

**NEW YORK
CITY BAR**

**COMMITTEE ON
FINANCIAL REPORTING**

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VIA EMAIL TO RULE-COMMENTS@SEC.GOV
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Subject: File Number S7-27-08

Ladies and Gentlemen:

This letter is submitted on behalf of the Committee on Financial Reporting of The Association of the Bar of The City of New York (the "Committee") in response to Release No. 33-8982, Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers (the "Release"), of the Securities and Exchange Commission (the "Commission"). Our Committee is composed of lawyers with diverse perspectives on financial reporting matters, including members of law firms and counsel at major corporations, financial institutions, public accounting firms and institutional investors. A list of members of the Committee is attached as Annex A to this letter.¹

General Comments

Our Committee agrees with the Release's basic proposition that, as trading and investment in the capital markets become more global, investors would benefit from a single set of accounting standards developed by an independent, well-funded governing body that is able to assure consistent interpretation and continued development. However, we believe that many U.S. issuers will be extremely reluctant to follow the roadmap proposed by the Commission in the Release and adopt early use of IFRS because of the significant risk that, in 2011 (or at some later date), the Commission might determine that the IFRS milestones have not been achieved and therefore require a return to U.S. generally accepted accounting principles ("U.S. GAAP"). In our view, the proposed roadmap would effectively require early use program participants to

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

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maintain parallel accounting standards until they are assured that the Commission will not mandate a return to U.S. GAAP, and the enormous expense associated therewith, accompanied by the potential disruption caused by a change in accounting standards (that might later have to be reversed), will deter meaningful participation in the early use program. Therefore, we suggest that the Commission consider revising the process as follows:

- First, the Commission should determine what milestones IFRS should be required to achieve before U.S. issuers will be permitted to use IFRS on an optional basis. Once these milestones have been achieved, the Commission should propose rules for U.S. issuers that desire to make an election to move voluntarily to IFRS. U.S. issuers that make such an election should be assured that the Commission will not mandate a return to U.S. GAAP.
- Second, the Commission should continue the convergence effort that we believe has resulted in improving the quality of both U.S. GAAP and IFRS, since investors rely on both and will continue to do so for the foreseeable future.
- Third, after U.S. issuers are permitted to use IFRS on a voluntary basis, the Commission should set a realistic timetable for the Commission to monitor the elective IFRS filings and identify the milestones IFRS would be required to achieve implementing any requirement for the mandatory use of IFRS by remaining issuers.

We believe this approach would be preferable to that proposed in the Release. Each proposal would be a roadmap to a known desired destination.

Specific Comments on the Release

In the event the Commission does not adopt the approach we suggest above, we are providing a limited number of specific comments on the Release for your consideration. We believe these comments will be relevant even if the SEC decides to take a different approach to adoption of IFRS by U.S. issuers.

Given the challenges in education and training for investors, accountants, auditors and others, we believe the Commission should reevaluate its target date of 2014 for mandated IFRS use. As observed in Footnote No. 72, that target date would require companies to start IFRS internal accounting beginning on January 1, 2012. We fear that an unnecessarily rapid mandatory imposition of IFRS would not restore investor confidence in financial reporting, and could have the opposite effect. We also suggest that the Commission reconsider its decision to require three years of audited financial statements in the first year of IFRS reporting. We support the alternative mentioned in Question 33 that would permit an issuer to file two years, rather than three years, of IFRS financial statements in its first annual report containing IFRS financial statements as long as it also files in that annual report three years of U.S. GAAP financial statements.

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While we recognize the issues with a staged transition to mandatory use of IFRS, as opposed to all U.S. issuers transitioning at once, we believe the staged transition approach for other new Commission rules, such as the internal control evaluation and XBRL, has been well received and has reduced the burdens upon smaller issuers having to compete for limited accounting and auditing resources. We believe the benefits of a staged transition outweigh the problem of non-comparability of financial information due to the application of IFRS transition provisions at differing dates. We recommend a staged transition with two or three years between stages for large accelerated filers, accelerated filers and non-accelerated filers, including smaller reporting companies. Once the first issuers have begun reporting in IFRS, other issuers should be permitted to make the transition voluntarily before they are required to do so.

We question the exclusion of investment companies and other regulated entities filing or furnishing reports with the Commission from the scope of the Roadmap. We believe that the rulemaking should be comprehensive and should address all these entities. In addition, we believe that the Commission, in coordination with other U.S. regulators, should work to enable U.S.-regulated subsidiaries (such as broker-dealers, banks and insurance companies) of public companies reporting in IFRS to use IFRS in their regulatory reports. We do not believe that such companies should be subject to multiple accounting standards.

Comments on Proposal for Limited Early Use of IFRS

We have the following specific comments on the proposal for limited early use of IFRS:

- We suggest that the eligibility requirements for early use of IFRS are too restrictive. If the goal of limited early use is to “broaden the awareness and attention given to IFRS as a single set of high-quality globally accepted accounting standards” and to “enhance the comparability of financial reporting to U.S. investors,” we believe more than 110 issuers should be eligible. Accordingly, we recommend that, at a minimum, all U.S. issuers that are “large accelerated filers” qualify for early use of IFRS.
- We question the necessity of an SEC letter of no objection to early use of IFRS. We suggest the Commission reconsider whether, and we suggest that, delivery of notification by an issuer to the SEC alone should be adequate.
- The Commission has proposed two alternatives with respect to the disclosure of U.S. GAAP information. We prefer Alternative Proposal A – Reconciled Information Pursuant to IFRS 1. We believe Proposal B would be unnecessarily burdensome without providing any significant benefit to investors. We believe that few companies will revert back to U.S. GAAP (unless the SEC mandates it), so we discount that advantage to Proposal B.
- In response to Question 40, we do not believe that there is a need for a “full reconciliation.” We believe that a limited reconciliation together with the MD&A referred to below will provide investors with the information they need.

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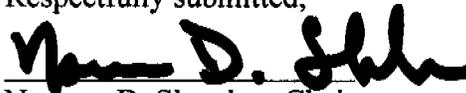
- We support the suggestion in Question 41 that MD&A should address the reconciliation and the major differences between IFRS and U.S. GAAP.
- In response to Question 42, we do not believe that supplemental U.S. GAAP information should be required for quarterly periods.
- We do not believe the option to report under IFRS should have a termination date, as mentioned in Question 43. It would be unduly burdensome to require issuers that adopt IFRS to revert to U.S. GAAP reporting.
- We support the safe harbor provision mentioned in Question 56 for forward-looking disclosure contained in IFRS financial statements. We believe such a provision would encourage U.S. issuers to use IFRS early and would not have an adverse impact upon investors.

Conclusion

We commend the Commission for its efforts to achieve a single set of high-quality global accounting standards as an important means of enhancing the comparability of financial information of U.S. companies with that of non-U.S. companies. We encourage the Commission to take our comments into consideration in formulating its approach to this important issue.

Members of the Committee would be pleased to answer any questions you may have concerning our comments.

Respectfully submitted,



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

cc: Securities and Exchange Commission

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Hon. Kathleen L. Casey, Commissioner
Hon. Elisse B. Walter, Commissioner
Hon. Luis A. Aguilar, Commissioner
Hon. Troy A. Paredes, Commissioner

Securities and Exchange Commission - Division of Corporation Finance

Ms. Meredith Cross, Director

Securities and Exchange Commission - Office of Chief Accountant

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