



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

24 September 2007

Our ref: ICAEW Rep 83/07

Your ref: File Number S7-13-07.

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

By email: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Dear Ms Morris

**ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING  
STANDARDS WITHOUT RECONCILIATION TO U.S. GAAP**

The Institute of Chartered Accountants in England and Wales (the ICAEW) is pleased to respond to your request for comments on the Proposing Release 33-8818 *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP*, File Number S7-13-07.

Please contact me if you would like to discuss any of the points raised in the attached response.

Yours sincerely

Desmond Wright  
Senior Manager, Corporate Reporting  
T +44 (0)20 7920 8527  
F +44 (0)20 7638 6009  
E [desmond.wright@icaew.com](mailto:desmond.wright@icaew.com)



## ICAEW Representation

ICAEW REP 83/07

### ELIMINATING THE RECONCILIATION REQUIREMENT FOR IFRS FINANCIAL STATEMENTS

Memorandum of comment submitted in September 2007 by The Institute of Chartered Accountants in England and Wales, in response to Proposing Release 33-8818 *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S. GAAP*, File Number S7-13-07, published by the Securities and Exchange Commission in July 2007.

Contents	Paragraph	
Introduction	-	1
Who we are	2	- 3
Major points	4	- 9
Appendix: Specific questions	A1	- A49

## **INTRODUCTION**

1. The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on Proposing Release 33-8818 *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S. GAAP*, File Number S7-13-07, published by the Securities and Exchange Commission in July 2007.

## **WHO WE ARE**

2. The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 128,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.
3. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The Institute ensures these skills are constantly developed, recognised and valued.

## **MAJOR POINTS**

### **Welcome for the proposals**

4. We welcome the move by the SEC to eliminate the requirement to reconcile IFRS financial statements to US GAAP. We appreciate the steps taken by the SEC to aid convergence, and recognise the SEC's history of supporting IFRS.
5. Our responses to specific questions posed by the SEC are set out in the appendix to this submission. We have not attempted to respond to the detailed questions about amending the SEC's rules, but have addressed the important policy issues arising from the proposals.

### **Potential impact of the proposals**

6. The proposals have the potential to affect not just SEC registrants, but also IFRS in general and thus all IFRS preparers. We do of course understand that the SEC must act as it sees fit in order to fulfil its duties and to protect investors. However, the SEC should be aware that its actions relating to IFRS will have implications outside the US market.
7. We therefore urge the SEC to show caution in managing its relationship with the IASB and IFRIC as well as taking care about the SEC's own impact on IFRS as a body of literature. It is particularly important to ensure that the position of IFRIC as the only formal issuer of interpretations of IFRS is not undermined. On page 32 of the consultation, the SEC states that its staff may need to opine on some aspect of IFRS and then may choose to refer the issue to the IASB or IFRIC. We suggest that, in order to avoid undermining

the IASB and IFRIC, this process should be reversed and the IASB and/or IFRIC should be consulted first (the SEC staff may still need to opine, of course, but this would be in the context of seeking consensus with the authoritative standard setter). It would in any case be particularly unfortunate in practice if SEC staff decisions were overturned by a subsequent decision of IFRIC where the point at issue was already the subject of a standard. It is problems like this that European regulators are seeking to avoid through the mechanisms they have established to refer matters to IFRIC and the IASB. In this context, the SEC should consider the impact of its published comment letters on IFRS: some of the comments are neutral, for example where they ask about further disclosure, but some may effectively be setting IFRS GAAP 'by the back door', by narrowing the options or scope for judgement that are inherent in IFRS.

### **Non-English versions of IFRS**

8. The proposed elimination of the reconciliation requirement would be limited to financial statements that comply with the English language version of IFRS as published by the IASB. We suggest that issuers should be allowed to comply with a non-English version of IFRS as long as the translation was officially approved by the IASB/IASCF. The accounts filed with the SEC would be in English, but it would be helpful for an issuer's staff to be able to use and rely on the official version in their own language.

### **IFRS as endorsed by the European Union**

9. Our preference in principle is that full IFRS as issued by the IASB should be explicitly followed for an issuer to avoid the need for a reconciliation. However, given the legal difficulties that may face foreign private registrants in complying with IFRS as issued by the IASB (as discussed under question 16 below), we think it would be helpful for the SEC to consider permitting such issuers to file accounts reconciled to IFRS as issued by the IASB rather than to US GAAP (for measurement and recognition differences only, not disclosure). This would be a helpful, cost-effective measure as many companies – certainly those in Europe – will already be close to full IFRS.

Email: [desmond.wright@icaew.com](mailto:desmond.wright@icaew.com)

© The Institute of Chartered Accountants in England and Wales 2007  
All rights reserved.

This document may be reproduced without specific permission, in whole or part, free of charge and in any format or medium, subject to the conditions that:

- it is reproduced accurately and not used in a misleading context;
- the source of the extract or document, and the copyright of The Institute of Chartered Accountants in England and Wales, is acknowledged; and
- the title of the document and the reference number (ICAEW Rep 83/07) are quoted.

Where third-party copyright material has been identified application for permission must be made to the copyright holder.

[www.icaew.com](http://www.icaew.com)

## APPENDIX: SPECIFIC QUESTIONS

**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?**

- A1. Yes. The IASB has improved its due process and the IASCF has improved the constitution of its bodies, such that the current process is generally sound. Of course, this will need to be kept under review.

**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?**

- A2. In principle, convergence of US GAAP and IFRS should not be a necessary criterion for acceptance of IFRS financial statements as long as IFRS represent high-quality standards. However, where two sets of high-quality standards, such as US GAAP and IFRS, diverge to any great extent, it must raise questions over which approach is superior, as well as offering scope for confusion among users of financial statements. It is therefore appropriate to require some level of convergence so that the best accounting can be achieved by all. At a national level, however, accounting standard-setting is not carried out in a vacuum, but rather in the context of local law and regulation which will colour the ways standards are written. Full harmonisation of international standards – which do not have such constraints over them – with any national GAAP is therefore unrealistic and in our view can never be achieved. We believe, however, that convergence of principles is both desirable and achievable and that the process of convergence between US GAAP and IFRS is far enough advanced for the SEC to drop the reconciliation requirement.

We have from time to time expressed reservations about the process of convergence, particularly where we believe the IASB and FASB have decided to converge to an existing standard for the sake of a "quick win" when in fact a better decision would have been to develop jointly a new or improved standard. Were the SEC to remove its reconciliation requirement, we believe this would relieve pressure on the standard setters to settle for these quick wins when a longer term solution would be better and so this will aid the development of high quality standards. We do not believe the SEC should contemplate in its current rules the IASB and FASB publishing substantially different standards in future; the SEC obviously has the power to revisit the rules at a future date if there are concerns about how the convergence program develops.

**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?**

- A3. The extent of comparability between companies using IFRS is hard to judge and, as with any new standards, comparability may be expected to increase over time, particularly within industry sectors. Certainly, messages coming from users to date have expressed some level of satisfaction with comparability of IFRS accounts. Accounting will always require judgement and there are areas of choice in standards which it is right to retain to reflect the fact that all businesses are to some extent different so that complete comparability can never be achieved.

An equally important question is whether the information produced in IFRS accounts is *relevant* to users. Our view is that the standards do produce relevant information for users to make investment decisions and judge management stewardship. Of course the IFRS standards are not perfect, but where there are deficiencies, these also exist in US GAAP in many areas: for example standards on revenue recognition are probably deficient (although in different ways) in both US GAAP and IFRS.

**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?**

- A4. Yes and we encourage the SEC to work with its peer regulators across the world, as well as the IASB, in this context.

**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?**

- A5. We are not aware of any differences in rigour of application, but this is not an area we have researched. The SEC may find it useful in this context to consider the report commissioned by the European Commission on the first year of implementation of IFRS in Europe, which has been prepared by the Institute, to see if it gives any indication of such differences. This is being discussed with the European Commission at the moment but should be published in the near future. We see no logical reason for non-registered companies to be less rigorous in other jurisdictions where there are strong regulators and a strong auditing profession.

**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?**

- A6. We think experience is sufficiently advanced in these groups that any delay is unnecessary.

**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?**

- A7. No. The critical mass has already been reached and in any case the SEC's proposal to allow domestic registrants to follow IFRS would make this somewhat nonsensical.

**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?**

- A8. We suggest greater engagement with national counterparts, particularly in Europe, to ensure that US views are not isolated and are developed with an understanding of how IFRS issues are perceived in other key constituencies.

**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?**

- A9. Although the SEC will not have the same level of oversight as it has with the FASB, it is nevertheless the regulator of the world's biggest capital market and its views will carry great weight as a consequence. Nevertheless, as with other regulators across the world, there has to be an acceptance that no one interested party can control the international standard setter.

**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? 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?**

- A10. We do not represent investor groups, but our understanding is that investors can understand IFRS financial information that is properly described and explained within company financial statements. Investors that may have problems with IFRS, particularly smaller, non-institutional investors, are likely to have the same or even worse problems with US GAAP because of its

complexity. We do not believe any of the factors cited here should have an impact on the removal of the reconciliation requirement.

**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? 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?**

A11. Investors may need to familiarise themselves with some aspects of IFRS that differ from US GAAP, but then they have to do that with any new standard introduced in the US literature anyway. In our view the reconciliation to US GAAP from IFRS provides no useful information (although we recognise that this may not be so in the case of reconciliations to other, lower quality GAAPs). Moreover, the reconciliation, to the extent it has to be explained to investors, increases scope for confusion. An alternative might be for the SEC to require additional disclosures (as a parallel, UK and EU laws require certain additional disclosures). However, we would caution against this except where absolutely necessary, as this would exacerbate existing concerns over the length and complexity of financial statements.

**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?**

A12. No comment.

**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?**

A13. We see no need to phase in the proposal, nor to differentiate between different filers.

**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?**

- A14. We would see no reason why Form 20-F should not be filed within four months, although there may be internal resource issues for issuers, who should be consulted carefully on any proposed tightening of the timetable. This has the benefit from a European perspective of matching the deadline to that required by the EU's Transparency Directive. However, if it is right in principle to reduce the deadline for IFRS private foreign issuers, it should apply to other private foreign issuers as well.

**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?**

- A15. As we believe the reconciliation requirement should be dropped for annual financial statements, we also believe it should be dropped for interim period financial statements.

**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?**

- A16. Listed companies in the EU may have a problem stating compliance with IFRS as issued by the IASB. There are two different circumstances that might arise:
- (a) The EU has not legally adopted a standard or all of a standard and either the company has chosen not to follow the deleted portion or it has no choice in the law and cannot follow it. This is the case with IAS 39 at present, although there is in this circumstance no legal bar to a company following IAS 39 in its entirety.
  - (b) A delay in the legal endorsement process in the EU means that a company cannot legally follow a new standard after its implementation date if to do so would be contrary to an existing, legally adopted standard which the new standard would replace.

Only a small number of European companies have not followed the full IASB version of IAS 39 and this should therefore not impinge on the SEC's analysis. On the second issue, we believe the IASB gives sufficient time between the final issuance of a standard and its required implementation date so that there should always be time for the EU legal endorsement process to be completed.

We believe the SEC should only permit the reconciliation to be dropped where IFRS are followed in full and no deviation should be permitted, otherwise the SEC could not be confident that the information produced was of a sufficiently high standard.

**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?**

A17. Yes, issuers' first filing should be permitted without a reconciliation. We have no comment on the other questions.

**18. 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?**

A18. No comment.

**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?**

A19. No comment.

**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?**

A20. No comment.

#### **Interim Period Financial Statements**

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

A21. No, except to the extent the issuers are EU companies and have the same problems as outlined in our answer to question 16 above.

**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?**

A22. Yes, certainly in the EU.

**23. 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?**

A23. We believe that the interim information produced under IAS 34 is sufficient and that no additional requirements are necessary.

#### **Accounting Subject Matter Areas Not Addressed by the IASB**

**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?**

A24. No. We believe that sufficient progress is being made in the areas identified (as well as others) and in any case US GAAP is not necessarily any further advanced in many of these areas.

**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?**

A25. Additional disclosures on a temporary basis would be a possible solution if the SEC felt that the divergence in practice was so great as to be adverse to investor interests. This presupposes that such requirements would be withdrawn once the IASB had produced a final standard in each area.

**26. 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?**

A26. We see no need for this requirement, particularly if previous year financial statements remain accessible.

## Accounting and Disclosure Issues - Other Form 20-F Disclosure

**27. 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?**

A27. Yes – we agree with the proposed approach.

**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?**

A28. No comment.

**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?**

A29. The SEC should at least explore further whether this is such a substantial problem that it requires some form of regulatory action.

**30. 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?**

A30. We believe that any additional guidance that is directly related to IFRS should be left to the IASB and IFRIC.

**31. 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?**

A31. No.

**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?**

A32. No. The IFRS financial statements need to be understood in their own right and using US GAAP as a bridge would simply confuse things.

**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?**

A33. Yes, to an indefinite period as all companies moving to IFRS for the first time will have similar problems.

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

A34. No.

#### **Conforming Amendment to Rule 4-01**

**35. 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?**

A35. We have no comment on the detailed conforming amendments to rules.

**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?**

A36. We have no comment on the detailed conforming amendments to rules.

**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?**

A37. We have no comment on the detailed conforming amendments to rules.

**38. 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?**

A38. We have no comment on the detailed conforming amendments to rules.

**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?**

A39. We have no comment on the detailed conforming amendments to rules.

**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?**

A40. We have no comment on the detailed conforming amendments to rules.

**41. 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?**

A41. We have no comment on the detailed conforming amendments to rules.

**42. 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?**

A42. It would seem more appropriate to have IFRS financial statements filed with the Commission reviewed by persons with expertise in IFRS rather than US GAAP. However, although the reviewers would not need to be familiar with the whole of US GAAP, as outlined in the consultation they will still need to be conversant with the additional SEC rules still required, for example under Article 11 of Regulation S-X. They presumably would also still need to be knowledgeable about the auditing and independence standards generally accepted in the US. We therefore suggest that the rule should be amended to require those reviewing IFRS financial statements to be knowledgeable about IFRS as issued by the IASB and additional SEC accounting rules, as well as auditing and independence standards generally accepted in the US.

**43. 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?**

A43. No comment.

**44. If progress does not continue towards implementing a single set of highquality 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?**

A44. No. We therefore expect the SEC to keep the situation under review and, if the process fails to develop satisfactorily, to reinstate the reconciliation.

**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?**

- A45. The IASB will not be able to claim global acceptance of its standards without the US market on board and is therefore likely to continue its convergence programme. Moreover, the IASB's primary constituents, the users of financial statements, will continue to seek the elimination of accounting differences between the major markets in which they wish to invest. We do not believe the momentum for convergence and development of high quality standards will lessen as a result of the SEC dropping the convergence requirement; rather, we believe it will strengthen the process by allowing the standard setters to focus on developing better standards rather than looking for 'quick win' convergence initiatives.

**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?**

- A46. There are no other measures we believe should be adopted at this time, subject to the comments made about how the SEC staff deal with IFRS accounts.

**47. 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?**

- A47. We are not in a position to comment on the cost-benefit analysis.

**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?**

- A48. We envisage that all foreign private issuers following full IFRS would avail themselves of the proposed amendments.

**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?**

- A49. We are not in a position to comment on this. However, the SEC should recognise that its own acceptance of IFRS by foreign (and US) issuers may be the factor that creates the global mass in many industry sectors.