

April 20, 2009

Ms. Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Via Electronic Mail: rule-comments@sec.gov

Re: File No. S7-27-08: ***Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers***

Dear Ms. Harmon:

Standard & Poor's Ratings Services (Standard & Poor's) appreciates the opportunity to provide the Securities and Exchange Commission (the Commission or SEC) our comments on the Commission's Proposed Rule, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (Proposed Rule). The views expressed in this letter represent those of Standard & Poor's Ratings Services and do not address, nor do we intend them to address, the views of any other subsidiary or division of Standard & Poor's Financial Services, LLC or The McGraw-Hill Companies. Further, we intend our comments to address the analytical needs and expectations of our credit analysts.

We have consistently supported a single set of global financial reporting standards.¹ We believe that a single body of high-quality standards, established by a well governed and adequately funded global accounting standard-setter, applied uniformly by companies, and enforced consistently by auditors and regulators, will better enable our analyses of global peer companies. It will also enhance the accounting standard-setting process and underpin the efficient operation of the global capital markets.

¹ See Standard & Poor's Ratings Services Comment Letter on the Commission's Concept Releases "*Allowing US Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards*" (File No. S7-20-07), November 13, 2007, and on the Commission's Proposed Rule "*Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to US GAAP*" (File No. S7-13-07), September 24, 2007.

We welcome and support the Commission's efforts to promote convergence of U.S. GAAP and International Financial Reporting Standard (IFRS), with the ultimate goal of conversion to a single unified global standard, which we believe will improve the consistency and quality of information provided to credit analysts and other users of financial reports worldwide.

The current rules-based system causes a recurring need to create further rules, interpret existing rules, clarify issues, or close loopholes. This, and the increasingly complex business and finance environment, demonstrates the need for an accounting system that can effectively accommodate changing business dynamics, without constantly changing the fundamental accounting framework.

We acknowledge that no single set of standards, whether U.S. GAAP or IFRS, is currently complete and there is much work yet to do. However, we believe that a single global accounting standard-setter (instead of the two currently working in tandem, which converge on only part of their standards) will prove more effective in the long term. As seen recently, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (collectively, the Boards) have independently made numerous fundamental, nonconcurrent changes to their accounting standards, despite the on-going convergence efforts. This process has introduced concerns among the Boards' constituencies about the commitment to, and robustness of, the global convergence efforts, underscoring the need to formalize the convergence roadmap.

The following summarizes specific issues and suggestions we believe warrant consideration. We also addressed our views on specific questions of the Proposed Rule in the Appendix to this letter.

Develop Enhanced Disclosure Framework

More than ever, investment opportunities and credit decisions are global, so the need for consistent financial reporting principles is increasingly important. We have long held that financial reporting includes both the basic accounting framework and the accompanying disclosures. Given the complex nature of the business environment and a principles-based accounting framework, the importance of disclosures becomes ever more evident.

We recommend that the Boards work together to develop a comprehensive disclosure framework and related principles, and that the Commission require this framework to be implemented before the U.S. converts to IFRS. We consider a disclosure framework a most important improvement to accounting standards broadly and a critical facet in facilitating an enduring convergence process. We believe the Boards can develop that framework within a reasonable time, which would not otherwise unduly delay conversion.²

² See Investors Technical Advisory Committee "Unsolicited Agenda Request For A Principles-Based Disclosure Framework," December 11, 2007, available on http://www.fasb.org/investors_technical_advisory_committee and recommendations for a Principles Based Disclosure Framework incorporated to the Final Report of the SEC Advisory Committee On Improvements To Financial Reporting, August 1, 2008.

At a minimum, the framework should require that companies consistently disclose accounting policy selections and application; the related balances in the financial statements and account composition; the significant assumptions on which material account balances are based; the events that could cause these assumptions and balances to change; and an assessment of the probability or likelihood of such changes occurring. The information in the disclosures should also enable forward-looking analysis.

In addition, such a disclosure framework would likely reduce the need for credit analysts and others to rely on information outside the audited financial statements (e.g., the MD&A). It would also significantly reduce the uncertainties associated with a move to a different accounting framework, given the many remaining dissimilar facets and requirements of both IFRS and U.S. GAAP accounting and disclosures standards.

Undoubtedly, optional accounting methods and differing judgments and circumstances will continue to exist, regardless of whether a company uses IFRS or U.S. GAAP. In addition to the general benefits of a disclosure framework, we believe a principles-based accounting framework requires a greater emphasis on disclosures that show how an enterprise applies the principles to a particular transaction or an economic activity in the financial reports. Financial statements and related disclosures should ultimately provide investors, creditors, and analysts with a clearer and more complete understanding of an entity's financial position, results of operations, and cash flows, better enabling informed investment decisions and credit opinions. Disclosures that provide comprehensive information and sensitivities of risks and rewards will aid understanding, resulting in financial reporting that addresses the needs of the complex and dynamic global capital markets. At a minimum, conversion should be designed to ensure that users get the same extent and quality of information under IFRS as under U.S. GAAP.

Further, it is unclear whether current SEC and FASB disclosure requirements, which generally are more extensive than those required under IFRS, will continue to apply. As part of the disclosure project, the Boards should determine where IFRS disclosure requirements are lacking, to find opportunities for enhancing the quality of IFRS reporting, e.g., the supplemental disclosures for oil and gas producers.

Remove Barriers to Adoption of IFRS

We believe the roadmap and related milestones should set the path to adoption of IFRS in the U.S. and should include a high degree of certainty that the Commission will accept IFRS-compliant financial statements from domestic issuers. Indeed, limited and selective conversion--without clarity that IFRS will ultimately be the U.S. accounting standard that applies to registrants--will discourage early adoption and slow preparation for IFRS by users and issuers alike.

In this regard, we believe the first milestone, “improvements in accounting standards,” could be an obstacle to adoption because it does not set specific objectives the Commission will use to measure the Boards' accomplishment in meeting this milestone. In our opinion, neither IFRS nor U.S. GAAP individually meets all users' needs, nor will they upon conversion. Further, it is unlikely that IFRS and U.S. GAAP will be fully converged by 2011. However, the Commission has already accepted IFRS as a high-quality set of standards and should continue moving forward in accepting the IASB as the accounting-standard setter of the future, ideally by establishing a date certain for conversion (or dates for subsets of issuers).

We believe there are key barriers in the proposed roadmap that will likely discourage early adoption. These include:

- Lack of certainty that the Commission will ultimately mandate the use of IFRS by all domestic issuers;
- The risk that an early adopter may be compelled to revert to U.S. GAAP; and
- Maintaining dual accounting and financial reporting records based on IFRS and U.S. GAAP to facilitate reconciliation.

We suggest the Commission work to minimize these disincentives, especially given its recent acceptance of IFRS in filings by foreign private issuers. For example, we recommend that the Commission identify dates certain for companies to adopt IFRS, providing sufficient time for necessary improvements to IFRS, promulgation or adoption of disclosure principles, and allowing for appropriate transitional needs to be met for companies, auditors, and users. We believe the set implementation dates could be staged based on company size, the existence of an international peer group against which a company is benchmarked, and exposure to the international investor base.

If firm conversion dates are established, which we recommend, we also suggest the Commission broaden the eligibility for early adoption to all issuers. We believe this will increase the learning experiences for users, preparers, and regulators, thereby meeting the early adoption objectives. Further, while we believe a phased-in approach--accompanied by adequate disclosures--is appropriate, we suggest limiting the time during which the Commission accepts both U.S. GAAP and IFRS financial statements. If a staged or sequenced adoption is mandated, one option could be for large, accelerated filers and optional early adopters to switch first, with adoption required one or two years later for accelerated and nonaccelerated filers. Drawing out the transition over much longer periods would complicate the analysis of domestic issuers and make it more difficult to retain comparability.

Improved Oversight and Governance Is Critical

We believe it is important to resolve the IASB's governance and funding issues. The IASB and its standard-setting process should be independent and free from undue pressure that may undermine its due process and as a consequence, confidence in IFRS. Prior to IFRS conversion, the appropriate funding, policies, procedures, and processes should be in place to accomplish this critical goal, and in particular, an equally balanced representation of users on the IASB and its Trustee organization.

Develop and Enforce International Auditing Framework

We also want to emphasize the importance of implementing an international auditing framework possibly in connection with other national securities regulators, and related standards that regulators will enforce consistently. We suggest the Commission authorize a study of auditing standards and their application in major countries prior to transition and at intervals thereafter. This is not a prerequisite to conversion, but another facet promoting greater comparability.

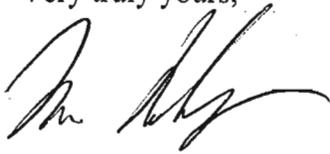
What Happens to Nonpublic Companies?

We understand why the roadmap does not address financial reporting for nonpublic companies, because it is not within the scope of SEC filings. Nevertheless, we believe the issue of whether nonpublic entities should continue to use U.S. GAAP or convert to IFRS should be resolved. Our rated universe includes both public companies that may change to IFRS and nonpublic companies that will remain on U.S. GAAP. Our analysis benefits from the level of comparability inherent in the use of a single accounting method by both and we believe other users benefit as well. A move to IFRS, if not followed, in due time, by nonpublic companies in the U.S. will add yet another layer of comparability hurdles for investors and credit analysts to attempt to analyze, adjust, and reconcile, thus diminishing the broader benefits arising from a single accounting system.

* * *

We thank you for the opportunity to provide our comments on the Proposed Rule. We would be pleased to discuss our views with any member of the Commission's staff. If you have any questions or require more information, please contact Neri Bukspan, Managing Director, Chief Quality Officer and Chief Accountant at (212) 438-1792 (neri_bukspan@standardandpoors.com); Joyce Joseph-Bell, Senior Director, Financial Reporting at (212) 438-1217 (joyce_joseph-bell@standardandpoors.com); or Sherman Myers, Director, Financial Reporting (212) 438-4229 (sherman_myers@standardandpoors.com).

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Proposed Roadmap to IFRS Reporting by U.S. Issuers

1. Do commenters agree that U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of a single set of globally accepted accounting standards? What are commenters' views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?

Standard & Poor's Ratings Services supports global convergence toward a single, comprehensive, financial accounting and reporting standard that is consistently applied and enforced. More than ever, investment opportunities are global, so the need for consistent accounting and reporting principles is increasingly important. We believe a single, comprehensive, global financial reporting system, consistently applied and enforced, is crucial to maintaining and expanding efficient global financial markets. As a global accounting and reporting language, IFRS will facilitate financial statement comparability and help us better compare financial results of rated issuers worldwide.

2. Do commenters agree that the milestones and considerations described in Section III.A. of this release ("Milestones to be Achieved Leading to the Use of IFRS by U.S. Issuers") comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission? Are any of the proposed milestones not relevant to the Commission's evaluation? Are there any other milestones that the Commission should consider?

We believe the roadmap and milestones as proposed establish an appropriate path to adoption of IFRS. However, we suggest the Commission provide greater certainty in the roadmap. For example, Milestone 1 "Improvements in Accounting Standards" states the Commission intends to consider the degree of progress made by the FASB and IASB in completing the joint project work by 2011 as a factor in the IFRS transition decision. The FASB and IASB have done considerable work toward converging to a single set of high quality global accounting standards, and we believe this work should continue, but the transition decision should appropriately weigh the efforts completed with the magnitude of work to do. We suggest the Commission specify the objectives the Boards should achieve before conversion, and describe how it will measure that.

As part of Milestone 1, we recommend that the Boards work together to develop a comprehensive disclosure framework. See our comments in our letter about the importance of a comprehensive disclosure framework.

Regarding Milestone 2, "Accountability and Funding of the IASC Foundation," we support the establishment of a secure and stable funding system that ensures independence and supports the long-term viability of a global standard-setting process.

3. Do commenters agree with the timing presented by the milestones? In particular, do commenters agree that the Commission should make a determination in 2011 whether to require use of IFRS by U.S. issuers? Should the Commission make a determination earlier or later than 2011? Are there any other timing considerations that the Commission should take into account?

We agree that a decision about adopting IFRS should be made based on an informed assessment of market implications and of preparer abilities to provide accurate financial reporting information. As stated in the body of our letter, however, we believe the roadmap should provide a high level of certainty that the SEC will make a final decision to adopt IFRS. We believe providing a specific date for conversion will encourage early adoption, increase the focus of educators on IFRS, and provide a catalyst for credit analysts and other users of financial information to learn IFRS.

Ideally, the transition to IFRS would be done concurrently, or near concurrently, for all companies, because two systems of financial accounting and reporting will potentially create added hurdles in deciphering financial information, complicate our analysis of U.S. issuers, and could require further analytical adjustments merely to retain current comparability during the transition period. However, we recognize the practical implications that could suggest a more gradual transition, with larger companies and those with international activities adopting first. This will allow for a more reasoned deployment of resources and a more cost-effective transition for smaller firms.

We also emphasize the importance of implementing an international auditing framework and related standards, possibly in connection with other national securities regulators, and standards that regulators will enforce consistently. We suggest the Commission authorize a study of auditing standards in major countries prior to transition and at intervals thereafter. This is not a prerequisite to conversion, but another facet promoting greater comparability.

4. What are commenters' views on the mandated use of IFRS by U.S. issuers beginning in 2014, on an either staged-transition or non-staged transition basis? Should the date for mandated use be earlier or later? If the Commission requires the use of IFRS, should it do so on a staged or sequenced basis? If a staged or sequenced basis would be appropriate, what are commenters' views on the types of U.S. issuers that should first be subject to a requirement to file IFRS financial statements and those that should come later in time? Should any sequenced transition be based on the existing definitions of large accelerated filer and accelerated filer? Should the time period between stages be longer than one year, such as two or three years?

Ideally, the transition to IFRS would be concurrent--as it was in Europe--or near concurrent for all SEC registered companies. However, we understand why a phased-in approach to adoption of IFRS may be needed. If a staged or sequenced adoption is mandated, one option could be for large, accelerated filers and optional early adopters to switch first, with adoption required one or two years later for accelerated and nonaccelerated filers. Drawing out the transition over much longer periods would complicate the analysis of domestic issuers and make it more difficult to retain comparability.

5. What do commenters believe would be the effect on convergence if the Commission were to follow the proposed Roadmap or allow certain U.S. issuers to use IFRS as proposed?

We believe the level of uncertainty in the proposed roadmap will inhibit early adoption and convergence. For example, the roadmap introduces risks such as the possibility of a return to U.S. GAAP for early adopters. The roadmap may also require increased costs and disclosures if the SEC mandates that early adopters reconcile IFRS financial statements to U.S. GAAP each year as discussed in Proposal B - Supplemental U.S. GAAP Information.

6. Is it appropriate to exclude investment companies and other regulated entities filing or furnishing reports with the Commission from the scope of this Roadmap? Should any Roadmap to move to IFRS include these entities within its scope? Should these considerations be a part of the Roadmap? Are there other classes of issuers that should be excluded from present consideration and be addressed separately?

In our opinion, the transition to IFRS should include all U.S. issuers. Exclusions will potentially undermine acceptance of IFRS as the global accounting and reporting standard and undermine the desired comparability.

9. What are commenters' views on the IASB's and FASB's joint work plan? Does the work plan serve to promote a single set of high-quality globally accepted accounting standards?

10. How will the Commission's expectation of progress on the IASB's and FASB's joint work plan impact U.S. investors, U.S. issuers, and U.S. markets? What steps should be taken to promote further progress by the two standard setters?

11. The current phase of the IASB's and FASB's joint work plan is scheduled to end in 2011. How should the Commission measure the IASB's and FASB's progress on a going-forward basis? What factors should the Commission evaluate in assessing the IASB's and the FASB's work under the joint work plan?

We support the joint work plan of the FASB and IASB and believe that together, they will appropriately pull U.S. GAAP and IFRS into a single set of high-quality, globally accepted accounting standards. The joint work plan addresses significant issues, including financial statement presentation, consolidations, revenue recognition, and derecognition. However, the Boards will not converge accounting standards to the point where U.S. GAAP and IFRS are the same by 2011. Further, as discussed in our letter, the Boards also undertake independent activities and do not converge in full on all of their current undertakings. We believe complete convergence of standards is not necessary to reach the decision to convert to IFRS.

The FASB and IASB efforts to develop high-quality, compatible accounting standards should continue. However, we do not believe that failure to meet expectations of progress in developing targeted compatibility and addressing all planned projects should be the sole or a primary reason to delay adoption of IFRS. The SEC recognized that IFRS is a high-quality set of accounting

standards as evidenced in 2007 when it permitted foreign issuers to discontinue reconciling their IFRS financial statements to U.S. GAAP.

As more fully discussed in the body of our letter, in our opinion, the Board's joint work plan **should also include a disclosure framework project** as one of its highest priorities. One of the objectives of convergence is comparability of financial reporting. However, current IFRS guidance does not include a comprehensive disclosure framework that will enable users to understand similarities and differences in financial information between companies and the accounting regimes during the period of transition. Different accounting policy choices, judgments, and estimates affect comparability and could become more pronounced in a principles-based framework. We believe that a disclosure framework that enhances transparency of a company's accounting policies and optional elections, estimates, risk management, fair values, loss contingencies, management's basis for the determination and application of estimates, assumptions, and sensitivities will give credit analysts and other users the necessary information to understand more clearly the economic results of the business. It will also increase analysts' confidence in the robustness and veracity of IFRS-based accounts, further supporting an effective transition and minimizing the potential for disruption from uncertainties or the perception of peer incomparability. While our focus in this letter is IFRS, we also have similar concerns with U.S. GAAP.

12. What are investors', U.S. issuers', and other market participants' views on the resolution of the IASB governance and funding issues identified in this release?

We believe it is important to resolve governance and funding issues addressed in the roadmap. The IASB's standard-setting process should be independent of special interests and free from undue influences. Prior to IFRS convergence, funding, organizations, policies, procedures, and processes should be in place to accomplish this critical objective.

13. What steps should the Commission and others take in order to determine whether U.S. investors, U.S. issuers, and other market participants are ready to transition to IFRS? How should the Commission measure the progress of U.S. investors, U.S. issuers, and other market participants in this area? What specific factors should the Commission consider?

We believe providing certainty that U.S. issuers will adopt IFRS, along with definite transition dates and periods, will promote the urgency needed to get credit analysts, other users, and issuers to prepare for the accounting and financial reporting changes in a timely manner. The level of uncertainty in the proposed roadmap provides hope to those that are not in favor of the change that a failure to meet a milestone will delay or derail adoption of IFRS. In addition, this uncertainty may deter potential momentum in preparing to adopt IFRS, and otherwise delay investments in systems and training, potentially leaving companies and users unprepared.

14. Are there any other significant issues the Commission should evaluate in assessing whether IFRS is sufficiently comprehensive?

We hope to see an overarching disclosure standard in place as part of the Boards' joint working plan to achieve a single globally accepted set of accounting standards. (See our response to questions 9-11.)

See our response to Question 3 on the importance of developing international auditing standards and consistent enforcement.

15. Where a standard is absent under IFRS and management must develop and apply an accounting policy (such as described in IAS 8, for example) should the Commission require issuers to provide supplemental disclosures of the accounting policies they have elected and applied, to the extent such disclosures have not been included in the financial statements?

We believe such disclosures are appropriate. This underscores the merits of establishing a comprehensive disclosure framework, prior to conversion, to aid in providing desired transparency. See also our recommendation for the promulgation of a principles-based disclosure framework, more fully discussed in the body of our letter.

A key objective for our analysts is improving consistency and comparability of accounting and financial reporting internationally. Disclosing accounting policies and how they are applied, is critical in achieving this goal, in particular during conversion. Without a consistent standard or an accounting framework for a particular undertaking under IFRS, we believe the only acceptable substitution would be to mandate disclosures that would let credit analysts and other users assess comparability and obtain the appropriate analytical insights arising from the reported amounts. Moreover, disclosure requirements under IFRS should ensure that users get the same extent and quality of information as under U.S. GAAP. If the roadmap for conversion and our proposed disclosure framework will not, at a minimum, achieve this goal, the outcome will be less than optimal.

Proposal for the Limited Early Use of IFRS Where This Would Enhance Comparability for U.S. Investors

16. Do commenters agree that certain U.S. issuers should have the alternative to report using IFRS prior to 2011? What circumstances should the Commission evaluate in order to assess the effects of early adoption on comparability of industry financial reporting to investors?

We agree that U.S. issuers should have the option to report using IFRS prior to full scale adoption. However, as stated earlier, we strongly encourage the Commission to identify a date certain for an ultimate, complete transition.

17. Do commenters agree with the proposed criteria by which the comparability of an industry's financial reporting would be assessed? If not, what should the criteria be?

18. Which eligible U.S. issuers have the incentive to avail themselves of the proposed amendments, if adopted? Are there reasons for which an issuer that is in a position to file IFRS financial statements under the proposed amendments would elect not to do so? If so, what are they?

19. Is limiting the proposal to the largest 20 competitors by market capitalization an appropriate criterion? Should it be higher or lower? Should additional U.S. issuers be eligible to elect to report in IFRS if some minimum threshold of U.S. issuers (based on the actual number or market capitalization of U.S. issuers choosing to report in IFRS) elects to report in IFRS under the eligibility requirements proposed? To the extent additional U.S. issuers are not permitted to report in IFRS even if such a minimum threshold is met, are such non-eligible U.S. issuers placed at a competitive disadvantage vis-à-vis U.S. issuers reporting in IFRS?

21. What impact will the Commission's determination to allow an industry to qualify as an "IFRS industry" without majority IFRS use have on the Commission's objective of promoting comparability for U.S. investors? How will this impact U.S. investors, U.S. issuers, and U.S. markets? Is the use of IFRS more than any other set of financial reporting standards the right criterion? Should it be higher or lower?

22. Should the Commission permit additional industries to qualify as IFRS industries, and thus additional U.S. issuers to become early adopters, as more countries outside the U.S. adopt IFRS? Alternatively, should the group of potential industries and early adopters be limited to those that qualify at the time the Commission determines to permit early adoption?

As more fully discussed in our letter, we believe the roadmap should give all U.S. issuers the option of adopting IFRS early. This eliminates the additional processes of determining whether issuers meet the defined criteria and obtaining advance approval as outlined in the Proposed Rule and allows companies that view the global accounting standards as more appropriate for their investors to dedicate company resources and time to conversion. The size of an entity compared to its industry does not necessarily correspond, in our view, to incentives for early adoption.

Credit analysts and other users of financial information will benefit from the greater early experiences with U.S. issuers converting to and reporting using IFRS. We rate the creditworthiness of companies across a range of regions, industries, and market capitalization. Early adopters across diverse industries will provide early insights on the changes in financial information; create a greater sense of urgency for IFRS preparation; and get users up to speed in analyzing IFRS financial statements.

25. Do commenters agree that the criterion of enhanced comparability is the correct one? Are there other criteria that should be used? For example, should issuers be eligible based on their size or their global activities? If a size criterion were used to include the largest U.S. issuers, what should the cut-off be? Should there be a criterion based on the absence of past violations of the federal securities laws or based on shareholder approval?

We agree that enhanced global comparability is the primary criterion. Nevertheless, we believe the roadmap should give all entities the choice to adopt early, which will help facilitate the ultimate objective of a single set of globally accepted accounting and reporting standards.

27. What are commenters' views on the accounting principles that should be used by those U.S. issuers that elect to file IFRS financial statements if the Commission decides not to mandate or permit other U.S. issuers to file IFRS financial statements in 2011? Should the Commission require these issuers to revert back to U.S. GAAP in that situation?

Since the objective is to move to a single, high-quality, global accounting standard, the SEC should eliminate the risk and disincentive that an early adopting entity may be compelled to return to U.S. GAAP, especially because it will be expensive for preparers, and complicate the analysis of company financial statements. Therefore, we recommend that early adopters have the option to continue to use IFRS, similar to foreign issuers who may use IFRS in SEC filings, without the costs of annual reconciliations to U.S. GAAP. However, we would prefer that the Commission propose the option to early adopt accompanied by a date certain for IFRS implementation. We also believe the proposed roadmap should be adopted only if there is very little risk of reversion to U.S. GAAP, and that the appropriate processes, governance, and funding mechanism are in place to reduce such risk to a de minimis level.

28. Is it appropriate to exclude investment companies, employee stock purchase, savings and similar plans and smaller reporting companies? Are there other classes of issuers or certain industries that should be excluded?

See our response to Question 6.

C. Transition

29. Should we limit the first filing available to an annual report on Form 10-K, as proposed? If not, why not? Is the proposed transition date of fiscal years ending on or after December 15, 2009 appropriate? Should it be earlier or later, and why? What factors should be considered in setting the date?

We agree that the first IFRS financial statement should be in an annual report. Given the short time period from finalization of the Proposed Rule, we believe many entities may find it difficult, if not impossible, to change to IFRS by that time. Accordingly, we recommend the initial application be afforded for fiscal years ending after June 15, 2010. This will allow for a more orderly and efficient preparation period for all participants.

33. To facilitate the transition to IFRS, should we add an instruction to Form 10-K and Form 10-Q under which an issuer could 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 filed in that annual report three years of U.S. GAAP financial statements? Under such an approach, an issuer could, during its third year after beginning its IFRS accounting, choose to file a Form 10-K/A with IFRS financial statements covering the previous two fiscal years. For the current (third) fiscal year, the issuer could then file quarterly reports on Form 10-Q using IFRS financial statements. For example, a calendar-year issuer that began its IFRS accounting for the 2010 fiscal year would use U.S. GAAP to prepare its Forms 10-Q and Forms 10-K for the 2010 and 2011 fiscal years. In 2012, that issuer would have the option of filing a Form 10-K or a Form 10-K/A with IFRS financial statements for 2010 and 2011, which would allow it to use IFRS in its quarterly reports during 2012, or continuing to use U.S. GAAP. In either case, the Form 10-K covering the 2012 fiscal year would include three years of IFRS financial statements.

No. We would prefer three years of IFRS income and cash flow statements in the year of adoption. We believe that the option to file only two years of IFRS financial statements if a company also files three years of U.S. GAAP in the same financial report unnecessarily complicates conversion and would add needless confusion.

Alternative Proposals for U.S. GAAP Information

34. What are commenters' views on Proposals A and B relating to U.S. GAAP reconciling information? Which Proposal would be most useful for investors? Is there a need for the supplemental information provided by Proposal B? Would the requirement under Proposal B have an effect on whether eligible U.S. companies elect to file IFRS financial statements? To what extent might market discipline (i.e., investor demand for reconciliation information) encourage early adopters to reconcile to U.S. GAAP even in the absence of a reconciliation requirement?

35. What role does keeping a set of books in accordance with U.S. GAAP play in the transition of U.S. issuers to IFRS? What impact will keeping U.S. GAAP books have on U.S. investors, U.S. issuers, and market participants?

36. How valuable is reconciliation to U.S. investors, U.S. issuers, and market participants? How valuable is reconciliation to global market participants? Are there some financial statements (such as the statement of comprehensive income) which should not be required to be reconciled to U.S. GAAP?

37. Under either Proposal, would investors find the U.S. GAAP information helpful in their education about IFRS or in being able to continue to make financial statement comparisons with U.S. (and non-U.S.) issuers that continue to prepare U.S. GAAP financial statements? Would one alternative be more helpful to U.S. investors, regulators, or others in understanding

information prepared under IFRS or to continue to make comparisons with issuers who prepare U.S. GAAP financial statements?

Although a continuing reconciliation to U.S. GAAP would be useful, we nevertheless support Proposal A because it complies with IFRS requirements and would not impose continuing reconciliation burdens on issuers. These reconciliation considerations further demonstrate the importance we place on the promulgation of a robust disclosure framework.

We believe, however, that a comprehensive reconciliation in the year of adoption is essential to allow credit analysts and other users to understand the effects of the change.

41. Under either Proposal, should we require that the issuer's "Management's Discussion and Analysis of Financial Condition and Results of Operations" prepared under Item 303 of Regulation S-K contain a discussion of the reconciliation and the differences between IFRS as issued by the IASB and U.S. GAAP?

We believe that a discussion in the MD&A section of the financial reports of the reconciliation in the initial year of adoption would be appropriate and useful to our analysis.

42. Should we require supplemental U.S. GAAP information, such as that in Proposal B, for all quarterly periods covered by IFRS financial statements?

No. For the reasons stated above, we do not support Proposal B.

Amendments to S-X

51. A U.S. issuer engaged in oil and gas producing activities that has followed the successful efforts method and carries forward that practice under IFRS will have consistent reserves disclosure under FAS 19, FAS 69 and Industry Guide 2. If that issuer were to apply another method of accounting permitted under IFRS, it may lead to inconsistencies between Industry Guide disclosure, FAS 69 disclosure, and the financial statements. Would such potential inconsistencies create ambiguity for users of that information or otherwise be a cause for concern? If so, what would be an appropriate means of addressing the inconsistencies?

IFRS does not yet address accounting for the extractive industries, including oil and gas exploration and production. We agree that the disclosures required by FAS 19, FAS 69, and Industry Guide 2 should continue until the IASB replaces these standards. We would view changes from full cost to successful efforts as a positive change. We would evaluate the effects of other changes on a case-by-case basis. Entities should fully disclose all changes in accounting for oil and gas exploration and production when adopting IFRS. At a minimum, users should get no less information under IFRS than they would have under U.S. GAAP.

Selected Financial Data

55. Will three years of selected financial data based on IFRS be sufficient for investors, or should IFRS issuers be required to disclose in their selected financial data previously published information based on U.S. GAAP with respect to previous financial years or interim periods?

Our analysis would benefit from five years of data to maintain our established trends. Nevertheless, we are mindful of any difficulties that the additional years would present to issuers and recognize the practical trade-offs that must be made. We also believe that credit analysts and other users can retrieve previously published U.S. GAAP information from past reports without undue efforts.

Disclosure from Oil and Gas Companies under FAS 69

63. Should an IFRS issuer 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? Proposed Rule 13-03(d) of Regulation S-X is modeled on an instruction relating to FAS 69 in Item 18 of Form 20-F. Does this proposed rule need to be modified in any way to more clearly require filers to provide information required by FAS 69?

Yes. It is important not to lose critical information used in our analysis simply because IFRS standards for the oil and gas industry have yet to be developed. Our credit analysts use the information in FAS 69 disclosures in rating debt of oil and gas companies, especially the costs and reserve data. Also, see our response to Question 51.

General Request for Comments

66. Are there other considerations in addition to those discussed in this release that the Commission should consider as part of the proposed amendments to permit the limited use of IFRS or its future decision regarding the use of IFRS by U.S. issuers?

Enhanced Disclosure Framework. We believe it is crucial to develop an enhanced disclosure framework and related principles as part of the conversion to IFRS. See our comments above and in our letter about the need for a comprehensive disclosure framework.

IFRS for Nonpublic Entities. We understand why the roadmap does not address financial reporting for nonpublic entities, as it is not within the scope of SEC filings. Nevertheless, we believe the issue of whether nonpublic entities should continue to use U.S. GAAP or convert to IFRS should also be resolved. Our rated universe includes both public companies that may change to IFRS and private companies that will remain on U.S. GAAP. Our analysis benefits from the level of comparability inherent in the use of a single accounting method by both and we believe other users benefit as well. A move to IFRS, if not followed, in due time, by nonpublic companies will add yet another layer of comparability hurdles for investors and credit analysts to

Appendix

attempt to analyze, adjust, and reconcile, thus diminishing the broader benefits arising from a single accounting system.

Use of IFRS as Published. A key goal of conversion to IFRS is global consistency and comparability of financial reporting. If the Commission or other national regulators impose country-specific requirements that depart from IFRS, we will not reach this goal. We recommend the Commission encourage the use of IFRS as published by the IASB, without local carve-outs. We believe the only acceptable changes that national regulators could make would be added disclosures that enhance transparency without reducing comparability or introducing unintended ambiguity.