

September 23rd, 2007

Dear Sirs,

As both a current accounting student, and an individual investor, I'm grateful for the opportunity to comment on this proposed rule. Having benefited from a Global accounting course and from the view of an individual investor, I believe that the acceptance of the proposed rule regarding foreign private issuers of financial statement prepared in accordance with international financial reporting standards without reconciliation to U.S. GAAP would result in several advantages to both US and the international investment community.

Advantages of the proposed Rule.

- *Reducing financial reporting cost an increasing investors' returns on investment*

Being the biggest financial center in the world is one of the important objectives of US government and SEC as well. In order to do so, US stock exchanges are trying to attract more and more foreign investors and issuers. What is the concern of foreign issuers? Certainly, they have to consider cost and benefit in raising capital and listing their stock in the U.S market. There have been complains about the competitiveness of the US stock market. People wonder if the US can be the biggest financial center in the word in the next decade. High cost and regulatory requirement are blamed as main reasons lessening the competitiveness of U.S capital market.

Currently, there are more than 1000 foreign private issuers listing in the US capital market. As mentioned in the proposal, the preparation of reconciliation costs foreign issuers millions of dollars (estimated more than \$700 millions) as well as time. Those costs will finally be transferred to investors and lower their returns on investment. Such constrains will prevent both current and prospective issuers from going to the U.S capital market. In addition the abandon of foreign issuer may reduce investment opportunities for U.S investors and they may have to find investment opportunities somewhere else with higher cost and higher risk. Thus, the elimination of reconciliation may help foreign issuers reduce costs, attract them to the US market and provide greater investment opportunities to US domestic investors.

- *Effectiveness of 20-F when foreign issuers use IFRS*

The main function of accounting is to provide information for decision making. Which accounting system (US GAAP or IFRS) carries this function better? As a rule based standard setting, it is quite possible that U.S GAAP will become increasingly less effective. U.S. reporting standards provide detailed rule on what companies have to report. Such details purport to be the minimum reporting

requirement but could be treated as the maximum by companies when their goals are just to satisfy such requirement.

In contrast, IFRS is a principle based setting standards. It focuses on establishing the general principles derived from the IASB Framework, providing recognition, measurement and reporting requirement for transactions covered by standards. Therefore, IFRS is widely accepted and becomes an accounting harmonization trend. There are more than 100 countries adopting IFRS¹. As a high quality accounting standards, European countries have required listed companies to prepare financial statement using IFRS since early 2005. Other than the E U, there are more and more countries adopting IFRS *without reconciliation*. Don't these countries want to protect their investor? Why reconciliation is only required by U.S. market? Is SEC so conservative with the harmonization trend or is spoiling their investors? Is 20-F really effective? Unfortunately, the evidence supporting the usefulness of 20-F is still mixed (Harris and Muller Iii 1999²)

Some concerns

Even though I consider the elimination of the reconciliation requirement bring about great benefits, I am still having some concerns about this proposal as detailed below.

We know that there are a number of differences between IAS and US GAAP. These differences will be reduced or eliminated in the future when new standards are issued and revised by both the IASB and the FASB. However, there appears to be a fundamental difference that may be difficult to resolve: IFRS is principles based whereas US GAAP is rule based.

As a principles based, IFRS creates more flexible accounting choices, allowing greater freedom and relying more heavily on judgment in selecting accounting treatments. IFRS, therefore, seem to lack detailed guidance and provide more solutions to a treatment issue than US GAAP.

The elimination of the reconciliation requirement would cause difficulties for U.S. investors to understand the difference between accounting information prepared under IFRS and US GAAP and troubles their ability to make comparisons between foreign issuers using IFRS and U.S. registrants. However, these difficulties may be worthwhile if the acceptance of IFRS would lead to the use of IFRS in place of various national standards that are considered to be below the quality of IFRS and reduce the quality of information disclosure.

Conclusion

¹ www.iasb.org

² Harris, M. S. and K. A. Muller Iii (1999). "The market valuation of IAS versus US-GAAP accounting measures using Form 20-F reconciliation." Journal of Accounting & Economics 26(1-3): 285-312

Given the above analysis, I believe that an exception to the reconciliation requirement could be used for foreign issuers adopting IFRS. This could not only help the foreign issuers reduce a substantial cost but also promote global harmonization of accounting practices and standards trend. As IFRS is widely accepted around the world, the increased acceptance in the United States would further enhance its use and promote greater harmonization.

The support for an exception to the reconciliation requirement will help us pursuit of both high quality and harmonization. Specifically, I believe that the acceptance of IFRS in the United States without reconciliation or disclosure of differences in accounting requirements would unquestionably establish IFRS as the global standard because it would lead to the increased use of IFRS in many countries in which enterprises are seeking access to the U.S. capital markets and simultaneously increase the competitiveness of U.S capital market. However, in order to reduce the costs to US investors with regard to the comparability of financial reports using US GAAP and IFRS, US accounting standard setters need to work more closely with IASB to push further the convergence of US GAAP and international standards.

I hope the Commission find these above comments helpful. Should there is any needs to clarify my comment, please do not hesitate to contact me.

Yours truly,

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