAAP as the resulting GAAP-reconciliations are based on a strictly technical procedure, often with minor relevance to management.

In addition, CESR would like to raise the following specific issues:

- CESR noted that, under the proposal, in order to be eligible to omit the reconciliation, an issuer would be required to state unreservedly and explicitly that its financial statements are



in compliance with IFRS as published by the IASB. In addition, in its report, the independent auditor must opine similarly on whether those financial statements comply with IFRS as published by the IASB. Without developing further the real practical difficulties behind this condition (and especially the need for many countries to modify the structure and content of the auditors' report), CESR considers that this second statement by the independent auditor is both duplicative and unnecessary. Indeed, if an issuer states unreservedly and explicitly in its notes that its financial statements are prepared in compliance with IFRS as published by the IASB when there are actually deviations, the independent auditor is expected to consider the impact of this misstatement in its report. If it is assumed that the information on the conformity to IFRS is significant, the auditor would mention it explicitly in its report, probably through a qualification. The users would therefore be fully informed on the quality of the financial statements produced. This is the reason why CESR invites the Commission to consider dropping this condition.

- Finally, CESR is concerned with the SEC's approach to apply the proposed amendments only if the issuer follows the approved English version of IFRS. The SEC's rationale is that only the English version of IFRS would assist investors in achieving comparability and consistency across jurisdictions. Furthermore, the Commission's work is conducted in English. CESR believes that these are not the factors that the SEC should consider when deciding to accept an IFRS language different from English. Even if an IFRS issuer has produced its financial statements according to a translation of the English standards, these financial statements filed with the SEC are obviously in English. Therefore, neither investors nor the SEC staff would find any difference with IFRS financial statements prepared according to the English version of the standards. However, we would understand that the SEC might be concerned with the quality of a translation. We consider that this concern has been addressed by the IASC Foundation, by creating an official translation process<sup>1</sup> that ensures the quality of all the official translations published by it. Therefore, CESR believes that the SEC should consider that all official translations published by the IASCF could be accepted as well as the English version. Indeed, CESR believes that any such publications should be considered as an "authorised translation" pursuant to the IASB's constitution (paragraph 32) Furthermore, in the European Union, the European Commission has entered into a contract with the IASCF which aims at further ensuring the quality of the translations of the IFRS to the official languages in the European Union. Those IASCF translations will be incorporated into the EU law as the official IFRS translations to the EU official languages.

If you need any further information or have any questions, Fabrice Demarigny and Javier Ruiz ([jruiz@cesr.eu](mailto:jruiz@cesr.eu)), would be available to respond any requests on your part.

Yours faithfully,

Eddy Wymeersch  
Chairman of CESR

Paul Koster  
Chairman of CESR-Fin

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<sup>1</sup> The IASB has published information about the translation process at [www.iasb.org/Products+and+Services/Translations/About+Translations.htm](http://www.iasb.org/Products+and+Services/Translations/About+Translations.htm)