

November 12, 2007

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

RE: File Number S7-20-07, *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards*

Dear Ms. Morris,

We appreciate the opportunity to respond to the Securities and Exchange Commission's (Commission) *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (Concept Release). We strongly support the Commission's efforts in considering the use of International Financial Reporting Standards (IFRS) by domestic U.S. issuers. We believe the Commission should prepare a detailed conversion plan including a mandatory date for all domestic issuers to convert to IFRS. As part of that plan, the Commission should allow early adoption of IFRS in the near future. Establishing a mandatory conversion date will provide incentive and motivation for multiple stakeholders to address the challenges associated with a move to IFRS. Establishing a mandatory conversion date and allowing early adoption will facilitate an orderly conversion process while ensuring that multiple accounting frameworks are not used in the U.S. for an extended period. This path acknowledges the progress made globally on IFRS adoption and recognizes what we believe to be the inevitable conclusion for the U.S. capital markets.

Benefits of a Single High-Quality Set of Global Accounting Standards

The globalization of business, finance and investment is the driving force behind the need to move to a single high-quality set of accounting standards for the global capital markets. Business is conducted globally, and investors today invest without regard for national borders. Adoption of a globally accepted accounting language will level the playing field for investors and issuers and minimize barriers to worldwide competition for capital. More than 12,000 companies in almost 100 countries have already positioned themselves for improved global participation by adopting a common set of global accounting standards. A global accounting and financial reporting language, applied consistently and rigorously worldwide, will:

- increase global comparability, encouraging a more informed global marketplace,

- improve investors' ability to assess investment options across a full spectrum of globally-available securities,
- increase the competitiveness of U.S. issuers and capital markets by removing barriers,
- enable issuers to more easily benchmark themselves on a worldwide scale and access capital globally, enhancing the efficiency and cost effectiveness of capital allocation, and
- generate process and cost efficiencies for multinational companies.

IFRS: A Global Standard

IFRS is well positioned to be the globally accepted accounting language, and will bring numerous benefits to U.S. investors, issuers, auditors and regulators. It has proven to be a sufficiently robust set of accounting standards, and offers many positive attributes that make it a satisfactory global platform with opportunity for further advances:

- It is a high-quality, principles-based framework.
- With fewer rules and exceptions, it is less complex and cumbersome to apply than U.S. generally accepted accounting principles (U.S. GAAP). This should reduce the risk of errors, and the related occurrence of misstatements.
- It allows the exercise of more professional judgment. The ability to exercise professional judgment in matching the economics of transactions to the reporting of those transactions allows issuers to provide better information to investors.

Challenges to be Addressed

We acknowledge that a move to IFRS presents certain challenges. As an accounting framework, it requires continued improvement. Standards in key areas, such as revenue recognition, distinguishing liabilities and equity, financial statement presentation, and accounting for leases and pensions, need attention. These topics are active projects on the International Accounting Standards Board (IASB) agenda, and are being deliberated both independently and jointly with the Financial Accounting Standards Board (FASB). Although we believe improving IFRS standards in these areas is critical, we do not believe that completion of improvements should be a prerequisite for the Commission to allow the use of IFRS by domestic issuers. The impetus for improvement of these standards already exists within the IASB and its membership. A firm decision to move the U.S. capital markets to IFRS would only reinforce, and potentially expedite, the pace of improvements.

IFRS allows greater exercise of professional judgment than U.S. GAAP in selecting and applying accounting policies in some areas. Some constituents have expressed concern that this may result in more diversity in reporting than under U.S. GAAP. We acknowledge that this may occur with the use of IFRS, but we see this as a natural consequence of a principles-based set of standards. We believe that sufficient transparency should be achieved for investors when appropriate disclosures are made by issuers. In addition to issuers, auditors and regulators will play an important role ensuring that IFRS is rigorously applied and appropriate transparency for investors is achieved.

Key accounting differences exist between IFRS and U.S. GAAP and will present significant challenges for issuers in certain industries. Examples include use of the LIFO inventory method, accounting for securitization transactions, and accounting for investment companies. Issuers, industry regulators, the Commission, and in some cases the tax authorities, will need to approach these challenges in a cooperative fashion. We do not believe resolution of these challenges should be a prerequisite for the Commission to allow the use of IFRS by domestic issuers. We believe the timeframe associated with a mandatory conversion to IFRS will be sufficient for stakeholders to explore options and address existing practices and requirements. It is our understanding that both the Commission's Advisory Committee on Improvements to Financial Reporting and the Treasury Department's Advisory Committee on the Auditing Profession will also be examining several challenges associated with the current U.S. legal and regulatory environments. In addition, we believe commitment to a mandatory IFRS conversion date will create the incentive for stakeholders to collaborate and identify and implement solutions.

Accepting IFRS for domestic issuers also means accepting the IASB as the independent standard-setter. By design, the IASB is an independent body, not aligned or beholden to any sovereign state. U.S. constituents will need to adjust to a standard-setting process that considers a world-wide set of interests, and as a result they may have less influence over the process. For instance, the strong influence of U.S. constituents on the FASB will be diluted at the IASB. This will necessarily mean a change in the way the Commission interacts with the IASB, as standard-setter, compared to the FASB, but nonetheless, we would expect the Commission to fully participate in the IASB's due process and respect its output.

As the global move toward IFRS continues, the long-term sustainability and infrastructure needs of the IASB will also need to be addressed. The International Accounting Standards Committee Foundation (IASC), the independent body that oversees the IASB, and its stakeholders (including the U.S.) should develop a funding model that provides a steady flow of resources for the IASB and ensures its processes are able to withstand any particular territory's or entity's influence. An equitable funding mechanism will help ensure appropriate levels of leadership, staffing, resources and independence for the IASB.

The IASC is aware that improvements to the funding model are required, and has adopted principles for a new funding system. Given the progress already underway, we do not believe that changes to the IASB's current governance and funding structure should be a prerequisite for the Commission's decision to allow use of IFRS by domestic issuers. We expect that the IASB's funding and governance structure will continue to be enhanced so that it is sustainable, independent, and free from undue influence. The IASC already has a process in place to review their structure and effectiveness, including funding, every five years, with the next planned review scheduled for 2008. The IASC's continual plan of reassessment allows it to be responsive to the changing composition and demands of its membership. In addition, on November 6, 2007 the IASC announced further proposals to enhance their governance structure and reinforce public accountability. Should the U.S. commit to moving to IFRS, there is little doubt that the emphasis on independence and sustainable resources from U.S. constituents would spur needed changes to the IASB's processes.

Moving to IFRS

In spite of the challenges, the benefits afforded by IFRS, as the global accounting language, will make the change worthwhile. Even domestically focused companies and smaller companies will benefit from reduced costs associated with the simplification in financial reporting that IFRS brings. Accordingly, we believe the U.S. capital markets should transition to IFRS in a thoughtful, methodical, yet expeditious manner. We believe the Commission, with input from the financial reporting community, should develop a detailed transition plan for a mandatory change to IFRS by all U.S. issuers in the near future. We believe a five to seven year timeframe is achievable. That transition plan should allow early adoption of IFRS in advance of the mandatory conversion date. In reaching our conclusion, we considered three alternatives for transitioning to IFRS in the U.S.:

1. Continued Convergence

Gradual convergence to a single set of high-quality accounting standards via joint standard-setting by the FASB and the IASB is the path the U.S. is currently on. This path envisions a continued movement of IFRS and U.S. GAAP toward one another, until at some point they achieve practical equivalence. Although the convergence agenda has produced some positive developments, it has also proven to be a slow and complicated process. The current scope of projects, although far from being a comprehensive list of areas where convergence is needed, could very well take another decade or longer to complete. In addition, as experience has shown, there is no guarantee that individual projects will result in complete convergence, as two independent Boards are entitled to think differently.

The idea of convergence is further complicated by a lack of agreement on exactly how convergence is defined. Some define convergence as standards with the same principles that yield the same results. Others believe convergence is achieved when the standards are based on the same principles, but acknowledge that the end result may differ because of the professional judgment encouraged by principles-based standards. Still others would say that convergence has been achieved when U.S. GAAP and IFRS are substantially equivalent. No matter how it is defined, we believe complete convergence may never be achieved because of differing cultural, legal, regulatory and economic environments. Or, that the length of time it will take to create "converged" standards, and the resulting difficulty and cost of maintaining two sets of standards in the meantime, are not in the best interests of investors, issuers or the capital markets in general. For these reasons, we believe solely focusing on continued convergence is not the best path for transitioning to IFRS.

2. Mandatory Conversion Date for all U.S. Issuers with No Early Adoption Allowed

For many, setting a mandatory date for U.S. issuers to convert to IFRS is an intimidating proposition; however, it is not without precedent. It is the method used by most nations that have already transitioned to IFRS. Establishing a mandatory date for conversion to IFRS, with a detailed transition plan leading up to the conversion date, offers certain benefits. A mandatory conversion date provides motivation for stakeholders to address challenges. It would presumably include sufficient lead time to address the regulatory, legislative, tax, educational and licensing challenges that a conversion to IFRS brings. The lead time prior to a mandatory adoption date also allows the IASB to make progress in the key areas where

improvement is needed. Finally, a mandatory conversion date without an option for early adoption avoids the potential market confusion that could result from having two different accounting frameworks in use at the same time. This path achieves the goal of a single set of accounting standards in a direct, time-managed fashion.

Although a future mandatory conversion date without early adoption presents a number of benefits, it also has several drawbacks. Assuming a lead time of some years prior to a mandatory conversion date, U.S. issuers would continue to face the very real challenge of the complexity of U.S. GAAP while their foreign competitors benefit from the less-detailed IFRS framework. U.S. issuers would also have to address continued changes to U.S. GAAP in the intervening period.

3. Mandatory IFRS Conversion Date with Early Adoption Allowed

We believe the best transition path is to establish a mandatory IFRS conversion date for U.S. issuers and allow early adoption of IFRS in the near future, in advance of the mandatory conversion date. This path would also include a detailed transition plan to address key regulatory, legislative, tax, educational and licensing challenges prior to a mandatory cutover date. We expect that such challenges can be addressed in a reasonable timeframe (five to seven years). Establishing a mandatory conversion date will provide incentive and motivation for multiple stakeholders to address challenges; allowing early adoption will accelerate and smooth the conversion process for the U.S.

This path acknowledges the progress made globally on IFRS adoption and recognizes what we believe to be the inevitable conclusion for the U.S. At the same time, U.S. issuers would have the ability to early adopt IFRS if they deem it in the best interests of their investors and other stakeholders. This path offers the same benefits of the one-time mandatory conversion approach, but brings additional benefits and eliminates most of the drawbacks associated with a one-time conversion date alone.

An early adoption period would enable U.S. issuers who are knowledgeable about IFRS, and who believe a conversion to IFRS will be beneficial, to convert sooner thereby obtaining the benefits at an earlier date. Allowing early adoption also unleashes an important dynamic: it will allow market experience to influence the development of U.S. policy and transition planning in advance of the mandatory conversion date. Early adoptions will bring to light previously unidentified benefits and challenges, and will likely generate valuable experiences for other stakeholders.

We expect that companies who will choose to early adopt IFRS will primarily be large, multi-nationals with global operations and sophisticated financial reporting processes, or companies and industry groups where competitors are already using IFRS. Because of their desire to change to IFRS, and their early preparation, these issuers are likely to have robust conversion processes from which other companies can learn.

An early adoption period offers some additional benefits as well. With early adoption, both issuers and investors could learn a great deal about IFRS and how it impacts financial reporting by reviewing the disclosures of the early first-time adopters (which require a reconciliation of net income and equity from previous GAAP to IFRS). In addition, because an early adoption period would officially make the U.S. a participating IFRS nation, the voice



of U.S. stakeholders may carry more weight, and be more welcome, in the IASB standard-setting process as important improvements are considered. Finally, since IFRS-knowledgeable resources will likely be in high demand in advance of a mandatory conversion date, early adoption affords the opportunity for a phased transition to IFRS, which should ease resource constraints for issuers, regulators and auditors.

A common argument against early adoption is that U.S. investors are not ready for IFRS financial reporting, and use of two different accounting frameworks will cause confusion. We do not consider these persuasive arguments. In reality, U.S. investors, at both the institutional and retail levels, already invest globally and regularly encounter IFRS reporting, through either direct holdings or through holdings in mutual fund portfolios.

Our Conclusion

We believe that IFRS is a sufficiently robust, high-quality set of accounting standards that is capable of continuing the tradition of investor protection and transparent reporting provided by U.S. GAAP. The demands of a global marketplace and global investors increasingly support a move to a single set of financial reporting standards. Now is the right time for the U.S. to make that move. A detailed transition plan that establishes a mandatory conversion date for all U.S. issuers within a reasonable timeframe of five to seven years, and that allows early adoption prior to the conversion date, is the best solution for reaping the benefits of moving to IFRS, while minimizing the challenges involved. We recognize that a change to IFRS presents considerable challenges for certain issuers and stakeholders, but believe any challenge can be satisfactorily addressed by U.S. capital market constituents in a five to seven year timeframe.

We commend the Commission on the bold step to consider use of IFRS by domestic issuers. PricewaterhouseCoopers is able and willing to do what is needed to facilitate the change to IFRS.

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We appreciate the opportunity to express our views on the Concept Release. Our detailed answers to the questions posed in the Concept Release are attached in the Appendix. If you have any questions regarding our comments, please contact Vincent P. Colman (973-236-5390) or Dave Kaplan (973-236-7219).

Sincerely,

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

1. Do investors, U.S. issuers, and market participants believe the Commission should allow U.S. issuers to prepare financial statements in accordance with IFRS as published by the IASB?

As noted in our cover letter, we believe that the Commission should commit to a detailed transition plan which would require all U.S. issuers to prepare financial statements in accordance with IFRS as published by the IASB. We advocate a transition plan that establishes a mandatory conversion date for all U.S. issuers and allows early adoption in advance of that date. This approach presents numerous benefits, discussed in our cover letter, without significant drawbacks.

2. What would be the effects on the U.S. public capital market of some U.S. issuers reporting in accordance with IFRS and others in accordance with U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? For example, would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Would comparative advantages be conferred upon those U.S. issuers who move to IFRS versus those U.S. issuers who do not (or feel they can not)? Would comparative advantages be conferred upon those investors who have the resources to learn two sets of accounting principles (IFRS and U.S. GAAP) as compared to those who do not?

As discussed in our cover letter, we do not believe that use of both U.S. GAAP and IFRS for a period of time would be detrimental. Evidence indicates that many U.S. institutional and retail investors are already knowledgeable about both U.S. GAAP and IFRS, and are using that knowledge to make investment decisions related to companies on both U.S. and foreign exchanges. This is demonstrated by the fact that American investment in foreign companies constitutes a significant outflow of U.S. dollars as globalization plays an increasing role in the decisions of investment advisors and their clients.

Given that investors already are accepting IFRS and U.S. GAAP as sound financial reporting frameworks, it is unlikely that a "formal" acceptance of both accounting frameworks (for instance, during an early adoption period) by the Commission would have much impact on capital formation, or that the cost of capital for all issuers would be reduced. However, we believe transitioning all U.S. issuers to IFRS would provide such benefits. A well-designed transition plan leading to a mandatory conversion to IFRS by all issuers will result in a more cost-effective, efficient allocation of capital.

A conversion to IFRS for all U.S. issuers will ultimately be beneficial to both issuers and investors, although the significance of the benefits would vary depending on each issuer's or investor's circumstances. Issuers who elect to early adopt may have some comparative advantages, such as reduced financial reporting preparation costs, over companies who do not, although it is difficult to say how significant or widespread those advantages may be since the situation is very dependent on facts and circumstances. The same concept applies to investors, but in a less significant fashion.

Although investors who understand both forms of accounting standards would have a comparative advantage since they would better understand the financial statements of a broader selection of companies, and therefore have more investment options, we do not believe the comparative advantage is significant. We recognize that some investors may feel they do not have the appropriate resources to learn IFRS, but logic dictates that learning IFRS will become a necessity. One of the reasons we strongly support an early adoption period for conversion to IFRS is that it will facilitate the familiarization process. Even issuers or investors who are solely focused on domestic business will benefit from the reduced complexity inherent in a less-detailed set of standards.

- 3. What would be the effects on the U.S. public capital market of not affording the opportunity for U.S. issuers to report in accordance with either IFRS or U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? Would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Alternatively, are there certain types of U.S. issuers for which the Commission should not afford this opportunity?**

We believe the U.S. public capital market and U.S. issuers will become increasingly disadvantaged compared to other global capital markets if U.S. issuers are not given the opportunity to transition to IFRS. The movement of many non-U.S. capital markets toward a single set of high-quality accounting standards has enabled companies in those countries to communicate to the capital markets using a commonly understood language. That common language broadens accessibility of those capital markets to a wider range of investors, making them more attractive and competitive. By resisting use of IFRS in the U.S., the Commission inhibits U.S. issuers from participating in global capital markets on the same level playing field as companies in other nations. Should the U.S. continue to move toward IFRS via convergence only and not decide to allow the use of IFRS by domestic registrants, it will soon be the only major capital market to have that distinction, which may become a more significant consideration for global investors and may eventually increase the cost of capital for U.S. issuers. As a result, we believe all U.S. issuers should be given the opportunity to use IFRS. Restrictions relating to size, industry, etc. should be avoided.

- 4. To what degree would investors and other market participants desire to and be able to understand and use financial statements of U.S. issuers prepared in accordance with IFRS? Would the desire and ability of an investor to understand and use such financial statements vary with factors such as the size and nature of the investor, the value of the investment, the market capitalization of the U.S. issuer, the industry to which it belongs, the trading volume of its securities, or any other factors?**

We believe investors are best positioned to answer this question based on their individual circumstances. However, from a broader perspective, we believe globalization of business and finance is a reality, and a trend that will only increase over time. With the rest of the world's capital markets converting to IFRS, market participants will clearly want to understand how U.S. issuers compare with global

competitors. Use of the same financial reporting standards is the best way to make that comparison. It is in the best interests of investors and other participants to expand their understanding and use of financial statements prepared in accordance with IFRS. As the rest of the world moves to IFRS, U.S. investors would be better positioned to participate in both the U.S. and global capital markets if they have a solid understanding of the performance and accounting policies of non-U.S. companies. Should early adoption of IFRS be allowed, we believe certain industry groups and larger-sized companies will decide to convert to IFRS ahead of others. This would increase the drive for investors to understand IFRS, thus further laying the groundwork for an eventual change.

5. What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements? Would the incentives differ by industry segment, geographic location of operations, where capital is raised, other demographic factors, or the aspect of the Commission's filing requirements to which the U.S. issuer is subject?

Incentives for preparing IFRS financial statements vary depending on a few key factors: locations of operations, competitor financial reporting, geographic source of capital-raising, and opportunities for cost-savings. Companies who primarily operate domestically are likely to recognize comparatively less benefits from a conversion to IFRS than companies who operate globally. However, although the benefits will be less significant, we are convinced that they will still be worthwhile. We believe that IFRS is the best available platform to ease complexity for both domestically and internationally-focused issuers.

As discussed in our cover letter, we view the benefits of moving to IFRS to be numerous and significant for a wide variety of constituents. For investors, participating in the global move to IFRS would immediately make the financial statements of U.S. issuers more comparable to their international competitors. This would also allow issuers to more easily benchmark themselves on a worldwide scale and access capital globally.

Issuers also benefit from the reduced complexity of IFRS. IFRS allows the use of more professional judgment, and often provides management the latitude to make accounting policy choices that best represent the economic substance of transactions. Reduced complexity also brings with it a reduction in the likelihood of errors, resulting in fewer restatements.

Finally, a change to IFRS offers many companies the opportunity to see tangible cost savings, realized through execution of identified operating efficiencies. The use of one set of global accounting standards across all operating locations offers the opportunity to centralize accounting and reporting functions and move financial personnel freely around the world. This will reduce costs and strengthen controls in the areas of systems, accounting policy selection and application, and financial statement preparation and audit.

- 6. What immediate, short-term or long-term barriers would a U.S. issuer encounter in seeking to prepare IFRS financial statements? For example, would the U.S. issuer's other regulatory (e.g., banking, insurance, taxation) or contractual (e.g., loan covenants) financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?**

There are a number of challenges in converting to IFRS that would require attention from various constituents in the U.S. business environment. However, we do not consider any of them insurmountable. We prefer the term "challenges" to the concept of "barriers."

If all U.S. issuers are required to convert to IFRS, modification of existing contractual terms (e.g., loan covenants) will present challenges and administrative burdens for issuers. Such changes will be one-time events, and given adequate lead time, we expect this to be manageable. However, changes to financial reporting under IFRS will be significant for certain sectors and present challenges that would likely require early attention. For example, IFRS does not allow use of the LIFO inventory method, and IFRS standards result in very different reporting of securitization transactions. The significance of reporting changes and the associated regulatory impacts will factor in an issuers' decision to convert to IFRS. It is important to note that the full benefits of converting to IFRS can only be realized by regulated industries if the specific industry regulator also accepts IFRS for regulatory reporting purposes. Industry regulators, particularly in the financial services sector, will need to examine current requirements and plan for the transition accordingly. Careful planning and communication will be essential to guard against unwarranted industry disruption. Tax authorities, issuers, industry regulators and the Commission will need to approach challenges in a cooperative fashion and with open-minds. Creativity and adaptation will be required as options to meet some of the challenges are explored.

- 7. Are there additional market forces that would provide incentives for market participants to want U.S. issuers to prepare IFRS financial statements?**

Please refer to our cover letter, and our response to question 5.

- 8. Are there issues unique to whether investment companies should be given the choice of preparing financial statements in accordance with IFRS? What would the consequences be to investors and other market participants of providing investment companies with that choice?**

The U.S. GAAP financial reporting model for investment companies is designed to meet the specific information needs of fund investors, and importantly, produces the net asset value of funds that is used to price and trade fund shares in the open market on a daily basis. Much of that U.S. GAAP was developed specifically from regulatory guidance over time and is codified in the *AICPA Audit and Accounting Guide: Investment Companies*, rather than from FASB pronouncements. A transition to IFRS will present certain challenges for the industry (both domestically and globally) as no IFRS standard(s) specifically address(es) investment company reporting. Rather,

current IFRS guidance would result in different asset and liability measurement and financial statement presentations for investment companies in certain areas, as well as different net asset valuation methods as compared to the Investment Company Act of 1940.

For example:

- The consolidation principles of IAS 27, *Consolidated and Separate Financial Statements*, and SIC Interpretation 12, *Consolidation-Special Purpose Entities*, require investment companies and funds to consolidate entities, including non-investment company entities, that they control, which may not be required (and in fact is prohibited for non-investment companies) under U.S. GAAP depending on the circumstances.
- Shares in open end investment funds are typically redeemable at the holders' option, and meet the definition of a financial liability under IFRS, rather than equity (U.S. GAAP treatment).
- Certain costs, such as commissions, currently capitalized under U.S. GAAP would be expensed under IFRS, resulting in higher expense ratios.
- IFRS requires the use of bid prices to value securities for financial reporting purposes, while FAS 157 and various SEC pronouncements permit the use of other estimates of fair value.
- IFRS does not require presentation of a schedule of investments.

The concern would be that changing to IFRS would result in less decision-useful information for fund investors. We do not believe that any issuer, including investment companies, should be precluded from the option of converting to IFRS. However, in connection with transition planning, the Commission, industry representatives and standard-setters should perform further research and engage in further dialogue to identify whether certain improvements to IFRS are needed or whether additional disclosures outside of the IFRS financial statements are necessary to continue to meet the information needs of fund investors. Such planning during the transition period will smooth the process of IFRS adoption for investment companies and prevent industry disruption.

9. Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of the FASB? If so, why? If not, why not? What effect might there be on the development of U.S. GAAP?

As discussed in our cover letter, accepting IFRS for U.S. issuers also means accepting the IASB as the global standard setter. With that proposition in mind, we believe that the role of the FASB would change, both during the IFRS early adoption period and after the mandatory conversion. We believe the difficulty and cost of maintaining two sets of standards are not sustainable for the long term and not in the best interests of U.S. or global stakeholders.

During the IFRS early adoption period, we envision the role of the FASB as slightly modified from its current role. As previously discussed, there are several areas where both IFRS and U.S. GAAP need improvement. Although the FASB is currently working with the IASB on issuing converged standards, during the transition period the objective should shift from issuing separate "converged" standards to working jointly to improve IFRS in key areas. This objective would be premised on a conclusive decision to transition the U.S. to IFRS. The expectation is that such a shift in objectives would accelerate the speed of improvements. During this time, we would also recommend the FASB focus on any specific U.S. standards that may be barriers to changing to IFRS because of their impact on U.S. businesses. An example of this would be the accounting for securitizations and other transfers of financial assets under Financial Accounting Standard No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities*.

After a mandatory conversion date, the FASB's role would change again. With regard to public companies, we recognize that the Commission may wish to institute a form of approval of new IFRS standards before they are adopted by U.S. issuers, similar to the process used by other IFRS territories. The FASB could logically play a role in this process, acting as a liaison to the IASB to communicate U.S. views, or to make recommendations to the Commission during an approval process. However, with regard to private companies, we expect that the FASB would continue to be the recognized standard-setter for some period of time, until a move to IFRS by private companies was either mandated or evolved due to market expectations.

10. What are investors', issuers' and other market participants' opinions on the effectiveness of the processes of the IASB and the FASB for convergence? Are investors and other market participants satisfied with the convergence progress to date, and the robustness of the ongoing process for convergence?

As discussed in our cover letter, we do not believe that convergence is the preferred path for transitioning to IFRS. Although we view the results of the convergence projects thus far to be successful, we believe the process is taking substantially longer than desired. The process by which convergence through dual standard-setters is achieved is quite complicated. In addition, the process still generates differences in conclusions and levels of detail provided as final guidance, as demonstrated by the outcome of the business combinations convergence efforts. Although we are supportive of continued efforts toward convergence, the horizon for the convergence calendar is growing increasingly distant due to the time it has been taking to reach substantial consensus. Absent a decision by the Commission to establish a mandatory transition date, we would encourage both standard-setters to revisit their joint work plans to determine ways to streamline the process so that important improvements can be made on a more timely basis.

11. How would the convergence work of the IASB and the FASB be affected, if at all, if the Commission were to accept IFRS financial statements from U.S. issuers? If the Commission were to accept IFRS financial statements from U.S. issuers, would market participants still have an incentive to support convergence work?

Based on the conclusion discussed in our cover letter, if the Commission allows the use of IFRS by U.S. issuers, we do not believe that the convergence agenda should continue in its current form. Rather, we believe that the focus should be turned to improving IFRS, instead of converging U.S. GAAP and IFRS. Constant improvement is a goal of all constituents, and the efforts for improvement should be focused on the set of accounting standards that will eventually be used by all (IFRS), rather than continuing to converge IFRS with U.S. GAAP. The cost and effort of maintaining two sets of standards, rather than focusing on IFRS, does not effectively further the cause of achieving a global set of accounting standards.

12. If IFRS financial statements were to be accepted from U.S. issuers and subsequently the IASB and FASB were to reach substantially different conclusions in the convergence projects, what actions, if any, would the Commission need to take?

Both the IASB and the FASB have talented professionals whose judgments may vary from time to time. Both standard-setters have appropriate due process and vet proposed conclusions with constituents. Therefore, we do not believe that there should be any Commission action in instances where substantially different conclusions are reached by either the IASB or the FASB. We would expect the Commission to provide their input during the standard-setting processes. However, once a standard is issued, the Commission should respect the outcome of the process of that particular standard-setter, unless the standard was so detrimental to investors or the capital markets that it would be irresponsible to adopt it. In such a rare circumstance, the Commission could require additional disclosures outside of the IFRS financial statements to assist investors in understanding the impact of the standard. As a general rule, we do not believe the Commission or other U.S. authoritative body should prescribe changes to IFRS standards for use in the U.S., as that practice would be detrimental to the goal of a single set of high-quality global accounting standards.

13. Do investors, issuers and other market participants believe giving U.S. issuers the choice to prepare financial statements in accordance with IFRS as published by the IASB furthers the development of a single set of globally accepted accounting standards? Why or why not, and if so, how?

We believe that allowing U.S. issuers the opportunity to prepare their financial statements in accordance with IFRS furthers the development of a single set of globally accepted accounting standards. Please refer to our cover letter for additional discussion.

14. Are investors, U.S. issuers and other market participants confident that IFRS have been, and will continue to be, issued through a robust process by a stand-alone standard setter, resulting in high quality accounting standards? Why or why not?

To date, the IASB's independence and governance structure has withstood considerable scrutiny in delivering a stable, high-quality set of standards. As the U.S. transitions to IFRS it will have an increased stake in the IASB's standard-setting processes. U.S. involvement will also bring substantial support and resources in the way of additional funding and the sharing of the U.S.'s deep expertise in standard-setting. We believe that can only strengthen the IASB's processes. We encourage the IASB to continue to periodically reassess its structure, particularly its funding mechanism, to ensure that it remains independent, both in appearance and fact. Standard-setting processes should also be reassessed periodically to ensure they are appropriately responsive to constituent views and the needs of investors and other global capital market participants. The IASB's periodic review of its constitution is scheduled to occur in 2008, and would provide an excellent opportunity for U.S. constituents to provide their input on the factors that are most critical for strengthening the IASB. We do not believe, however, that any changes in structure or process should be a prerequisite to allowing U.S. issuers to use IFRS for reporting their financial results.

15. Would it make a difference to investors, U.S. issuers and other market participants whether the Commission officially recognized the accounting principles established by the IASB?

The Commission's official responsibility to recognize the accounting standard-setter and the guidance it issues is a matter of law. However, we do not believe that any form of recognition over-and-above what is required by law is necessary.

16. What are investors', U.S. issuers' and other market participants' views on how the nature of our relationship with the IASB, a relationship that is different and less direct than our oversight role with the FASB, affects the Commission's responsibilities under the U.S. securities laws?

We view the FASB's role in helping the Commission meet its responsibility to protect investors by setting high-quality financial reporting standards as one of its most important objectives. The IASB has pledged that it has the same objective, but for a global set of constituents. Although the relationship between the Commission and the IASB would clearly be different than the Commission's current relationship with the FASB, that fact does not preclude the Commission from gaining comfort that the IASB could serve in a role similar to the FASB. With half of the world's equity value resident in the U.S., the Commission would clearly be an important constituent of the IASB.

17. In what ways might the Commission be able to assist in improving investors' ability to understand and use financial statements prepared in accordance with IFRS?

We believe one of the best actions the Commission could take to assist in improving investors' ability to understand and use financial statements prepared in accordance with IFRS is to begin allowing the use of IFRS by U.S. issuers in the near future. Although investor training is an obvious way to increase understanding of IFRS, we believe that the experience of reviewing U.S. issuer financial statements that have been converted to IFRS is the most effective way for investors to learn and understand it. The transition disclosures required by IFRS will identify for investors what historical balances have changed when the IFRS conversion took place, and explain why they have changed, providing investors with real-time, real-life, practical examples of the impact IFRS can have on U.S. issuer financial statements.

18. What are the incentives and barriers to adapting the training curricula for experienced professionals to address both IFRS and U.S. GAAP? Separate from ongoing training, how long might it take for a transition to occur? How much would it cost?

Clearly the task of training experienced professionals in IFRS is a challenge. However, training curricula already exists within many global companies and audit firms, so the significance of the cost associated with training will vary from company to company based on existing exposure to IFRS, level of global operations, etc. Some of the benefits of the transition plan advocated in our cover letter are that it allows sufficient time for professionals to get the necessary training in IFRS regardless of their current level of knowledge, it allows companies who are currently well-versed in IFRS to take advantage of its benefits as soon as they deem themselves ready, and it allows investors, issuers, regulators and auditors to prepare for a mandatory conversion in a phased approach, easing professional resource constraints posed by only having a mandatory conversion date with no early adoption period preceding it.

Although transition will come at a cost, allowing companies to take advantage of an early adoption period enables them to realize any tangible cost-savings available as a result of adopting IFRS sooner than they would be able to with a mandatory conversion date only, thereby offsetting the costs of converting in a timely fashion.

19. What are the incentives and barriers relevant to the college and university education system's ability to prepare its students for a U.S. public capital market in which U.S. issuers might report under IFRS? What are the incentives and barriers relevant to changing the content of the Uniform CPA Examination? How should the Commission address these incentives and barriers, if at all?

Because many of the students graduating from the college and university education system secure jobs at large public accounting firms or global corporations, where some knowledge of IFRS is generally required, there is already an incentive for colleges and universities to incorporate some basic level of IFRS into their curricula. However, few, if any, of the colleges and universities in the U.S. offer IFRS education outside of

elective courses. We believe that IFRS should be incorporated into fundamental accounting classes, and that a move to do so by colleges and universities would create the necessary incentive for textbook authors to revise their publications. In the meantime, professors could use the IFRS standards themselves to obtain necessary information for teaching, or request information on particular IFRS topics from various larger accounting firms.

Since most university level accounting curricula is geared toward the CPA exam, we believe that the AICPA, together with the state licensing boards, should ensure that IFRS concepts and principles are incorporated into licensing requirements as soon as possible. We consider IFRS to be at least as relevant to many accountants as governmental or not-for-profit accounting, which are already heavily tested in the CPA exam. As evidence of this assertion, it should be recognized that many professionals in the U.S. are already applying IFRS at U.S. subsidiaries of companies based outside of the U.S. The market-based need to know IFRS exists today. The knowledge that IFRS questions are being incorporated into the CPA exam would give colleges and universities additional incentive to teach IFRS as part of their fundamental accounting curricula.

Both colleges and universities and the AICPA should be responsive to the final decisions about IFRS made by the Commission. However, we believe that active encouragement from the Commission to address IFRS concerns with a sense of urgency in anticipation of IFRS being used by U.S. issuers would be beneficial in accelerating actions to address the changing needs in these two constituent areas. We are strongly committed to the development of a sustainable higher education system that will provide a ready supply of well-trained accounting and finance personnel for the U.S. capital markets. PricewaterhouseCoopers is prepared to work with the AICPA and academia to meet the challenge of transitioning to IFRS.

20. What issues would be encountered by U.S. issuers and auditors in the application of IFRS in practice within the context of the U.S. financial reporting environment?

The most significant challenge to be addressed in application of IFRS is cultural in nature. Although U.S. GAAP has always allowed U.S. issuers and their auditors to use professional judgment, IFRS requires professional judgment to be used more frequently and extensively than U.S. GAAP because it is less detailed and prescriptive. We are confident that this will not be problematic. However, parallel changes in approach will also be required of legal and regulatory bodies in terms of accepting the reasonable judgments being made by issuers and auditors.

21. How do differences between IFRS and U.S. GAAP bear on whether U.S. issuers, including investment companies, should be given the choice of preparing financial statements in accordance with IFRS?

We do not believe that the differences between IFRS and U.S. GAAP should play a role in the decision to allow U.S. issuers to use IFRS. We are convinced that the U.S. capital markets have no choice but to move to IFRS, and that once that decision is

made, the differences between U.S. GAAP and IFRS become less relevant. At that point, the focus should be on continuously improving IFRS, and establishing a concrete, well-designed transition plan.

Our view is no different with regard to investment companies using IFRS. Many of the existing U.S. GAAP investment company reporting conventions are acceptable under IFRS. However, we recognize that in areas where IFRS fundamentally differs from current U.S. GAAP, further research and dialogue is necessary among the Commission, industry representatives and standard-setters. For all industries, a move to IFRS must ensure that financial reporting remains transparent and continues to meet the information needs of investors. We believe that viable solutions can be found for all industry groups during the transition period to address the challenges of converting to IFRS.

22. What do issuers believe the cost of converting from U.S. GAAP to IFRS would be? How would one conclude that the benefits of converting justify these costs?

The cost of converting to U.S. GAAP will vary by issuer depending on their specific circumstances, including existing knowledge of IFRS, extent of differences between IFRS and U.S. GAAP, complexity and location of their businesses, etc. The more significant costs of converting to IFRS are likely to result from internal training to understand and select IFRS policies, man hours to identify, quantify and adjust financial reporting and system changes to embed IFRS in accounting and reporting processes. Time and cost will also be incurred to prepare and familiarize stakeholders with financial reporting changes and how those changes impact an investor's financial analysis.

While these costs may be significant, they are one-time in nature, and we believe the benefits of converting to IFRS will continue to yield benefits and cost savings for a number of years. As previously discussed, there are opportunities for companies to lower their cost of capital, realize operational efficiencies, and identify more efficient use of personnel. The reduced complexity of IFRS should also reduce technical research time for issuers, and reduce professional fees historically caused by poring through layers of prescriptive accounting literature. A global accounting framework can help streamline systems and controls, and also reduce tax preparation complexity, as common book reporting provides less need to understand multiple statutory differences. All of these examples could provide tangible cost savings to companies adopting IFRS.

23. Would audit firms be willing to provide audit services to U.S. issuers who prepare their financial statements in accordance with IFRS? How, if at all, would allowing U.S. issuers to prepare IFRS financial statements affect the current relative market shares of audit firms?

We believe that the audit firms who currently provide audit services to the vast majority of U.S. issuers would be willing and fully capable of continuing to audit issuers if they adopted IFRS. U.S. audit firms are already serving the U.S. subsidiaries

of foreign companies that apply IFRS and regularly issue opinions and other reports on financial statements prepared in accordance with IFRS. Most firms are already planning to ramp up their internal IFRS training to prepare their professionals for the coming IFRS wave. We do not believe that the current relative market shares of the audit firms who provide audit services to U.S. issuers would be significantly impacted if the Commission allowed U.S. issuers to use IFRS because it is likely that small issuers will continue to want to be audited by smaller audit firms. Although some smaller audit firms may not continue to audit issuers due to the cost of preparing for IFRS (e.g. training staff, revising internal guidance, etc.), we believe other smaller firms will find opportunities by specializing in IFRS issuer audits.

24. What factors, if any, might lead to concern about the quality of audits of IFRS financial statements of U.S. issuers?

There are certain areas of IFRS that will present challenges for U.S. auditors. For example, the disclosures related to IFRS 7, *Financial Instruments: Disclosures*, require that market risk disclosures be included in the notes to financial statements which are covered by the audit opinion. The Commission requires such disclosures to be presented outside of the financial statements in Managements' Discussion & Analysis. Another example that impacts audit considerations is the accounting policy choice available under certain standards to allow the use of fair value measurement for certain types of assets (such as IAS 16 *Property, Plant and Equipment*, IAS 38 *Intangible Assets* or IAS 40 *Investment Property*). The accounting policy elections associated with these pronouncements introduce different, sometimes additional, risks into an audit, but are similar in nature to areas of U.S. GAAP where fair values are used and management judgment is required. So, although some minor changes may be needed to respond to these differences, the audit framework established by the PCAOB is appropriate for use on financial statements that are not based on U.S. GAAP, and we do not believe that audit quality would be impacted if U.S. issuers were allowed to file their financial statements using IFRS.

25. Would any amendments or additions to auditing and other assurance standards be necessary if U.S. issuers were allowed to prepare IFRS financial statements?

The principles-based guidance included in the auditing and assurance standards would accommodate audits of financial statements prepared in accordance with IFRS with minimal amendments or additions. The primary auditing guidance that would require adjustment is the reporting standards, such as AU Section 534, *Reporting on Financial Statements Prepared for Use in Other Countries* (AU 534). Specifically, the requirements of paragraph 14 of AU 534 require auditors to issue a dual opinion on financial statements of U.S. entities that are prepared in accordance with the accounting principles generally accepted in another country that will have more than limited distribution in the U.S. The dual opinion includes an unqualified opinion on the financial statements prepared using a framework other than U.S. GAAP, but also requires a qualified or adverse opinion on the financial statements because of departures from U.S. GAAP. Amendments to AU 534 that contemplate reporting

under IFRS would provide more useful audit reports for users of the financial statements.

To a lesser extent, other auditing standards would need to be considered and reviewed to clarify instances where U.S. GAAP is specifically identified as the only appropriate framework to ensure that conforming changes are made as necessary.

26. How could global consistency in the application of IFRS be facilitated by auditors of U.S. issuers?

Similar to the current environment under U.S. GAAP, global audit firms can help facilitate consistency of application through internal policies, procedures and training, and by establishing a global, but connected, network of IFRS specialists to consult with engagement teams and clients on difficult accounting and reporting matters.

PricewaterhouseCoopers currently has such a network in place. Our processes include cross-territory reviews of IFRS financial statements and ongoing collaborations among our connected, global network of IFRS experts to increase the level of consistency in application of IFRS principles. However, we would like to emphasize that consistent application of IFRS does not necessarily translate to identical answers for different companies. Professional judgment is a critical aspect of applying a principles-based accounting framework, and because of that, consistent application may still result in different, albeit appropriate, accounting for different companies. Regardless of the accounting framework used, transparency remains an essential feature of all financial reporting, and it is the responsibility of the financial statement preparers and their auditors to ensure the economics of transactions are faithfully represented by the accounting and disclosures reflected in the financial statements.

27. Do you think that the information sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities' regulators ability to identify and address inconsistent and inaccurate applications of IFRS?

We applaud the Commission for its involvement in IOSCO and coordination with CESR, and believe that such cooperation and communication will help securities regulators to identify and address inconsistent or inaccurate application of IFRS. Should differences of opinion arise among regulators as to proper application of IFRS, we recommend that the regulators follow a practice of referring the issues to the IASB and its International Financial Reporting Interpretations Committee (IFRIC) for further guidance.

28. If the Commission were to consider rulemaking to allow U.S. issuers to prepare IFRS financial statements, are there operational issues relative to existing Commission requirements on which additional guidance would be necessary and appropriate? Would it be appropriate to have differing applicability for U.S. issuers of the form and content provisions of Regulation S-X depending on whether they use IFRS in preparing their financial statements? Are there operational or other issues unique to investment companies? In preparing and auditing IFRS financial statements, should U.S. issuers and their auditors consider the existing guidance related to materiality and quantification of financial misstatements?

We believe that the Commission has contemplated many of the operational issues relative to existing Commission requirements as described in the Concept Release. However, we would like to highlight that IFRS requires that certain disclosures be included in the notes to financial statements, including comprehensive disclosure of financial risk management policies (IFRS 7), critical accounting estimates and assumptions (IAS 1R), and critical judgments in applying accounting policies (IAS 1R). Similar disclosures are made outside of the financial statements under current Commission regulations. Those regulations may need to be modified to recognize existing IFRS requirements.

We also believe that the form and content provisions of Regulation S-X are appropriate for application to issuers using U.S. GAAP or IFRS. If the SEC allows the use of IFRS by U.S. issuers, we believe that issuers will still be able to understand the S-X regulations without explicit changes. However, we also believe that the form and content of financial statements as required by IFRS should be respected, and that any S-X regulations that currently require either additional information, or information in another form, should allow the information to be provided outside of the IFRS financial statements.

Regarding investment companies, please refer to our responses to questions 8 and 21 highlighting the unique nature of IFRS conversion challenges for that industry segment. Additionally, numerous provisions of the 1940 Act and related regulations either contain explicit quantitative thresholds (e.g., limitations on leverage under Section 18, diversification thresholds under Section 5, or "fund of funds" limitations under Section 12) or make explicit reference to accounting principles (e.g., Section 19(a)(1)'s reference to "good accounting practice" in determining net investment income for distribution notice purposes). While the application of many of these provisions may not be significantly different under IFRS than under U.S. GAAP, the Commission should identify and analyze relevant provisions of the 1940 Act and related regulations to assure that no unintended consequences result from applying IFRS. While we have not performed a systematic analysis, we believe this may be needed particularly for those investment companies that own controlling interests in portfolio companies, as consolidation of the portfolio companies could significantly affect such quantitative thresholds.

Finally, regarding materiality and quantification of financial misstatements, we believe that existing guidance should continue to be applicable for all U.S. issuers, regardless of what set of accounting standards they use to prepare their financial statements.

- 29. Should there be an accommodation for foreign issuers that are not foreign private issuers regardless of whether the Commission were to accept IFRS financial statements from U.S. issuers? Should any accommodation depend upon whether the foreign issuer is subject to the laws of another jurisdiction which requires the use of IFRS, or if the issuer had previously used IFRS financial statements in its filings with the Commission?**

We believe that the Commission should consider an accommodation for foreign issuers that are not foreign private issuers, if the Commission does not provide U.S. issuers the option to use IFRS. However, if the Commission does allow U.S. issuers to report using IFRS, we expect that foreign issuers would also be allowed to report under that framework.

- 30. Who do commenters think should make the decision as to whether a U.S. issuer should switch to reporting in IFRS: a company's management, its board of directors or its shareholders? What, if any, disclosure would be warranted to inform investors of the reasons for and the timing to implement such a decision? If management were to make the decision to switch to IFRS, do investors and market participants have any concerns with respect to management's reasons for the decisions?**

We believe the decision to move to IFRS should be made in accordance with the issuer's existing corporate governance policies and procedures. Following corporate governance guidelines, the decision would typically be made by the board of directors or others with fiduciary responsibility in almost all instances. Once the decision is made by those with the appropriate authority, we believe the issuer should consider disclosing the key factors influencing the decision, including the primary reasons for the decision, the expected timing of change, the expected impact on financial reporting, and estimated cost when quantifiable. Such disclosures will allow stakeholders to understand and prepare for the change on a timely basis.

- 31. When would investors be ready to operate in a U.S. public capital market environment that allows the use of either IFRS or U.S. GAAP by U.S. issuers? When would auditors be ready? How about those with other supporting roles in the U.S. public capital market (e.g., underwriters, actuaries, valuation specialists, and so forth)? Is this conclusion affected by the amount of exposure to IFRS as it is being applied in practice by non-U.S. issuers?**

Once the U.S. GAAP reconciliation requirement for foreign private issuers using IFRS is eliminated as expected, investors will be operating in a U.S. public capital market that allows the use of either IFRS or U.S. GAAP, albeit only as it relates to the relatively small FPI population. But as previously stated, U.S. investors are already encountering IFRS and making investment decisions on a global basis. Although we believe many investors are prepared to operate in a U.S. public capital market

environment that allows the use of IFRS by U.S. issuers, there is still investor education to be done. It is our opinion that investors will learn most efficiently and quickly through real-time, real-life practical experience with analyzing IFRS financial statements. Therefore, our proposal to establish a mandatory conversion date for all U.S. issuers with early adoption permitted would prove highly beneficial for investors, as they would be able to learn from the example of the companies who chose to early adopt.

We believe that the larger audit firms will be prepared to meet the timeframe for conversion established by the Commission. Larger audit firms have existing IFRS expertise, and would be capable of training the rest of their workforce as necessary to prepare for issuer audits under IFRS. To the extent that other supporting roles, such as actuaries, valuation experts, and others have global businesses and exposure to IFRS, their responsiveness for preparing for issuer conversions to IFRS would likely be similar to the larger audit firms. In fact, because many of these firms serve a global customer base, we have observed that many of the larger actuarial and valuation firms are already familiar with IFRS.

32. Should the Commission establish timing for when particular U.S. issuers could have the option to switch from preparing U.S. GAAP to IFRS financial statements? Should market forces dictate when a U.S. issuer would make the choice to switch from U.S. GAAP to IFRS financial statement reporting? If the former, what would be the best basis for the Commission's determination about timing?

Yes, we believe the Commission should establish a timetable in an expeditious manner to require mandatory adoption of IFRS by all issuers, with early adoption allowed. We do not believe the Commission should dictate whether or not particular types of U.S. issuers are allowed to adopt IFRS. Rather market forces and those with fiduciary responsibility for issuers should guide the timing and manner in which companies convert.

33. Should the opportunity, if any, to switch to IFRS reporting be available to U.S. issuers only for a particular period of time? If so, why and for what period? At the end of that period of time, could commenters foresee a scenario under which it would be appropriate for the Commission to call for all remaining U.S. issuers to move their financial reporting to IFRS?

As previously stated, we believe that the Commission should establish a mandatory adoption date where U.S. issuers will be required to use IFRS for reporting their financial results. Early adoption should be allowed in advance of the mandatory transition date.

34. What difficulties, if any, do U.S. issuers anticipate in applying IFRS 1's requirements on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?

We believe the Commission should provide issuers with an accommodation to only require two years of comparative financial statements during the first year of adoption of IFRS. In addition, U.S. issuers will need to appropriately plan for certain first-time adoption requirements. For example, the hedge accounting documentation and testing requirements under IFRS must be in place contemporaneously in order to achieve hedge accounting treatment from the date of transition. However, the optional exemptions and mandatory exceptions in IFRS 1 were designed to make first-time adoption of IFRS practical and cost-effective for companies. We do not anticipate significant difficulties for U.S. issuers when applying IFRS 1 requirements.

35. Would it be appropriate for U.S. issuers that move to IFRS to be allowed to switch back to U.S. GAAP? If so, under what conditions?

Early adoption of IFRS is a decision requiring careful consideration by issuers. Given that consideration and the overall effort involved in transitioning to IFRS, we believe it would be highly unlikely that issuers would wish to switch back to U.S. GAAP prior to the mandatory transition date.