



Via Email

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File Number S7-20-07 Concept Release - Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards (IFRS)

Dear Ms. Morris,

We are writing on behalf of the International Corporate Governance Network (ICGN). The ICGN is a global membership organisation of institutional and private investors, corporations and advisors from 38 countries with capital under management in excess of U.S. \$10 trillion. The aim of the ICGN is to contribute to raising standards of corporate governance through the exchange of ideas and information across borders and development of best practices. Information about the ICGN, its members and its activities is available on our website: www.icgn.org.

The purpose of the Accounting and Auditing Practices Committee is to address and comment on accounting and auditing practices from an international investor and shareowner perspective. The Committee through collective comment and engagement strives to ensure the quality and integrity of financial reporting around the world. http://www.icgn.org/organisation/committee_membership.php?name=AAP

Thank you for the opportunity to comment on the concept release, which would allow U.S. issuers, the choice to prepare financial statements in accordance with IFRS. The ICGN and its members have an interest in maintaining the efficiency of the capital markets and the integrity of financial statements. We believe that all investors would benefit from having a single set of high quality financial reporting standards and support the ultimate goal of convergence by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). Being of global membership, many of our European members are very familiar with financial statements using the various country versions of the International Financial Reporting Standards (IFRS).

The development of a single set of high quality globally accepted accounting standards, which enhance comparability and provide needed transparency is an important aspirational goal for all investors. However, at this time, material differences remain between IFRS and U.S. GAAP. In addition, there are a number of areas where IFRS either does not have comprehensive standards or standards do not exist in such areas as common control mergers, recapitalizations, reorganisations, acquisitions of minority

Education and Training

ICGN agrees that significant training will need to take place to ensure U.S. investors, accountants, auditors, students and all users of financial reporting are fully trained and understand IFRS. We believe this is a major challenge and believe significant progress needs to be achieved in order to establish a sound foundation for successful adoption of IFRS in the U.S.

Since sufficient resources and incentives are key to training, it may be appropriate for the Commission to address how this would be accomplished. The costs could include: hiring additional competent people trained in IFRS, training existing people, making necessary modifications to companies' information technology systems to address the significant differences in accounting conventions, funding major changes in accounting education, and recruiting and training IFRS accounting professors and public company auditors. It is difficult to assess the overall costs, but even under a best case scenario the costs related to the transition from U.S. GAAP to IFRS would be sizeable. Will future accounting students and auditors learn only IFRS, and in effect force all U.S. companies to make expensive changes based on adoption of IFRS over U.S. GAAP within a short time frame?

Auditing

Auditors play a vital role in the integrity of financial reporting and it is this role that provides investors with confidence in the efficiency of capital markets. U.S. auditors would need to be as well versed in IFRS as they are currently in U.S. GAAP. It is important to ensure that an independence standard for auditors is defined and consistently applied. The independence of the auditor is critical to the gate keeping/investor protection role of auditors.

Auditors by the nature of their responsibilities should be able to facilitate global consistency in the application of IFRS. However, in practice, with various jurisdiction-based IFRS standards, unless reconciliation to one global set of standards is required, then global consistency will be difficult if not impossible to achieve.

Regulation

ICGN agrees that joint regulatory bodies, such as the International Organization of Securities Commissions (IOSCO) developing an information-sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities regulators' ability to identify and address inconsistent and inaccurate application of IFRS.

Transition and Timing

The Commission's concept release focuses on many issues that need to be studied, vetted and addressed before allowing U.S. issuers to adopt filing its financial statements using only IFRS. Imperative to this process is the need for shareowner and investor input as the Commission determines what would be necessary to reach an appropriate level of acceptance and understanding to allow U.S. issuers the choice to prepare its financial statements in accordance with IFRS as published by the IASB.

