



April 21, 2009

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

**File Reference: File Number S7-27-08**

Dear Ms. Murphy:

We appreciate the opportunity to comment on the Proposed Rule *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (the "Proposed Rule" or "Roadmap") issued by the Securities and Exchange Commission ("SEC" or "Commission"). Huron Consulting Group helps clients address complex challenges that arise in litigation, disputes and investigations. Huron provides services to a wide variety of organizations, including Fortune 500 companies, medium-sized businesses, leading academic institutions, healthcare organizations, and the law firms that represent these various organizations.

We provide our overall observations on the Proposed Rule below. We have included our responses to certain questions from the Proposed Rule on which the Commission requested comment in Appendix 1.

*Adoption of IFRS by U.S. Issuers*

Rather than the approach outlined in the Proposed Rule, we believe the Commission should give U.S. issuers the option of converting to International Financial Reporting Standards ("IFRS") immediately and should establish a date-certain by which it will require all U.S. issuers to convert to IFRS. (References to "IFRS" in this letter mean "IFRS as issued by the IASB".) It should be clear by this time that a clear majority of the rest of the world has decided to embrace IFRS as their basis of accounting. If this Commission agrees with the last that a single, high quality set of accounting standards is in the best interests of investors, we believe moving to IFRS is the only viable alternative. We understand that many parties, including certain preparers and users of financial statements, believe the SEC should delay any action until the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB", and together with the FASB, the "Boards") have completed work on their convergence projects. While we understand the reasons for that suggestion, we believe the Commission should give U.S. issuers the option of converting to IFRS in advance of the

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Boards completing their convergence projects. We do not believe concerns over the costs of converting to IFRS and subsequently adopting any revisions to IFRS existing at the date of conversion should lead the Commission to prohibiting U.S. issuers from converting to IFRS. We believe the costs of converting are more properly incorporated into a company's decision whether to adopt IFRS now or wait for further convergence. We agree that the Commission should not require companies to adopt IFRS until the Boards have completed work on projects currently on their agendas, but we suggest the SEC select a date now for mandatory adoption that considers the expected date on which the Boards expect to complete their convergence efforts. We believe specifying a date for conversion will allow companies to begin the planning process without wondering if they are spending their time and money for naught.

We base our recommendation that the Commission permit U.S. issuers to adopt IFRS in part on the SEC's decision in 2007 to permit foreign private issuers that adopted IFRS as issued by the IASB to eliminate the reconciliation to U.S. generally accepted accounting principles ("US GAAP"). In reaching that decision, the Commission acknowledged that IFRS are a high quality set of accounting standards. The Commission should base its decision to permit U.S. issuers to adopt IFRS on whether IFRS represent a high quality set of accounting standards, not whether IFRS and US GAAP are sufficiently converged.

### **Proposed Milestones**

While we generally agree the milestones identified by the Commission are appropriate, we believe the Commission should ultimately base its decision on IFRS adoption on the progress shown on two of those milestones - continued improvements in accounting standards and accountability and funding of the International Accounting Standards Committee Foundation. While the other milestones may be important, they address issues that we believe will be resolved by the market once the Commission has decided to require U.S. issuers to convert to IFRS. For example, we understand that a version of XBRL for IFRS reporting currently exists. We believe developers will begin to make any necessary improvements once they know that a market for the product will exist. Similarly, there are many opportunities for IFRS education for preparers and users of financial statements available today, including courses sponsored by the AICPA and other third parties and interpretive guidance published by the large accounting firms. Once the Commission mandates the use of IFRS, we believe those opportunities will expand, again because a market exists for the product.

We understand the concerns many parties have raised about the independence of the IASB in light of its decision last year to suspend its normal due process in the face of pressure from the European Union and issue amendments to IAS 39 *Financial Instruments: Recognition and Measurement* without seeking input from constituents. As recent events have shown (again), however, the FASB is also not immune from political pressure. We believe the SEC's inclusion in the Roadmap of a milestone that we hope will enhance the IASB's independence is appropriate. We note that the International Accounting Standards Committee Foundation ("IASCF") has agreed to changes that will enhance its accountability to securities regulators. We believe improvements to the

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IASCF's accountability and funding and the politicization of the accounting standard-setting process are two different matters and encourage the SEC focus only on the first. We believe there is no way to truly protect against the second and hope that the events of last year do not influence the Commission in its decision. Neither the independent funding mechanism included in the Sarbanes-Oxley Act of 2002 nor the Commission's oversight of the Financial Accounting Foundation were enough to insulate the FASB from the pressure exerted by the House of Representatives on fair value accounting standards.

Given the amount of time that has passed since the Commission approved the issuance of the Roadmap in August 2008, we think it is highly unlikely that any U.S. issuer would elect to convert to IFRS in 2009, even if the Commission approves the issuance of a final rule shortly after the conclusion of the comment period. For a company to adopt IFRS in its 2009 Form 10-K, it will have to restate the last three balance sheets and the last two income statements to comply with IFRS, in addition to restating quarterly information for 2009. Having some experience with restatements as consultants, we know that process will not be easy or inexpensive. Companies would have to adjust their previously reported numbers manually as there will not be enough time remaining in 2009 for them to reconfigure their financial reporting systems by the time the Commission takes action on the Proposed Rule. We think it is unlikely that any U.S. issuer will elect to convert to IFRS in 2010, even with the additional time, because of uncertainty over what the Commission might do in 2011.

While many observers expect the SEC to require U.S. issuers to adopt IFRS eventually, we doubt that many companies will want to dedicate the resources necessary to adopt IFRS now, particularly given current economic conditions, without some assurance that the Commission will not require those that do elect to convert to IFRS to revert to US GAAP. Accordingly, we do not think the Commission will receive any meaningful feedback relative to its milestone regarding the limited early use of IFRS where it would enhance comparability prior to its 2011 target date for deciding whether to require U.S. issuers to convert to IFRS.

#### **Proposed Reconciliation Requirement**

Even if the Commission provides assurances that it will not require companies that elect to early adopt IFRS to revert to US GAAP, we believe including Proposal B in the final rule will create a significant disincentive for multi-national companies to adopt IFRS early. One benefit to multi-national companies of moving to IFRS is the cost savings of maintaining only one set of books for financial reporting. If the Commission adopts Proposal B, companies will lose that benefit. Proposal B would have an even greater adverse impact on a U.S. issuer that does not have significant foreign operations or reporting requirements. In that circumstance, Proposal B would require the issuer either to add a second set of books that comply with IFRS or to track US GAAP to IFRS adjustments separately. We do not believe keeping track of US GAAP to IFRS adjustments separately is either practical or an ideal solution from an internal control over financial reporting perspective if the adjustments are extensive.

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Given the Commission's decision to eliminate the reconciliation requirement for foreign private issuers, we are somewhat surprised it would now consider requiring U.S. issuers to provide that reconciliation. If the Commission decides to adopt Proposal B in the final rule, we encourage it to explain the reasons for the apparent inconsistency.

#### **Transition to IFRS**

We agree with the Commission's proposal to stage the transition to IFRS, but we are concerned that many companies may not be ready to convert to IFRS on the timetable set forth in the Proposed Rule. We suspect most companies will not expend significant amounts preparing for conversion until after the SEC makes its final decision on whether to require U.S. issuers to convert. Once the Commission decides to require U.S. issuers to apply IFRS, companies will need to identify differences between IFRS and US GAAP, formulate accounting policies, identify and amend contracts that require US GAAP information or include amounts calculated based on results determined in accordance with US GAAP, and program systems to track IFRS results. While that process will not be as difficult for some companies, we are concerned that, even with the staggered transition dates in the Proposed Rule, many companies may not be prepared to apply IFRS on their respective dates of transition.

#### **Ability of U.S. Issuers to Comply with IFRS**

We believe there are certain matters in IFRS that will create difficulties for companies and their independent auditors and may require Commission action. In particular, we think it will be difficult for issuers to assert compliance with the requirements of IAS 37 *Provisions, Contingent Liabilities, and Contingent Assets*. The disconnect between how attorneys define probable in the ABA Statement of Policy and how FASB Statement No. 5 *Accounting for Contingencies* defines probable will only grow larger with the lower threshold for recognition in IAS 37. We believe auditors may have greater difficulty obtaining sufficient evidence supporting litigation accruals required under IAS 37 than they do under Statement 5. If the ABA declines to modify its Statement of Policy, we believe the Commission will need to decide between two alternatives. Either the Commission could allow U.S. issuers to continue to apply the guidance in Statement 5 or it could request the PCAOB to modify the auditing literature to permit auditors to accept audit evidence from in-house counsel when outside counsel will not provide that evidence because of professional standards.

#### **Coordination with Internal Revenue Service**

Although not addressed in the Roadmap, we suggest that the Commission staff work with the Internal Revenue Service to facilitate the change in accounting for tax purposes that will likely accompany a change to IFRS. If the Commission mandates that U.S. issuers adopt IFRS, we believe the Internal Revenue Service should not require affected companies to file for a change in accounting for tax purposes. The change should be automatic.

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We would be pleased to discuss any of our comments with the Commission or its staff. Please direct any questions or comments to Jeff Ellis at 312-880-3019 or Jeannot Blanchet at 33(0)6 77 50 94 35.

Sincerely,

*/s/ Jeffrey H. Ellis*

Jeffrey H. Ellis  
Managing Director

*/s/ Jeannot Blanchet*

Jeannot Blanchet  
Managing Director

We have the following responses to certain questions posed in the Proposed Rule. We did not have responses for all of the questions posed in the Roadmap, and have only included in this Appendix those questions for which we did have a response. Our responses assume that the Commission decides to adhere to the timeline outlined in the Roadmap (that is, to defer its ultimate decision on adoption of IFRS until 2011) and elects not to specify a date for mandatory option at this time.

*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? Why or why not? What are commenters' views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?*

Yes. We believe investors will benefit from companies using a single set of globally accepted accounting standards, as it will make it easier for them to compare results of companies worldwide. However, we believe the SEC will need to revise its requirement that foreign private issuers not applying IFRS as issued by the IASB will reconcile to IFRS instead of US GAAP.

*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?*

Generally, yes. However, as noted in our cover letter, we do not believe the milestones for the limited adoption of IFRS by U.S. issuers or education and training on IFRS should be relevant to the Commission's decision in 2011. With respect to the former, we believe it is highly unlikely many U.S. issuers will elect to convert to IFRS prior to the Commission's expected decision on whether to require U.S. issuers to convert to IFRS in 2011. Therefore, we expect the Commission will receive little, if any, information on how US investors react to financial statements prepared in accordance with IFRS. With respect to the latter milestone, education and training will begin in earnest once the Commission decides to proceed with requiring the adoption of IFRS in the US. Already, there are numerous organizations offering IFRS training. As with any new accounting standard, once the standard is effective, companies will begin focusing on the changes. Because US GAAP and IFRS share a common framework and because the IASB and FASB are working to converge in a number of areas, we believe the proposed timeline for transition will provide sufficient time to educate investors, preparers, and auditors on the requirements of IFRS.

We would like to understand how you define "improvements" in accounting standards. In contrast to the views of some "users" of financial statements, we are not in favor of changing IFRS to provide guidance that is more prescriptive. However, because IFRS tend to be less prescriptive than US GAAP, we believe it will be important for the SEC to

provide its views on judgment as its Committee on Improvements to Financial Reporting recommended in its final report.

*3. Do commenters agree with the timing presented by the milestones? Why or why not? 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 would prefer the Commission make its decision to require the use of IFRS earlier than 2011. Of the milestones included in the Roadmap, we believe the milestone related to improvements to the IASCF's accountability is probably the most important. The IASCF has already taken steps to enhance its accountability with its agreement with various securities regulators to create a Monitoring Board. Accordingly, we do not believe the SEC needs to defer its decision until 2011.

*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?*

If the Commission requires U.S. issuers to present three years of income statement and cash flow statement information in the initial IFRS financial statements, we believe 2014 may be too early, even for large accelerated filers, to accomplish what will be necessary to convert to IFRS. We do not believe companies are likely to spend significant sums to convert systems to handle IFRS reporting until after the Commission approves a final rule. Companies may also defer much of the work on establishing accounting policies until the IASB issues final standards on those agenda projects scheduled for 2011, including revenue recognition, insurance contracts, and financial instruments. If the Commission allows U.S. issuers to present only two years of income statement and cash flow statement information in the initial year of adoption, companies may be able to meet the timeline set forth in the Roadmap.

We agree with the sequencing based on existing definitions of large accelerated filers and accelerated filers, but think the Commission should increase the time between the stages for accelerated filers and smaller companies to three years. Assuming the SEC does not approve a final rule requiring companies to convert to IFRS until 2011 and requires U.S. issuers to present three years of income statement and cash flow statement information in the year of adoption, we believe the following timetable may be more reasonable than the one in the Proposed Rule:

- Large accelerated filers – fiscal years ending on or after December 15, 2015.

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- Accelerated filers – fiscal years ending on or after December 15, 2016.
- All others – fiscal years ending on or after December 15, 2018.

We believe companies should have an option of filing financial statements in accordance with IFRS prior to the mandatory adoption dates. If the Commission makes an earlier decision on the adoption of IFRS, or if the Commission modifies its requirement that a registrant provide three years of income statement and cash flow statement information, the original timeline might be plausible, with one modification. We think smaller issuers may need more time to convert to IFRS as it may be more difficult for them to obtain access to resources to assist in the conversion process.

***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 would not expect convergence efforts to slow, particularly if the oversight of the IASCF is in place. However, even if the IASB and FASB slow their convergence efforts, it is not entirely clear why that would be bad. We do not have complete convergence today, even on standards that are supposedly converged. As noted in our cover letter, we believe the SEC's focus should be on whether IFRS represent high quality standards, not whether IFRS and US GAAP are substantially converged. In that light, convergence efforts should not matter.

***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?***

We believe the Commission should include all U.S. issuers in the scope of the final rule.

***8. Would a requirement that U.S. issuers file financial statements prepared in accordance with IFRS have any affect on audit quality, the availability of audit services, or concentration of market share among certain audit firms (such as firms with existing international networks)? Would such a requirement affect the competitive position of some audit firms? If the competitiveness of some firms would be adversely affected, would these effects be disproportionately felt by firms other than the largest firms?***

We do not believe a requirement that U.S. issuers file financial statements in accordance with IFRS should affect audit quality or the concentration of market share. However, because preparers will theoretically have to exercise greater judgment in preparing the financial statements under IFRS than they currently do under US GAAP and that will require auditors to become comfortable with the preparer's judgments, we believe it is critical that the Commission provide its views on the use of judgment as recommended by its Committee on Improvements to Financial Reporting.

While the largest firms have more experience auditing companies that prepare financial statements in accordance with IFRS, we do not believe that leads to the conclusion that U.S. issuers will flock to those firms for audit services. Although those firms with greater experience will certainly have an advantage over smaller firms that do not have substantial overseas networks in countries that have already adopted IFRS, at least as it relates to larger U.S. issuers, we do not see that experience leading to a significant change in auditors of smaller U.S. issuers. Although it is certainly possible, we think it is not likely that larger firms will relocate auditors from countries that have adopted IFRS for other than their largest clients.

***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? Why or why not?***

While the items on the joint work plan are appropriate for convergence projects, we are not holding our breath that the Boards will issue converged standards on any of the projects based on history. We believe the Commission should focus more on whether the standards the IASB issues are of high quality, in the interests of investors, and are not the result of undue influence by any government or regulator.

***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?***

The expectation of progress on the joint work plan means significantly more work on the part of auditors, preparers and users. We are more concerned that the FASB and IASB will issue standards that are partially, but not fully, converged, resulting in U.S. issuers incurring extra costs to adopt a similar standard twice in a relatively short period. We are concerned because the two major convergence projects (stock-based compensation and business combinations) the Boards have completed left a number of significant differences between IFRS and US GAAP. Further, the FASB is currently pursuing a path to amend the guidance on consolidating variable interest entities (FASB Interpretation No. 46), while at the same time the IASB has a project on consolidations with a broader scope. The IASB expects to issue a final IFRS on consolidations later this year. While the Boards will work to minimize any differences, it is unlikely they will succeed in eliminating them, resulting in additional costs when (if) U.S. issuers finally adopt IFRS. The fact that supposedly converged standards may result in differences in accounting may also be confusing to certain users, who seem predisposed to being skeptical of a company's management already.

***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?***

Assuming the Commission decides to require U.S. issuers to adopt IFRS, we do not see any need to measure progress on convergence activities. In our opinion, the only issue

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that is important after the date of the Commission's decision is whether the IASB's process results in high quality standards.

***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 understand that some parties believe the IASB lacks independence because of how it funds its operations. While we understand that view, we do not share it. We believe the FASB functioned well enough for almost 30 years using a similar funding mechanism, and during that time, the only real threats to its independence came from Congress. During the time it was funding by voluntary contributions, the FASB issued many standards with which constituents disagreed, including FASB Statement No. 133 *Accounting for Derivative Instruments and Hedging Activities* and FASB Statement No. 141 *Business Combinations*, among others. However, we understand that in order for the Commission to recognize the IASB as an approved standard setter under the Sarbanes-Oxley Act of 2002, the IASB has to have a funding mechanism similar to the one created to fund the FASB.

***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 do not believe the Commission needs to take any additional steps. There are solutions in the market to help users get ready, and we expect more will become available once the Commission decides to require U.S. issuers to convert. Ultimately, it is up to users to prepare themselves. Given the large amount of US dollars invested in foreign companies not listed on a US exchange, it seems appropriate to conclude that at least some US investors have already taken steps to learn about IFRS.

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

We are not aware of any significant issues the Commission should evaluate. Further, because it previously decided to remove the requirement that foreign private issuers reconcile to US GAAP, we assume the Commission has already determined that IFRS is sufficiently comprehensive.

***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 do not believe the Commission needs to require supplemental disclosures by U.S. issuers that elect to apply IFRS. If a company develops an accounting policy in the

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absence of an IFRS and that accounting policy has, or could have, a significant effect on the financial statements, we believe IAS 1 *Presentation of Financial Statements* would require the company to disclose its policy.

### **Eligibility Requirements and Staff Letter of No Objection**

***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?***

Yes. However, see our earlier comments on the likelihood that the SEC will obtain much, if any, information on the effects of early adoption on comparability. Also, since the SEC is using the number of companies applying IFRS within an industry group instead of market capitalization of those companies applying IFRS, it is possible that U.S. issuers that adopt IFRS will not be comparable with the largest companies within an industry if those companies apply US GAAP.

***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?***

We agree with the proposed criteria.

***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?***

U.S. issuers that will have the greatest incentive to avail themselves of early adoption are those with foreign subsidiaries that are currently reporting on IFRS (either as issued by the IASB or as adopted by the EU). There are many reasons why a U.S. issuer would not elect to convert to IFRS prior to the date the Commission makes a decision to require adoption. See our specific comments on this point in our cover letter.

***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?***

We believe it is appropriate to limit the proposal to the largest 20 competitors by market capitalization. We do not believe U.S. issuers that are not eligible will be disadvantaged, primarily because we do not believe there will be many U.S. issuers that elect to early adopt IFRS.

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*20. Would the use of different industry classification schemes as proposed be unclear or create confusion in determining whether an issuer is IFRS eligible? Should we require that all issuers use a single industry classification scheme? Why or why not?*

We do not believe the use of different industry classification schemes is unclear or will create confusion. The Commission should not require that all issuers use the same classification scheme. We suspect the results will not differ that significantly between industry classification schemes. Also, if the Commission is trying to gather data on the effect of reporting under IFRS on comparability, it would seem appropriate to expand the number of companies that could potentially adopt IFRS. One way to accomplish that is by allowing the use of multiple classification schemes. However, as noted earlier, we suspect few, if any, companies will elect to early adopt.

*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?*

We do not believe the Commission's decision to allow an industry to qualify as an IFRS industry will significantly affect its objective of promoting comparability for US investors for the reasons discussed earlier in this letter. To promote comparability for US investors, we believe the Commission should require the adoption of IFRS in the US.

*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?*

Given the current timetable for future Commission action and the adoption of IFRS by other countries, we do not believe a Commission decision to permit additional industries to qualify as IFRS industries as more countries adopt IFRS will result in additional U.S. issuers adopting IFRS prior to the Commission deciding whether to mandate the adoption of IFRS by U.S. issuers. Even if it did, we suspect few, if any, eligible companies will expend the effort to adopt prior to the Commission deciding in 2011 whether to mandate the use of IFRS.

*23. Do commenters have any suggestions about the procedural aspects of the proposed eligibility requirements, e.g., the procedure for obtaining a letter of no objection from the Commission staff or the minimum contents of the required submission? Is such a procedure necessary? Do commenters agree that such a procedure would assist both issuers and investors? Should the procedural aspects of the proposed eligibility requirements be less formal? Should the procedure be similar to that in the no action letter process regarding shareholder proposals under Rule 14a-8 of the Exchange Act? Should the letter of no objection be advisory only? Should obtaining a letter of no*

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*objection be optional? Is the method for calculating eligibility clear and appropriate or are there alternative suggestions that should be considered? Should the Commission publish standards or criteria to guide the staff's determination? What do commenters believe the respective role of the Commission and its staff should be in making these eligibility determinations? Should the Commission post on its Web site all submissions and responses, including those for which the staff does not issue a no-objection letter?*

We believe the process for obtaining a letter of no objection from the Commission staff is necessary. Further, we believe the process as outlined in the Proposed Rule is appropriate. We see no need to supplement that description or issue standards to guide the staff in deciding whether to issue a letter of no objection. Finally, we agree that the Commission should only post submissions that result in the staff issuing letters of no objection. We do not believe submissions for which the staff declines to issue a letter of no objection are relevant to investors.

*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 the criterion of enhanced comparability is the correct one.

*26. Do commenters agree that the proposed required disclosures are appropriate? If not, what disclosures should be provided?*

We agree that the proposed disclosures for companies that elect to adopt IFRS early are appropriate.

*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?*

We believe the Commission should not require issuers that convert to IFRS to revert to US GAAP. If the Commission believes IFRS is a comprehensive basis of accounting, we do not believe the Commission should penalize U.S. issuers that adopt IFRS as part of the "pilot" by requiring them to spend additional resources to undo what they will only have just completed. We believe the Commission should include an explicit statement of its intent in the final rule so that U.S. issuers can weigh that intent in deciding whether to convert to IFRS prior to a final Commission decision in 2011.

*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?*

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We believe the Commission should include all U.S. issuers within the scope of the Proposed Rule. However, we do not believe that will result in an increase in the number of U.S. issuers that elect to convert to IFRS for the reasons discussed in other areas of this letter.

**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 believe limiting the first filing to an annual report on Form 10-K is appropriate, as is the proposed transition date. However, we suspect that few, if any, U.S. issuers with calendar year ends will be prepared to apply IFRS in their 2009 Form 10-Ks because of the amount of work that will be required to restate prior periods and the limited amount of time they will have before the end of the year.

*30. Are there any considerations that may make it difficult for an eligible U.S. issuer to file IFRS financial statements? Are there considerations about filing IFRS financial statements that would weigh differently for an eligible U.S. issuer than they would for a foreign private issuer that files IFRS financial statements?*

Yes. We believe the timetable and the requirement to file three years of comparative information represent significant considerations that will make it difficult for eligible U.S. issuers to convert to IFRS, at least by the end of 2009. It is possible U.S. issuers could be prepared to convert in time to file their 2010 Form 10-Ks. However, we question why any issuer would want to convert in the absence of a guarantee from the Commission that it will not require the issuer to revert to US GAAP if it does not approve the adoption of IFRS in 2011.

*32. What would affect a company's willingness to use IFRS if it were eligible to do so? For example, some market indices, such as the S&P 500, currently only include issuers that report in U.S. GAAP. Are there other investment instruments or indices that would affect companies that would be eligible to use IFRS under the proposed criteria? Would the ability to be included in the S&P 500, or other instrument or index affect whether an eligible U.S. issuer decides to use IFRS? Would these indices be prepared to accept IFRS, and, if so, how long would it take for them to change their criteria? Would more issuers be likely to use IFRS after they do? Should these considerations influence our decision on whether or when to permit or require U.S. issuers to use IFRS in their Commission filings?*

We believe there are considerations more fundamental than eligibility to be included in a market index that would affect a company's willingness to use IFRS if it were eligible to do so, such as debt covenants and employment agreements. However, we believe the

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ability of a U.S. issuer to be included in an index could affect its decision to adopt IFRS early.

*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.*

Allowing U.S. issuers to file only two years of IFRS financial statements in the year of transition would be an inducement, but we are not sure it will be enough in the absence of a decision by the Commission that companies that convert to IFRS may remain on IFRS, even if it ultimately decides not to approve the use of IFRS by U.S. issuers. However, we still believe the timing of the final rule will likely have an adverse affect on the number of U.S. issuers who ultimately decide to adopt IFRS early.

#### **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?*

We believe the Commission should adopt Proposal A in its final rule. We believe Proposal B would serve as a disincentive for companies interested in converting to IFRS because it removes one of the benefits (i.e., cost savings) that multi-national companies will receive from converting. We also do not believe there is any basis for requiring U.S. issuers to reconcile to US GAAP while allowing foreign private issuers to file without reconciliation.

*38. Should we be concerned about the ability of U.S. issuers that elect the early use of IFRS to revert to U.S. GAAP? Would either Proposal be preferred to facilitate such a reversion, should that be appropriate or required as described above?*

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Because of the cost companies will incur to convert to IFRS, we believe the Commission should permit companies that do adopt to remain on IFRS, even if it ultimately decides not to approve the adoption of IFRS by U.S. issuers. While Proposal B would facilitate reverting to US GAAP, it also serves as a disincentive to conversion as noted above.

*39. Under Proposal B, should the proposed U.S. GAAP financial information be audited? Is the proposed role of the auditor appropriate? Should the proposed U.S. GAAP financial information be filed as an exhibit to the Form 10-K annual report, instead of as part of the body of the report? Is the proposed treatment of the information appropriate? For example, should the information be deemed "furnished" and not "filed" for purposes of Section 18 of the Exchange Act? Should we require that the supplemental U.S. GAAP information be contained in the annual report that is prepared pursuant to Exchange Act Rule 14a-3(b)? Should the supplemental U.S. GAAP information appear as a note to the financial statements? Is the proposed role of the auditor appropriate?*

As stated previously, we do not believe the Commission should adopt Proposal B unless it wants to create a disincentive for U.S. issuers to convert to IFRS.

*40. Under either Proposal, should we provide more guidance as to the form and content of the information called for? Under either Proposal, should we require that additional information be provided, such as a "full reconciliation" as is required under Item 18 of Form 20-F? Is there an intermediate position between the reconciliation under Proposal B and the reconciliation under Item 18 of Form 20-F?*

We do not believe the Commission needs to provide more guidance as to the form and content of the required information, nor should it require a full reconciliation to US GAAP.

*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?*

No. We believe U.S. issuers who convert to IFRS should do so fully and should not bear costs that U.S. issuers that do not convert are not required to bear, particularly if the Commission really is interested in obtaining feedback about how US investors react to financial statements prepared in accordance with IFRS.

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

As stated previously, we do not believe the Commission should adopt Proposal B unless it wants to create a disincentive for U.S. issuers to convert to IFRS.

*43. Should the option to report under IFRS, whether under Proposal A or Proposal B, automatically terminate as of a date certain? If so, should that date be a set period of*

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*time? For example, should it be three years following the effective date of an adopting release? Should it be a longer or shorter time period? Should it be measured from another date (e.g., the first permissible compliance date or the date of the first letter of no objection issued)? What considerations should be part of our decision as to the date or duration?*

No. As stated earlier in our letter, we believe the Commission should permit companies that convert to IFRS to remain on IFRS even if it ultimately decides not to allow other U.S. issuers to convert.

**44. Under Proposal B, does providing U.S. GAAP information require issuers electing to file IFRS financial statements to maintain sufficient information, records and controls in order to revert back to U.S. GAAP? If not, what additional information, records or controls must be maintained?**

We believe Proposal B would require issuers electing to file IFRS financial statements to maintain sufficient information, records and controls in order to revert to US GAAP. We believe that will be a disincentive for U.S. issuers to elect to apply IFRS early.

**45. Under Proposal A, what additional information, records or controls would be necessary for U.S. issuers electing to file IFRS financial statements to maintain so that they could revert back to U.S. GAAP?**

As noted earlier, we do not believe the Commission should require issuers that convert to IFRS to revert to US GAAP. If IFRS is sufficient for foreign private issuers without reconciliation, we do not understand why it would not be sufficient for U.S. issuers.

#### **Proposed Amendments to Regulation S-X**

**46. Are the criteria for issuers eligible to file financial statements in accordance with IFRS as issued by the IASB clear from the proposed definition of "IFRS issuer?" If not, in what way is the definition unclear, and what revisions would be necessary to eliminate any lack of clarity?**

We believe the criteria in the proposed definition are clear. We do not believe the definition needs to refer to issuers that meet the eligibility criteria in Section IV.A. Before an issuer files financial statements prepared in accordance with IFRS, the Commission staff will conclude that the issuer meets the eligibility criteria.

#### **Proposed Article 13**

**49. Is there any reason why an issuer would be unable to assert compliance with IFRS as issued by the IASB and obtain the necessary opinion from its independent auditor?**

As noted in our cover letter, an issuer may not be able to assert compliance with IFRS as issued by the IASB because of the questions over whether an issuer's legal counsel can provide the independent auditor with the information necessary to support litigation

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accruals recognized in accordance with IAS 37. We believe the ABA Statement of Policy will present a barrier to independent auditors acquiring sufficient, competent evidential matter to support amounts recognized by an issuer.

*50. Is the application of Articles 1 through 12 of Regulation S-X to IFRS financial statements clear from the proposed Rule 13-02? If not, what further clarification is necessary? Are there other rules contained in Articles 1 through 12 that do not, or may not, apply to financial statements prepared in accordance with IFRS as issued by the IASB and that are not addressed in proposed Rule 13-02? If so, what are they and how should they be addressed?*

We believe the application of Articles 1 through 12 of Regulation S-X to IFRS financial statements is clear.

#### **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?*

We believe three years of data should be sufficient. Unless the differences between US GAAP and IFRS are minor, we do not believe presenting two years of US GAAP information alongside three years of IFRS information will be helpful to investors.

#### **Market Risk Disclosures and Safe Harbor Provisions**

*56. Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?*

If the Commission grants safe harbor protections to U.S. issuers, we believe it should do the same for foreign private issuers.

#### **Disclosure of First-Time Adoption of IFRS in Form 10-K**

*57. Is the proposed disclosure in Form 10-K sufficient in prominence and content to indicate to investors that the issuer has changed its basis of financial reporting from that used in previous filings? If not, what further disclosure should be provided, and where? Should we require that an issuer disclose the criteria under which it is eligible to file IFRS financial statements? Should issuers be required to reference the letter of no objection in their first IFRS filing?*

We believe the proposed disclosure is sufficient.

*58. Should we amend Form 8-K to require "forward-looking" disclosure relating to an issuer's consideration of whether it will file IFRS financial statements in the future? If*

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*so, what type of information should be disclosed, and at what point in time prior to the issuer actually filing IFRS financial statements? Would a requirement to make such forward-looking disclosure have any impact on an issuer's decision to adopt IFRS? If so, what would the effect be?*

We do not believe the Commission should require "forward-looking" disclosures regarding an issuer's consideration of whether it will file IFRS financial statements. Given the nature of the change, we believe the Commission should encourage U.S. issuers to provide information to investors in advance of the first issuance of IFRS financial statements. That information would explain any significant differences between US GAAP and IFRS, what significant accounting policies will change (and why) under IFRS, and what the impact of those differences and changes will be on the issuer's financial statements.