

24 September 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington DC 20549-1090
USA

Dear Ms Morris

File Number S7-13-07: Acceptance from foreign private issuers of financial statements prepared in accordance with international financial reporting standards without reconciliation to US GAAP

IMA is the trade body representing the UK asset management industry. IMA members include independent fund managers, the asset management arms of banks, life insurers, investment banks and occupational pension scheme managers. They are responsible for the management of approximately £2 trillion of funds (based in the UK, Europe and elsewhere), including institutional funds (e.g. pensions and life funds), private client accounts and a wide range of pooled investment vehicles. In particular, our members manage 99% of UK-authorized investment funds.

IMA members invest in listed companies and as the ultimate owners of companies they are the main users of the information reported in companies' accounts. They use the information for the purposes of deciding to buy, sell or hold their shares and to help them fulfil their responsibilities as owners – assessing company management and the strategies adopted for the longer term.

IMA strongly welcomes the Commission's proposals to allow foreign private issuers to publish financial statements prepared in accordance with IFRS without reconciliation to US GAAP. The proposals are a major step towards promoting greater efficiency in international markets and reducing compliance costs for companies that operate internationally. In particular, our members do not just invest in UK companies but invest globally and different accounting treatments and disclosures in different jurisdictions is economically inefficient, makes cross-border comparisons difficult and costly, and can even hinder capital allocation. Furthermore, they gain little benefit from the disclosures resulting from the current reconciliation requirements.

Notwithstanding our support for the proposals we have two main comments to make and set out in the attached our answers to the specific questions raised.

- The consultation document raises a number of questions on the convergence of accounting standards. We consider that the IASB and FASB have made considerable progress on convergence and the development of a unified set

of global accounting standards. We support convergence in principle although not at any price. In particular, investors support the current approach to IFRS in that they tend to be principles-based and professional judgment is used within the overall objective of a true and fair view. They are concerned lest a converged set of accounting standards that is acceptable to the SEC may need to be more rules-based with little or no scope for judgment. In summary, we believe that the progress achieved to date should be considered sufficient for the removal of the reconciliation requirement and increasingly we are forming the view that mutual recognition or equivalence may be more achievable in the medium term as opposed to full convergence.

- On a technical point the proposal is to allow foreign private issuers to publish accounts in accordance with IFRS *as issued by the International Accounting Standards Board (IASB)*. However, within the EU “the Regulation” requires all EU listed companies to prepare accounts in accordance with IFRS *endorsed by the EU*. In practice, IFRS issued by the IASB and IFRS endorsed by the EU will normally be the same, but there could be timing differences between the IASB issuing an IFRS and it being endorsed by the EU, and the EU could fail to endorse, or could modify, an IFRS issued by the IASB. To address this, IMA would prefer EU foreign private issuers to be able to file their accounts in accordance with IFRS as endorsed by the EU. If necessary, the Commission could require these accounts to be reconciled to IFRS issued by the IASB, but not to US GAAP.

I trust that the above and the attached are self-explanatory but please do contact me if you require any clarification of the points in this letter or if you would like to discuss any issues further.

Yours sincerely



Liz Murrall – Senior Adviser Corporate Governance

ANNEX

IMA response to file number S7-13-07: Acceptance from foreign private issuers of financial statements prepared in accordance with international financial reporting standards without reconciliation to US GAAP

IMA's comments on the questions raised and on which we have views are set out below.

Convergence and robustness of IFRS

1. ***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?***

As the trade body representing the UK asset management industry and investors in listed companies, we generally agree that IFRS are widely used, have been issued through a robust process and have resulted in high-quality accounting standards.

2. ***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?***

IMA considers that the convergence achieved to date is considerable and should be considered sufficient for the removal of the reconciliation requirement. We do not believe that further convergence should be a precondition for the removal of the reconciliation.

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?

IMA considers that the convergence process to date has been carried out by the respective Boards. Although the Boards issue discussion papers and exposure drafts for comment, we would welcome more dialogue with them in the formulation of policies before formal documents are released.

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?

IMA believes that global convergence would be facilitated if financial statements prepared in accordance with IFRS were accepted without a US GAAP reconciliation and that the IASB and FASB continued to enter into a dialogue.

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?

IMA agrees that although substantially different standards are unlikely, the rules should contemplate different standards, principles or approaches in certain areas. In particular, the different legal frameworks in the US may preclude differences between IFRS and US GAAP being eliminated entirely. Investors support the current approach to IFRS in that they tend to be principles-based and professional judgment is used within the overall objective of a true and fair view. They are concerned lest a converged set of accounting standards that is acceptable to the SEC may need to be more rules-based with little or no scope for judgment. In summary, we believe that the progress achieved to date should be considered sufficient for the removal of the reconciliation requirements and increasingly we are forming the view that mutual recognition or equivalence may be more achievable in the medium term as opposed to full convergence.

3. ***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?***

IMA agrees that there is sufficient comparability among companies using IFRS to allow investors and others to use and understand the financial statements of foreign private issuers prepared in accordance with IFRS without a US GAAP reconciliation.

4. ***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?***

Although convergence should result in increased comparability, this can only happen if the standards are implemented consistently. Introducing 40 new standards plus interpretations has given rise to interpretation issues most of which have dealt with successfully by companies' auditors or regulators.

There is a danger, however, that local markets and individual companies could develop interpretations that are not consistent, and that we lose truly comparable accounting. Markets need to start using IFRS with an agreed objective of achieving consistency, and progress needs to be monitored. IMA agrees that the information-sharing infrastructure will help with this and that it is important that such issues are dealt with on an international basis. We welcome the Commission's recognition that it would not expect to issue guidance inconsistent with IFRS and IFRIC.

5. ***What are commenters' views on the faithful application and consistent application of IFRS by foreign companies that are registered under the Exchange Act and those that are not so registered?***

IMA does not believe that there is any difference on the faithful and consistent application of IFRS by foreign companies that are registered under the Exchange Act and those that are not so registered.

6. ***Should the timing of our acceptance of IFRS as published by the IASB without a U.S. GAAP reconciliation depend upon foreign issuers, audit firms and other constituencies having more experience with preparing IFRS financial statements?***

IMA does not agree that the acceptance of IFRS without a US GAAP reconciliation should depend upon foreign issuers, audit firms and other constituencies having more experience with preparing IFRS financial statements.

7. ***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?***

IMA does not agree that the adoption of the proposed rules should be affected by the number of foreign companies registered under the Exchange Act that use IFRS.

The IASB as Standard Setter

8. ***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?***

IMA believes that the Commission could further support the IFRS standard-setting and interpretive processes by commenting upon the IASB's public consultation documents and publicising opportunities for comment on its website /updates.

9. ***How should the Commission consider the implication of its role with regard to the IASB, which is different and less direct than our oversight role with the FASB?***

As the IASB is an international standard setter the Commission should not seek the same oversight role as it does for the FASB. Instead, it must continue to work via international institutions such as IOSCO to co-ordinate with other national securities regulators.

Summary

10. ***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?***

We consider that the IASB and FASB have made considerable progress on convergence and progressing the development of a unified set of global accounting standards. However, as outlined in the covering letter, whereas in principle we support convergence, it should not be at any price.

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?

Investors are able to understand and use financial statements prepared in accordance with IFRS without a US GAAP reconciliation. Indeed the reconciliation is of little benefit although some investors would find a reconciliation by US companies traded on a European exchange useful for identifying matters that IFRS handles more rigorously, for example off-balance sheet vehicles.

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?

Our members are institutional investors and are very familiar with IFRS and do not see a role for the Commission in assisting their understanding.

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?

Yes, but no more than is already the case with US GAAP.

If so, should any removal of the reconciliation requirement be sensitive to one or more of these matters, and, if so, how?

No

Eligibility Requirements

- 11. Without a reconciliation, will investors be able to understand and use financial statements prepared using IFRS as published by the IASB in their evaluation of the financial condition and performance of a foreign private issuer?***

Yes

How useful is the reconciliation to U.S. GAAP from IFRS as published by the IASB as a basis of comparison between companies using different bases of accounting?

Not very useful.

Is there an alternative way to elicit important information without a reconciliation?

Yes – long term convergence on important issues.

12. ***In addition to reconciling certain specific financial statement line items, issuers presenting Item 18 reconciliation provide additional information in accordance with U.S. GAAP. What uses do investors and other market participants make of these additional disclosures?***

We do not really use such information with the possible exception of information on oil and gas companies, where US GAAP (FAS 69) provides additional information and we would like to see the IASB adopting similar rules in its review of the extractive industries. However, we do not see the lack of such requirements as a reason not to adopt the current proposals.

13. ***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, 74 and that file IFRS financial statements be permitted to omit the U.S. GAAP reconciliation?***

No and none.

We have no views on question 14 to 16 and questions 18 to 23 are outside our scope.

IFRS Treatment of Certain Areas

24. ***Are there accounting subject matter areas that should be addressed by the IASB before we should accept IFRS financial statements without a U.S. GAAP reconciliation?***

No, IMA does not believe that more convergence is necessary as a prerequisite for the acceptance of IFRS.

25. ***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?***

Yes.

If IFRS do not require comparability between companies in these areas, how should we address those areas, if at all?

Not at all.

Would it be appropriate for the Commission to require other disclosures in these areas not inconsistent with IFRS published by the IASB?

No

We have no comments to make on questions 26 to 29.

30. Are there issues on which further guidance for IFRS users that do not reconcile to U.S. GAAP would be necessary and appropriate?

No

We have no comments to make on questions 30 to 43.

General request for Comment

44. 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?

Yes

45. 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?

Investors desire high quality standards and comparability across industries and markets. That said, they would not support convergence for convergence sake.

46. Are there additional interim measures, beyond the proposed elimination of the U.S. GAAP reconciliation from IFRS financial statements, that would advance the adoption of a single set of high-quality globally accepted accounting standards? If so, what are they? Who should undertake them?

The Commission should publicly support the adoption of similar standards to those of FAS 69 in the IASB review of accounting for extractive industries as highlighted above and encourage investors to respond.