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CITY BAR

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FINANCIAL REPORTING

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VIA EMAIL TO RULE-COMMENTS@SEC.GOV
Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street NE
Washington, D.C. 20549-3628

Subject: File Number S7-13-07

Ladies and Gentlemen:

This letter is submitted on behalf of the Financial Reporting Committee of the Association of the Bar of the City of New York (the "Committee") in response to Release Nos. 33-8818, 34-55998, International Series Release No. 1302, *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP* (the "Proposing Release").

The Committee is composed of lawyers with diverse perspectives on financial reporting matters, including members of law firms and counsel at major corporations, financial institutions, public accounting firms and institutional investors. A list of members of the Committee is attached as Annex A to this letter.¹

I. The Commission should eliminate the U.S. GAAP reconciliation for IFRS financial statements, and it should not delay doing so

The Committee supports the proposal to eliminate the reconciliation requirement for financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The cost of eliminating the reconciliation requirement is small, because the U.S. GAAP reconciliation is of very limited use to investors. The benefits of eliminating reconciliation, on the other hand, are substantial—particularly the twin long-term benefits of advancing the acceptance of high-quality worldwide accounting standards and making the U.S. public markets more open to issuers from the world over.

¹ This letter does not necessarily reflect the individual views of each member of the Committee or of the institutions with which they are affiliated.

We believe the Commission should adopt the proposal in time so that it will be available to issuers filing annual reports on Form 20-F in 2009. This will encourage the European Union to accept, on the same timetable, financial statements of U.S. issuers prepared in accordance with U.S. GAAP, which will be a significant benefit to many U.S. companies.

We do not believe the Commission should delay the change or phase it in by applying it initially to a limited class of issuers. The scope, quality, acceptance and application of IFRS will continue to improve, but we believe they are sufficient today for the Commission to take this important step. The Proposing Release notes that in some areas—notably accounting for insurance activities and extractive industries—IFRS is still developing, but there will always be areas in which standards are evolving, and we do not believe these issues require the Commission to delay or condition the adoption of its proposal.

2. *The Commission should not specify the English-language version of IFRS*

The Commission should not limit its definition of IFRS to the English-language version. Because IFRS are worldwide standards, they are necessarily published and used in a variety of languages. We believe that limiting the benefit of the Commission's proposal in this manner would unduly prefer the English language for standards that are by definition international. If there are inconsistencies among official versions in different languages, it should fall to the IASB to reconcile and correct them. If the Commission believes there is a real risk that issuers may select among translations to achieve particular accounting objectives, the Commission could state in the adopting release how it would view such a practice.

3. *Where no reconciliation is required, a shorter deadline for filing Form 20-F would be appropriate*

Many issuers file their annual reports on Form 20-F long after they release their home-country financial statements. A delay is inevitable because of the additional work required by Form 20-F—especially the U.S. GAAP reconciliation, but also reporting on internal control over financial reporting, providing other additional disclosures and in many cases drafting an English-language version that is not otherwise required. The delay does, however, reduce the utility to investors of the annual report on Form 20-F. To improve this situation, it would be appropriate to reduce the filing deadline for an issuer that is permitted to file the same financial statements with the Commission as it publishes and files in its home country market, without any difference or reconciliation.

Any change in the deadline should, however, be phased in, and because there will still be additional work to comply with Form 20-F, we believe that (after any phase-in) the deadline should not be earlier than 30 days after the applicable home country filing deadline.

4. *The Commission should revise its proposal to accommodate the process of adoption of IFRS in the EU and in other jurisdictions*

The Commission has proposed to eliminate the reconciliation for financial statements prepared in accordance with IFRS as published by the International Accounting Standards Board ("IASB"). As discussed above, we support this proposal.

We also believe the Commission should address the possibility that particular jurisdictions will adopt IFRS and require issuers to file financial statements prepared in accordance with IFRS as adopted by the jurisdiction. This is already the case in the European Union, where issuers must prepare financial statements in accordance with IFRS as adopted by the EU. As other jurisdictions adopt IFRS, we expect similar situations to arise in some of those jurisdictions. It would be understandable for regulators to use some kind of adoption process to retain the power to review standards and interpretations as they are published by the IASB or the International Financial Reporting Interpretation Committee (IFRIC).

The Commission's proposal will present a difficult situation for an issuer from such a jurisdiction. A European issuer, for example, will have to determine whether EU-adopted IFRS differ from IASB-published IFRS in ways that affect the issuer, and to determine whether those differences are material. If they are not material, the issuer will be required to publish the same financial statements with two different audit reports and two different descriptions of the principles applied. If the differences are material, the issuer will be required to choose between (a) preparing different financial statements for filing with the Commission and at home and (b) filing its home-country financial statements with the Commission with a reconciliation to U.S. GAAP. Each of these possible outcomes is unsatisfactory for the issuer. Moreover these kinds of judgments comparing different accounting systems are particularly difficult for issuers, their auditors and their counsel, and they will undermine the benefits to issuers of eliminating the reconciliation for IFRS.

Our Committee acknowledges that jurisdictional adoption of IFRS presents the Commission with a difficult policy judgment. Promoting a unitary worldwide standard is an important objective. On this point, however, it is in conflict with a second important objective: reducing barriers between national securities markets by making it possible for a single set of financial statements to be filed in the U.S. as well as other jurisdictions. The more difficult it is to file in multiple jurisdictions, the more issuers will avoid it—and this will undermine the first goal as well.

We believe the Commission would better balance these policies if it recognized that IFRS as adopted by other jurisdictions could be acceptable on the same basis as IASB-published IFRS. The Commission could, in the Committee's view, accept EU-adopted IFRS at the outset, describe the criteria under which it is doing so, and described a process for the acceptance of other jurisdictions. It should also permit a foreign private issuer that reports under locally-adopted IFRS, if the Commission has not yet determined to accept that local adoption, to present an audited reconciliation to IASB-published IFRS, rather than to U.S. GAAP.

5. *The Commission should extend the safe harbor for market risk disclosures*

The Committee supports extending the safe harbor provided by Section 27A of the Securities Act and Section 21E of the Exchange Act to market risk disclosures provided in notes to the financial statements pursuant to IFRS 7, as suggested in Question 29 of the Proposing Release.

6. *The Commission should reconsider the scope of the reconciliation requirement for interim financial statements*

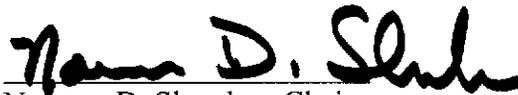
A foreign private issuer that offers securities under an effective shelf registration statement (and that prepares financial statements under a system of accounting other than U.S. GAAP) is required to provide interim financial statements reconciled to U.S. GAAP if the audited financial statements are more than nine months old. This requirement creates a "roadblock" to the use of shelf registration that is inconsistent with the objectives of the securities offering reforms that became effective in December 2005.

The Commission's proposal will eliminate the roadblock for an issuer that qualifies for the relief the Commission provides. Our Committee would support extending that relief further, so that a foreign private issuer with an effective shelf registration statement can sell securities under that registration statement as long as it has filed any financial statements it is required to file under the Commission's rules, including Rules 13a-16 and 15d-16.

Conclusion

We commend the Commission for the Proposing Release and are grateful for the opportunity to comment. Members of the Committee would be pleased to answer any questions you may have concerning our comments.

Respectfully submitted,



Norman D. Slonaker, Chair
Financial Reporting Committee
Association of the Bar of the City of New York

cc: The Honorable Christopher Cox, *Chairman*
The Honorable Paul S. Atkins, *Commissioner*
The Honorable Roel C. Campos, *Commissioner*
The Honorable Annette L. Nazareth, *Commissioner*
The Honorable Kathleen L. Casey, *Commissioner*

Conrad Hewitt, *Chief Accountant*
Julie A. Erhardt, *Deputy Chief Accountant*
John W. White, *Director, Division of Corporation Finance*
Paul M. Dudek, *Chief of the Office of International Corporate Finance*
Ethiopsis Tafara, *Director, Office of International Affairs*

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expressed in Item No. 4)
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