



Ms Nancy M Morris  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-9303  
United States of America

24 September 2007

Dear Ms Morris

**INVITATION TO COMMENT – PROPOSED RULES ON ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS WITHOUT RECONCILIATION TO US GAAP (File Number S7-13-07)**

BT Group welcomes the opportunity to comment on the SEC's proposal to eliminate the requirement for foreign private issuers which prepare financial statements in accordance with International Financial Reporting Standards (IFRS) to also include a reconciliation to US GAAP.

Our response does not seek to address all of the specific questions set out in the SEC's proposal but rather focuses on those key areas which are most relevant to BT in the context of the overall objectives of the proposal.

**General comments**

BT strongly supports the proposal to eliminate the US GAAP reconciliation requirement for foreign private issuers that publish financial statements prepared in accordance with IFRS, by recognising that US GAAP and IFRS are now sufficiently equivalent. This proposal represents a major step towards the SEC and IASB's stated objective of achieving a single set of high quality, globally accepted accounting standards.

It has been widely acknowledged that the transition to IFRS by European listed companies (such as BT) has been successful. It is our view that current IFRS constitutes a robust set of principles based financial reporting standards and in the period following first time adoption our investors and other stakeholders have built up a high degree of confidence in the quality of IFRS financial statements and disclosures. In addition, as differences between IFRS and US GAAP have reduced, the usefulness of the US GAAP reconciliation has, in our view, diminished. This is corroborated by the lack of requests and questions we receive on the US GAAP information from our investors. We do not believe that the reconciliation provides any additional insight into our financial performance or position beyond what is already included in our primary IFRS financial statements. For this reason, we would see no reason to delay the implementation of these proposals and would encourage the SEC to allow FPIs to eliminate the US GAAP reconciliation requirement with immediate effect.



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We note that the proposal to eliminate the US GAAP reconciliation will apply only to those FPI's whose financial statements are prepared in accordance with IFRS as published by the IASB. Companies, such as ourselves, which are required by law to prepare financial statements in accordance with so-called "jurisdictional variants" of IFRS, such as IFRS as adopted by the European Union, would be ineligible unless they certified that the financial statements also complied with IFRS as published by the IASB, and their auditors also opined on this certification.

Whilst we are sympathetic to the SEC's view that it would be inappropriate to favour one jurisdictional variant of IFRS over another, we still believe that the SEC can introduce more flexibility into the proposed approach whilst still remaining faithful to the ultimate objective of IFRS becoming a single global set of high quality accounting principles. That flexibility would depend on certain key criteria being met which would be based on IFRS as published by the IASB. However a national regulator or other appropriate body should have the power to approve or disapprove IFRS as issued by the IASB – with disapproval expected to be a rare occurrence. There should also be a high quality infrastructure including an appropriate comment mechanism by all relevant parties.

As the European endorsement mechanism does not seek to modify or alter original pronouncements issued by the IASB, but is nonetheless an important safeguard process, the differences between EU endorsed IFRS and IASB IFRS are relatively minor. We therefore believe the IFRS as adopted by the EU would meet such criteria and should be accepted as a high quality jurisdictional variant of IFRS.

We trust these comments are helpful in contributing to your deliberations. If you have any questions or would like to discuss these comments further, please do not hesitate to contact me.

Yours sincerely



**JOHN WROE**  
DIRECTOR GROUP FINANCIAL CONTROL AND TREASURY