

July 12,

I am writing this comment as regards the proposal to remove the reconciliation requirement for foreign firms that trade their stock on U.S. exchanges. Although the commissioners voted 5-0 to eliminate this requirement, I feel that this action is just another step down a very slippery slope. The direction of the next step is apparent, first foreign companies will be allowed to choose between IFRS and GAAP and then this privilege will be extended to U.S. firms.

The IASB and the IFRS have many problems to resolve before it can be considered the equal of U.S. GAAP. Indicative of these problems is the unilateral carve up of its standards by the European Parliament, the current battle over IFRS 8, and the continuing propensity of certain countries to be selective and imaginative in how they apply any given standard. *The Economist*, in their May 17<sup>th</sup>, 2007 issue, concluded that “Today, an investor in Europe could not tell from reading a company’s financial report whether it is using full blown IFRS or the EU version.” It appears that IFRS are becoming more of a suggestion than a standard.

The IFRS are not as yet of the same quality as U.S. GAAP. The problems of interpretation that a principle based system such as IFRS engenders are compounded by the fact that there is no effective enforcement mechanism to ensure compliance. The thought of using the lure of the easing of accounting restrictions to attract more business to the nation’s exchanges is a compelling one. But please make sure the signal that you are sending is the one that is being received. Historians may cite your actions as one of the early causes of some future world wide financial meltdown.

I believe that the drift to implement convergence is premature and I would strongly recommend that reconciliation requirement be retained until such time that the IASB has solved the problems of implementing IFRS, developed an effective means of enforcing its standards, and, in short, has earned an acceptable track record.

Sincerely,

William Craven, CPA