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By e-mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)  
File Number S7-13-07  
Securities and Exchange Commission,  
100 F Street, NE, Washington,  
DC 20549-1090

Dear Sir,

***Proposed Rule Acceptance from Foreign Private Issuers of  
Financial Statements Prepared in Accordance with  
International Financial Reporting Standards without  
Reconciliation to US GAAP.***

We are grateful for the opportunity to comment on this proposal. We have responded so far as possible to the specific questions raised and have preceded these with some general observations.

**General Observations**

We welcome the proposal to remove the reconciliation requirement and believe that this is appropriate, given the emergence of IFRS as a high-quality, globally-accepted set of accounting standards, and also the existence of a robust process for removing the remaining significant differences between IFRS and US GAAP.

Whilst removing the reconciliation requirement would be a valuable consequence of the move towards converged global accounting standards, we believe that there are still benefits to be gained from further convergence and that support for completing the process will therefore continue.

**Specific questions**

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**Question 1 (Page 27):** *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 IFRS to be overall of high quality and that they provide a suitable basis for presenting financial results to investors and other users. We agree that the process for setting new standards is sufficiently robust and independent.

**Question 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?*

*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?*

The existence of a robust process for achieving convergence is in our view a key consideration that supports the removal of the US GAAP reconciliation. The February 2006 Memorandum of Understanding forms a sound basis for the convergence process and clearly lays out the convergence goals. We believe that adequate progress has been made towards meeting the targets set and that the commitment to harmonized global standards (both within the Boards and from the financial community in general) is such that removal of the reconciliation requirement would not adversely impact the process.

As with all rules, revision may be needed in the event of a very significant change in the area to which they apply. We do not however see the need to specifically address this possibility within the rules themselves.

**Question 3 (Page 34):** *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?*

Whilst some differences in the application of principles-based standards may be expected between companies, we would not normally expect these to be significant enough to affect comparability and therefore to justify the need for a US GAAP reconciliation.

**Question 4.** (see entire section 3 on pages 32/34) *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?*

We believe in the importance of regulators reaching consistent conclusions and sharing experience in the application and enforcement of IFRS. The Staff is correct to identify this as an area that warrants careful thought. We would ask that particular attention is paid to the practical implications for foreign private issuers as to how this process would work. We believe that any process that is developed should be efficient and mindful of the confidentiality required for issues such as pre-clearance reviews of potential securities offerings.

**Question 5.** (see page 30) *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?*

No comments.

**Question 6.** (see page 31) *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?*

Whilst we agree that this is an important factor to consider, in our view there is already a sufficiently large body of experience.

**Question 7.** (see page 30) *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?*

We do not see this as a factor that should affect the timing of adoption of the proposed rules.

**Question 8.** (page 36) *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?*

We believe that the Commission's present approach to active participation in the IASB standard-setting process provides necessary and valuable support, and suggest that this be continued.

**Question 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?*

Please see our response to Question 8.

**Question 10** (page 37). *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?*

We do support the development of a single set of high quality reporting standards as being beneficial to investors and the efficient operation of the securities markets. As such, we believe that continued convergence efforts between the two standard setters are required.

A basic premise to our support for the removal of the reconciliation is that the two bodies have sufficiently converged for them to be considered as an equivalent reporting framework. We do not believe that the comprehension issues in regard to this question are substantially different for IFRS as opposed to FASB standards.

**Question 11** (page 41). *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?*

*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?*

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

Our experience has been that we have not received any significant inquiries from investors or analysts as to the content of our reconciliation. This view was aligned with that of other participants in the Roundtable discussion held by the SEC earlier this year

**Question 12.** *In addition to reconciling certain specific financial statement line items, issuers presenting an 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?*

While we cannot comment as to the view of investors in this matter, we do agree that it is appropriate to review all of the additional disclosures required under Item 18. Only those disclosures that have a demonstrable value to investors and other market participants should be retained.

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

We suggest that the requirements should apply in the same way to all foreign private issuers that use IFRS as published by the IASB unless there is clear evidence that users of financial statements would benefit from a more complex approach

**Question 14.** *At the March 2007 Roundtable on IFRS, some investor representatives commented that IFRS financial statements would be more useful if issuers filed their Form 20-F annual reports earlier than the existing six-month deadline. We are considering shortening the deadline for annual reports on Form 20-F. Should the filing deadline for annual reports on Form 20-F be accelerated to five, four or three months, or another date, after the end of the financial year? Should the deadline for Form 20-F be the same as the deadline for an issuer's annual report in its home market? Should we adopt the same deadlines as for annual reports on Form 10-K? Why or why not?*

*Would the appropriateness of a shorter deadline for a Form 20-F annual report depend on whether U.S. GAAP information is included? If a shorter deadline is appropriate for foreign private issuers that would not provide a U.S. GAAP reconciliation under the proposed amendments, should other foreign private issuers also have a shorter deadline? Should it depend on the public float of the issuer?*

Whilst the removal of the US GAAP reconciliation would reduce the 20-F preparation effort, it may not necessarily be for all entities a “critical path” task that affects the overall time elapsed until completion.

Whilst agreeing that shorter filing deadlines may be useful to investors, we therefore suggest that any proposal should consider the preparation process as a whole, and also how this varies between issuers and jurisdictions. For example, setting the same deadline for Form 20-F as for the home market annual report would have less impact for entities that already produce a single, integrated annual report/Form 20-F document than for those that do not. Overall, consideration should be given to the fact that by definition, foreign private issuers are complying with reporting requirements of multiple jurisdictions.

**Question 15.** *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 elimination of the black-out periods experienced by some foreign private issuers would be beneficial to enhancing access to the U.S. public capital market.

**Question 16.** *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?*

Financial statements prepared in accordance with home market requirements might for example still not comply with IFRS as published by the IASB if (as in the European Union) a new IFRS must pass through a formal adoption process in the jurisdiction concerned. Differences could be permanent (when a policy is rejected) or temporary (when adoption is confirmed, but too late for affected issuers to comply with the IFRS effective date).

In such cases, where financial statements comply with “IFRS as adopted in the jurisdiction concerned,” we suggest that a reconciliation to IFRS as published by the IASB be considered as an acceptable alternative to reconciling to US GAAP. This would provide users with the required comparability with other jurisdictions.

**Question 17.** *If the proposed amendments are adopted, should eligible issuers be able to file financial statements prepared using IFRS as published by the IASB without a U.S. GAAP reconciliation for their first filing containing audited annual financial statements?*

*If the amendments are adopted, what factors should we consider in deciding when issuers can use them? For example, should we consider factors such as the issuer’s public float (either in the United States or world wide), whether the issuer has issued only public debt, or the nature of the filing to which the amendments would be applied?*

*Will investors be prepared to analyze and interpret IFRS financial statements without the reconciliation by 2009? If not, what further steps, including investor education, may be necessary?*

We see no reason why first time filers should not be able to utilize IFRS on the same basis as current foreign private issuers. If IFRS is sufficient for existing registrants without a registration to US GAAP, then it should be sufficient for first time filers

As previously mentioned, our experience of a lack of significant inquiries regarding our reconciliation information and the similar discussion at the Roundtable discussion lends support to the view that investors are adequately prepared to analyze and interpret IFRS financial statements.

**Question 18** (page 47). *Do we need to make any other changes to Items 17 or 18 or elsewhere to implement fully the proposed elimination of the reconciliation requirement for issuers using IFRS as published by the IASB?*

We believe that all disclosures under Items 17 or 18 should be evaluated in light of the current assessment of IFRS to be a suitable reporting framework. Disclosures required by Items 17 or 18 which are addressed within IFRS should be eliminated.

**Question 19.** *Is any revision necessary to clarify that the provisions relating to issuers that use proportionate consolidation contained in Item 17(c)(2)(vii) would not apply to IFRS financial statements that are not reconciled to U.S. GAAP under the proposed amendments? If so, what changes would be appropriate?*

We believe that the proposal is clear.

**Question 20.** *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 that the proposal is clear and that the IAS 21 accommodation would still in principle be useful to any non-IFRS issuers operating in hyperinflationary economies and reconciling to US GAAP.

**Question 21** (page 48). *Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS as published by the IASB?*

We would expect that difficulties might arise only where there are home market interim reporting requirements and new standards have not yet been adopted in the jurisdiction concerned (please also see our response to Question 16).

**Question 22.** *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 prepare such statements ourselves and expressly state this, but cannot comment on general practice.

**Question 23** (page 50). *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 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?*

Whilst the importance of the differences between IAS 34 and Article 10 would vary between issuers, we would not in general expect them to be significant. We note also that, although IAS 34 permits condensed balance sheet, income statement and cash flow information, paragraph 116 does additionally require disclosure of any events or transactions that are material to an understanding of the current interim period.

**Question 24** (page 55). *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?*

We are not aware of any such subject matter areas.

**Question 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? 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 statements are generally clear and understandable and that overall there is no significant impact from the areas not addressed (subject however to our response to Question 28 concerning FAS 69).

**Question 26** (page 55). *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 support the non-disclosure of previously-published US GAAP information in such cases as being consistent with the proposed removal of the reconciliation requirement.

**Question 27** (page 60) *With regard to references to U.S. GAAP in non-financial statement disclosure requirements, should we amend the references to U.S. GAAP pronouncements that are made in Form 20-F to also reference appropriate IFRS guidance, and, if so, what should the references refer to?*

*Would issuers be able to apply the proposed broad approach to U.S. GAAP pronouncements and would this approach elicit appropriate information for investors? Should we retain the U.S. GAAP references for definitional purposes?*

We support the proposed approach [page 57] of indicating that issuers preparing their financial statements in accordance with IFRS as published by the IASB should look to the corresponding IFRS requirements. This is administratively more straightforward and we would not expect that issuers would normally have difficulties in identifying the relevant IFRS guidance.

**Question 28.** *Should foreign private issuers that prepare financial statements in accordance with IFRS as published by the IASB be required to continue to comply with the disclosure requirements of FAS 69? What alternatives may be available to elicit the same or substantially the same disclosure?*

We agree that FAS 69 requires the disclosure of information that is important to investors and that foreign private issuers should continue to comply, until such time as this area is appropriately covered by IFRS.

**Question 29.** *Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?*

For consistency with the approach to registrants filing under US GAAP, we would support the inclusion of a safe harbour provision or other similar relief.

**Question 30** (page 62). *Are there issues on which further guidance for IFRS users that do not reconcile to U.S. GAAP would be necessary and appropriate?*

*Should issuers and auditors consider guidance related to materiality and quantification of financial misstatements?*

We agree that there are areas where US GAAP provides more detailed (but not conflicting) guidance than IFRS, and that the IAS 8 provisions allowing management to consider these are beneficial. We would expect that this can already be found in relevant literature and no further guidance is needed.

**Question 31** (page 66). *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 agree that it is important to have a bridge between an issuer's previous GAAP and IFRS, as referred to in the proposals (page 64) and therefore the only reconciliation requirement should be from previous GAAP to IFRS for the comparative period. As stated in our response to Question 17, we see no reason why first-time adopters of IFRS should be treated differently and be required to reconcile to US GAAP.

**Question 32.** *Would a U.S. GAAP reconciliation be a useful bridge from Previous GAAP financial statements to annual financial statements prepared under IFRS as published by the IASB that are not reconciled to U.S. GAAP?*

Further to our response to Question 31, we consider that a reconciliation from previous GAAP to IFRS should be required for the comparative period.

**Question 33.** *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?*

We support the extension of the accommodation contained in General Instruction G. Given the likelihood that the global move towards IFRS will continue, we suggest extending for an indefinite period (in the absence of any identified reasons for not doing so).

**Question 34.** *Should any extension of the accommodation to first-time adopters be tied in any way to U.S. GAAP reconciliation? If so, how?*

We would not suggest tying in an extension to the US GAAP reconciliation. Further to our responses above, we instead propose that any reconciliation requirements should be to IFRS as published by the IASB, rather than to US GAAP.

**Question 35** (page 73). *Are the proposed changes to Rules 3-10 and 4-01 sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, what other revisions would be necessary?*

We believe that the changes to Rules 3-10 and 4-01 are sufficient to avoid any ambiguity.

**Question 36.** *Are there other rules in Regulation S-X that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the application of those rules be unclear if there were no changes to those rules, and what changes would be suggested in order to make them clear?*

No comments.

**Question 37.** *Is the application of the proposed rules to the preparation of financial statements provided under Rules 3-05, 3-09, 3-10 and 3-16 sufficiently clear?*

*If not, what areas need to be clarified? Are any further changes needed for issuers that prepare their financial statements using IFRS as published by the IASB?*

Based on the description given, we believe that the application of the proposed rules in this area is sufficiently clear.

**Question 38** (page 77). *Are the proposed changes in Forms F-4 and S-4, and in Rule 701, sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, how should we revise those forms or rule?*

No comments.

**Question 39.** *Under Part F/S of Form 1-A relating to offerings conducted under Regulation A, Canadian issuers may use unaudited financial statements that are reconciled to U.S. GAAP. Should we amend Form 1-A to permit the use by Canadian companies of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation? Does the fact that financial statements under Form 1-A are not required to be audited militate in favor of retaining a U.S. GAAP reconciliation whenever a Canadian issuer uses a GAAP other than U.S. GAAP?*

No comments.

**Question 40.** *Are there other rules or forms under the Securities Act that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the rules or forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?*

No comments

**Question 41** (page 78). *Should Schedule TO and Schedule 13E-3 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the rules or forms be unclear if there were no changes to those Schedules, and what changes would be suggested in order to make them clear?*

No comments.

**Question 42** (page 80). *Without the reconciliation to U.S. GAAP, should we be concerned about member firm requirements to have persons knowledgeable in accounting, auditing and independence standards generally accepted in the United States review IFRS financial statements filed with the Commission? Are there alternative ways in which concerns may be addressed?*

No comments. [The question is best addressed by the auditing firms.]

**Question 43** (page 81). *Should Form 40-F or F-10 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?*

No comment

**Question 44** (page 82). *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?*

There is a process in place for ensuring progress by the FASB and IASB towards implementing a single set of high quality globally accepted standards. Given that results so far indicate this process to be robust and fit for purpose, investors and issuers would in our view be best served by removal of the reconciliation requirement.

**Question 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?*

Whilst the proposed removal of the US GAAP reconciliation requirement is a high profile example of convergence benefits, we believe that the further advantages to be gained from continued convergence are sufficient incentive to ensure that the process will continue. Convergence offers the potential for further group-wide standardisation of reporting processes.

**Question 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?*

We believe that the measures currently in place are, at present, sufficient to advance the process.

**Question 47** (page 101). *Do you agree with our assessment of the costs and benefits as discussed in this section?*

*Are there costs or benefits that we have not considered?*

*Are you aware of data and/or estimation techniques for attempting to quantify these costs and/or benefits? If so, what are they and how might the information be obtained?*

We agree with the assessment of costs and benefits for investors and issuers. For issuers we would expect that the cost savings would derive not only from a more straightforward financial statement preparation process but also from no longer having to maintain a parallel set of accounting records.

**Question 48.** *Which foreign private issuers would have the incentive to avail themselves of the proposed amendments, if adopted? Are there any reasons for which an issuer that is eligible to file IFRS financial statements without reconciliation under the proposed amendments would elect to file a reconciliation? If so, what are they?*

In line with the analysis within the proposal, we believe that incentives to apply the proposed amendments would be greatest for issuers that already prepare financial statements using IFRS as published by the IASB.

**Question 49.** *Are there particular industry sectors for which a critical mass of the issuers who raise capital globally already report in IFRS? If so, which industries are they and why?*

No comments.

Yours sincerely,

Bob Deere

Vice President Accounting and Reporting