

Yonsei Severance B/D 24th Fl.
Chung-gu Namdaemunro 5-ga 84-11
Seoul 100-753, (South) Korea

14 September 2007

Ms. Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E. Washington, D.C.20549

Dear Ms. Morris:

Korea Accounting Institute is pleased to respond to the Invitation to Comment from the Securities and Exchange Commission (“the Commission”) with regard to its proposed amendment to laws that require financial statements of foreign private issuers to be reconciled to U.S. generally accepted accounting principles (“US GAAP”). It proposes to accept the financial statements prepared using the English version of International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) without a reconciliation to U.S. GAAP.

We are pleased with and strongly support the Commission’s proposal to accept from foreign private issuers of financial statements prepared in accordance with IFRS without reconciliation to U.S. GAAP. However, we fully understand the Commission’s concern over jurisdictional variations of IFRS in implementation, but we urge the Commission to reconsider to use the term ‘English Version of IFRS in the proposal and not to distinguish IFRS by language. The majority of IFRS adopters are non-English countries who are using or are to use a translated version of IFRS. Due to different regulatory circumstances, 100% exactness of IFRS may not be achieved among IFRS adopters. The Commission should consider or develop IFRS equivalency tests as the EU has developed, which can provide comfort in accepting financial statements prepared in accordance with IFRS without reconciliation acceptance as proposed.

Please do not hesitate to contact us if you have any inquiries regarding our comments. You may direct your inquiries either to myself (cwsuh@kasb.or.kr) or to Mr. Il-hong Park (ihpark@kasb.or.kr), researcher of KASB.

Yours sincerely,



Dr. Chungwoo Suh
Chairman, International Financial Reporting Standards Review Committee
Vice Chairman, Korea Accounting Standards Board

Cc: Hyoik Lee, Chairman of KASB
Sungsoo Kwon, Director of Research Department

Encl.

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Q1: Do investors, issuers and other commenters 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?

We believe that IFRS are the most widely used accounting standards in the world. The EU has adopted the standards, requiring a significant number of the large publicly-traded companies to be in compliance with IFRS. Elsewhere, IFRS are being adopted as national standards or are being used as the basis for national standards. Korea also announced a roadmap for a full adoption of IFRS as national accounting standards for public companies.

We also believe that IFRS have been formulated and issued on the basis of highly transparent and sound due process. The process of the development of IFRS, even being produced from a single organization, has multiple steps to be followed prior to final issuance. Such steps are not only internally cross-monitored and overseen but are widely open for public comments through hearings and meetings. Also, given the fact that the constituents participating in the due process are diverse in their profession and background, broader perspectives and insights are being brought to the standards-setting process. In line with that, the SEC should play an important role in supporting the FASB on many joint projects with the IASB in order to ensure the robustness, neutrality and independence in the standards setting process. We, however, recognize that the IASB still needs to make more efforts in further improving rule-formulating process by geographically diversifying the composition of members and extending more opportunities to other standard setting bodies for direct participation in the actual standard setting process to dispel any doubts over the level of fairness of standards set by one single body, and accelerated the process. The Korea Accounting Institute(KAI)/The Korea Accounting Standards Board(KASB), the body in charge of IFRS adoption in Korea is also extending its roles to various activities to support the rule-setting process to ensure high quality standards.

Q2: Should convergence between U.S. 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 U.S. GAAP reconciliation? If so, has such convergence been adequate? What are commenters' views on the processes of the IASB and the FASB for convergence? Are investors and other market participants comfortable with the convergence to date, and 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 U.S. GAAP reconciliation? Should our amended rules contemplate that the IASB and the FASB may in the future publish substantially different final accounting standards, principles or approaches in certain areas?

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We think that convergence itself should not be a determining factor in the acceptance in the financial statements of foreign private issuers without reconciliation to U.S. GAAP. Also, at this time, it is uncertain when convergence can be achieved. Rather, the focus should lie in whether or not the information generated under IFRS not reconciled to U.S. GAAP is still as useful as it used to be with a reconciliation. Hence, we believe that the SEC should not neither establish a condition for or prerequisite to granting a reconciliation exemption nor delay the timing of adoption on a specific level of convergence. Convergence between the two standards may help investors understand financial statements prepared under one or the other of the accounting standards to some degree but would not guarantee the level of correctness of their understanding of the financial statements given the complexity of existing rules. There have been many open gray areas that entail diverse interpretations and applications under U.S. GAAP. However, we still believe that achieving convergence holds a solid legitimacy and paramount significance in ultimately attaining one single globally accepted set of accounting standards under which financial statements prepared are understandable to all users regardless of geographical diversification. Also, convergence itself once achieved will eliminate a fundamental need for reconciliation. On the other hand, there are concerns over the speed of the progress in the convergence project between FASB and IASB. We believe that more efforts and resource should be furnished to timely accomplish convergence.

Q3: 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 U.S. GAAP reconciliation?

Yes. Given that IFRS is a principle-based accounting standard, a level of comparability under IFRS among companies may relatively not as great as it is provided under rule-based accounting standards with a reconciliation. Additionally, since IFRS allows a use of alternative methods and more exercise of judgment, comparability on each line item of financial statements may be partially limited. However, these relative shortcomings can be overcome when companies are compared on a global basis. The fact that IFRS is principle-based, it is easier to adopt for many countries with diverse accounting practices under different regulatory environment. A significant number of foreign companies are currently preparing their financial statements under IFRS and the number will grow as more countries are switching to IFRS. This means comparability among companies across different jurisdictions will be enhanced accordingly provided IFRS are applied consistently. Past experience tells us that the level of understandability of the financial statement users acquired by sufficient comparability is not necessarily secured by a GAAP reconciliation. Also, a possibility of misunderstanding and lack of

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comparability are not unique characteristics of IFRS without reconciliation and still exist even when reconciliation is provided.

Given the intended purpose of the U.S. GAAP reconciliation requirement, what matters are relevancy, reliability, and faithfulness of information, all of which would contribute to the generation of useful information. We believe that the goal of the SEC, providing useful information to the financial statements users, would be better achieved not by reconciliation requirement itself but by ensuring the quality of the standards being used. In that light, we believe IFRS is a high quality set of accounting standards to serve the purpose.

Q4: 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?

Yes. One of the major concerns regarding IFRS application has been on how to ensure one single version of IFRS is applied globally. In the absence of a global IFRS watch dog, we believe that the IOSCO database, which allows regulators in different countries to share information about problems and non-compliance of IFRS, would facilitate the consistent application and implementation of IFRS for the time being.

Q6: 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?

No. We take a view that the adoption timing should not be affected by the number of foreign registrants on the following grounds:

First, it may not be easy to set the logically or rationally appropriate number of foreign companies in determining adoption timing. Secondly, the primary purpose of reconciliation elimination as indicated in the proposal is to assuage the high costs and workload associated with reconciliation. In that regard, the criteria for deciding the timing should be on a cost-benefit basis: the benefits current registrants would enjoy against the costs to be borne to remain listed, whichever weigh more. Assuming that many investors and users of financial statements for foreign companies are generally institutional, the cost they ought to pay for comparability on a global basis will be lessened if reconciliation between different standards is no longer necessary. We also believe that an earlier adoption of the proposal would preclude foreign companies from diverting away from the US market, which in turn will enlarge the basis of investment opportunities for domestic investors. Korea is in the process of a full adoption of IFRS, and early adoption will be allowed from 2009 for listed companies upon their choice and a full compliance with IFRS is to be required from 2011. Korean companies, who

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avoided the U.S market due to anticipated high reconciliation costs, will be more inclined to enter the market if reconciliation requirement is lifted.

Q8: 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 and interpretive processes?

If the reconciliation requirement were eliminated, foreign registrants would file the exact same financial information as they would at home. Consequently, the responsibility to ensure the observation of the rule would partially shift from the hands of the SEC to those of local authorities. In that matter, we suggest that the SEC work more closely with regulators from around the world to monitor any problems arising out of the implementation and enforcement of IFRS and to share information reciprocally. Timely feedback should be provided to the IASB with any issues regulators have identified. In that way, the IASB would reflect more reality in the IFRS standard-setting and interpretive processes.

Moreover, the SEC should extend its roles to monitor IFRS is not asymmetrical not only in the formulation process but also in the standard itself so that it does not represent specific interests and it is fair to all, preparers and users as well.

Q10: 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 U.S. GAAP reconciliation? We also encourage commenters to discuss ways in which the Commission may be able to assist investors and other market participants in improving their ability 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, the foreign markets on which those securities are traded 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?

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Yes. We believe that the development of a single set of high-quality globally accepted standards would remove the barriers of entry to various capital markets investors can access as well as improve the comparability among companies on a global basis. In addition, one unified standards would eliminate a fundamental need for different GAAP reconciliation and the cost foreign companies have to pay for larger capital access. Those who invest in foreign investments are generally institutional buyers with sufficient knowledge in and better insights to IFRS even though the level of sufficiency may vary individually. Small-sized and private investors, who may have relatively limited knowledge about IFRS, would ask for professional advice if they feel the need. In the past, there have been voices of concern over the appropriateness of U.S. GAAP reconciliation performed by foreign registrants. The SEC is not able to monitor every single piece of financial information filed by individual foreign registrants. Rather the burden lies on the ability of professional accountants who assert the information is appropriate. The same would apply to the financial information under IFRS without reconciliation. In addition, as accounting transactions are getting more complex, the practical application of new rules of U.S. GAAP, which has been getting more complicating to understand, has continuously challenged the familiarity of existing rules. In other words, there have been the same risks of misunderstanding of the financial statement users and misapplication of rules. At the core what is important is not the numbers shown under two different versions of accounting rules but the quality of financial information presented. Hence, on one hand, it is the SEC's role to appropriately watch the compliance of foreign registrant with IFRS and on the other hand closely monitor quality of the rule setting process of IFRS.

Q13: 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 U.S. 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 U.S. GAAP reconciliation?

We, in general, recommend that the rule neither put limitations on the eligibility nor put a distinction among issuers in reconciliation exemption. We believe the criteria should be the same for all issuers regardless of size because the company size has no bearing on this issue. However, in very extreme and rare cases, for the purpose of promoting more consistent application by those who adopted IFRS, certain limitations on the eligibility might be necessary. The Commission can develop its own IFRS equivalent tests as the EU did for internal scrutiny purposes and performs the test on a regular basis, allowing more foreign companies to be attracted to the U.S. market without paying

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costly listing maintenance fees once they are passed the test. In that way, the SEC can raise the level of public trust in the SEC regulatory activities in general and provide larger investment opportunities to domestic investors.

Q15: Although reconciliation to U.S. 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 U.S. public capital market at various times during the year if their interim financial information is not reconciled. Even if commenters believe we should continue the U.S. GAAP reconciliation requirement for annual reports that include IFRS financial statements, to address this issue should we at least eliminate the need for the U.S. GAAP reconciliation requirement with respect to required interim period 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 that the requirement of reconciliation to U.S. GAAP will incur additional costs not only to foreign private issuers that conduct continuous offerings on a shelf registration statement under the Securities but to those not on a shelf registration statement, which is reversing the original intention of the Commission as stated in the proposal: to relieve heavy reconciliation and provide more investment opportunities to domestic investor by eliminating reconciliation.

Q16: 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?

Page 8~9 of the proposal, which discusses the condition of acceptance of financial statements, indicate that exemption will be permitted only to financial statements prepared under English-version of IFRS. Preface to IFRSs states that IFRS is approved by the IASB in the English language and the IASB may approve translations in other languages, provided that the translation is prepared in accordance with a process that provides assurance of the quality of the translation. Many non-English speaking adopters have used and to-be adopters will expect to use local-language-translated version of IFRSs. Translation is performed under due processes set and stringently monitored by IASB per license contract. Accordingly, Korean audit firms should not be able to unreservedly and explicitly opine that the financial statements comply with IFRS

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as published by the IASB unless the SEC either deletes the 'English Version' or further clarifies the exact scope of English version of IFRS because financial statements of Korean registrants will have been prepared under Korean-translated version of IFRS as many other non-English speaking adopters. We recommend that page 8~9 of the proposal be extended to clarify whether or not the English version include locally translated version of English IFRS.

Q20: Is the IAS 21 accommodation still useful for non-IFRS issuers? Is it 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?

We believe the IAS 21 accommodation is still useful for non-IFRS issuers given the fact that provisions under both the IAS 21 and U.S. GAAP are mostly similar except the one area, specifically hyper-inflation for foreign operations. It would appear unnecessary to make changes in order for disclosure exemption to be clear under Item 17(c)(2)(iv) as it appears clear as it is presented .

Q21: Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS as published by the IASB?

We believe that issuers will not have difficulties in preparing interim period financial statements. The current provisional requirements for interim period financial statements under Korea GAAP are in large similar to those of IFRS, which assist Korean financial statement preparers to readily adopt themselves to new interim standards under IFRS.

Q22: 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?

We believe, with variation in the requirements of individual country's securities laws, that the majority of the foreign registrants are publicly-traded and cross-listed both at home and in the U.S.. Most of the U.S. listed Korean private issuers are also listed in Korea, and Korea securities law requires them to file interim financial statements to the regulatory authority. With IFRS taking effect in 2011, interim financial statements under IFRS will be required to be filed and IFRS preparers are to be required to make express statements that they are in accordance with IFRS in the notes to the financial statements.

Q23: 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

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approach to bridge any discrepancy between IAS 34 and Article 10? Should issuers be required to comply with Article 10 if their interim period financial statements 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 U.S. GAAP reconciliation under the proposed rules?

The differences between IAS 34 and Article 10 would be significant with respect to the reporting periods. However, the information required by IAS 34 would be adequate for investors. If issuers' interim period financial statements comply with IAS 34, they should be exempt from Article 10 requirement. More fundamentally, the Commission may opt for revisions to existing rules to be converged to IAS 34.

Q25: 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?

We believe that IFRS is fairly new standards with a short history relative to that of U.S., and its coverage in accounting subject matters and specific guidance may be not comprehensive enough to cope with all complex accounting transactions. However, U.S. GAAP itself or local GAAP with a reconciliation to U.S. GAAP has always been challenged for its legitimacy and usefulness due to the possibility of misapplication either by misinterpretation of rules or a lack of guidance for specific transactions. Some areas that are not addressed by IFRS may require preparers' judgment. However, their judgment will be reviewed and filtered by professional auditors who has sufficient knowledge & resources they can refer to. We do not think such an exercise of judgment will not harm the inherently high quality of financial information under IFRS. However, in order to make up for the possible deterioration of comparability, the Commission may require preparers to disclose specific areas where judgment is exercised and applied are non-IFRS including implementation guidance and examples of standards setters other than IASB in the absence of applicable standards and interpretation.

Q26: Should issuers that are permitted to omit a U.S. 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 U.S. GAAP reconciliation with respect to previous financial years or interim periods?

We believe that for the sake of consistency for financial information presented, that issuers should be exempt from the disclosure requirement in their selected financial data

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previously published information based on the U.S. GAAP reconciliation with respect to previous financial years or interim period.

Q31: If a first-time IFRS 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 statements be reconciled to U.S. GAAP?

We believe that three year of annual financial statements under a Previous GAAP, if the Previous GAAP is non-IFRS, the Commission should require the interim financial statements to be reconciled either to IFRS or to U.S. GAAP, whichever is more convenient and entails less incremental cost to the preparers, for the sake of consistency and comparability within the statements. Also, reconciliation to U.S. GAAP required for the two years of interim financial statements prepared under IFRS will pose additional costs on preparers, which can possibly eliminate the benefits the Commissions originally intended. Korean US registrants that, so far, have not performed a reconciliation for interim financial statements will incur costs for reconciliation.

Q33: 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? Should any extension of the accommodation to first-time adopters be tied in any way to U.S. GAAP reconciliation? If so, how?

The duration of the accommodation should be carefully determined with full consideration of the adoption timing of other jurisdictions to allow late adopters to equally enjoy the same benefits. Some countries may take more time in adoption due to various local specific reasons. Also, reconciliation exemption should be extended to first time adopters

Q44: 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 U.S. GAAP reconciliation for financial statements prepared using IFRS as published by the IASB?

IFRS is relatively new standards as compared to those of the U.S. However, given the current progress in formulation and implementation of the standards made so far, we believe IFRS is a high quality set of accounting standards formulated via robust processes, and investors and issuers will still be able to be served even in the absence of

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a U.S. GAAP reconciliation. Further, as the users of & demands for IFRS increase, the implementation process would be accelerated. However, ultimately convergence between the two standards should be achieved because non-convergence can signal that there may be irreconcilable differences on significant issues, and this will ultimately result in public distrust in both accounting standards.

Q45: Where will the incentives for continued convergence lie for standard setters, issuers, investors and other users of financial statements if the reconciliation to U.S. GAAP is eliminated for issuers whose financial statements are prepared using IFRS as published by the IASB?

We believe that the incentive would lie in the users' continuous quest for useful accounting information. Convergence itself should not be the goal to fulfill the original purpose of the reconciliation requirement but the progress should be made in the context of serving the best interests of the F/S users. The market itself and various financial statements users would voluntarily create a need for further convergence if the information generated under IFRS without U.S. GAAP reconciliation would not provide useful information enough for decision-making.