

David Schraa
Regulatory Counsel



Mr. James Kroeker
Chief Accountant
Office of the Chief Accountant
U.S. Securities and Exchange Commission

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Re: Securities and Exchange Commission Staff Paper, *Exploring a Possible Method of Incorporation*

Dear Mr. Kroeker:

The Institute of International Finance (IIF) has supported the harmonization of accounting standards for many years. It remains the view of the Institute that consistent, high-quality international accounting standards are fundamental to the vitality and stability of today's global financial markets. In a letter to Chairman Schapiro dated April 15, 2011, the IIF Board of Directors reiterated its endorsement of U.S. adoption of IFRS to carry out the commitment to convergence of the G-20 and other international public sector bodies. The letter further highlighted the Institute's observation that there is a high level of support among internationally active firms for the adoption of IFRS in the U.S. (See Annex).

The IIF Senior Accounting Group is fully supportive of the Commission's work plan to consider specific areas and factors relevant to the Commission's determination this year as to whether, when, and how the current financial reporting system for U.S. issuers should move to IFRS. Hence, we welcome the opportunity to provide feedback on the Commission's Staff Paper *Exploring a Possible Method of Incorporation*.

Our long-standing dialogue with the IASB, the Accounting Task Force of the Basel Committee, the Commission and the FASB, supports the conviction that IFRSs generally constitute "high-quality" international standards developed through proper due process and public consultation procedures, recognizing that significant work on important projects is still in progress, and that the IASB's focus on improving due process and public consultation must continue. Moreover, the governance of the IASB has been substantially improved. An important dimension of this is the oversight provided by the Commission itself and other international public sector bodies on the IFRS Foundation's Monitoring Board. The Institute has participated in the consultations on strengthening the Monitoring Board's role.

We believe therefore that the Commission can have confidence that IFRS will generally continue to constitute high-quality standards as they develop and evolve, among other reasons, because of the keen interest of international issuers such as IIF members, as well as the support of the International Organization of Securities Commissions (IOSCO) and the international regulatory community. It will of course be important that the needs of U.S. as well as other global stakeholders be sufficiently considered in the process through appropriate representation at the Board and Staff levels and a sufficiently robust endorsement process.

Hence, we would generally support the Commission's plan to allow for formal consideration of U.S. market needs and further to develop and clarify the "endorsement" framework outlined in the Staff Paper, taking into consideration the comments below. However, we would emphasize that every effort should be made to develop IFRSs in such a way that any future U.S.-specific deviations are unnecessary.

Early adoption

We believe there should be an early-adoption option for registrants that wish to take advantage of it. Such an option would send a clear signal that the U.S. is committed to the adoption of one set of high-quality international reporting standards. It would be consistent with the already-adopted acceptance of IFRS for foreign issuers.

An early-adoption option would also allow for market forces to influence the adoption process. We understand that smaller listed entities may not be fully prepared to make the transition to IFRS at this stage, and hence would not suggest that all entities be required to adopt IFRS at the same time. We note that some are concerned that a phased-in or optional adoption approach would reduce comparability. However, given the many convergence projects that are still in process, there will be a large number of accounting changes being phased in over the coming years. This suggests that some level of incomparability will be inevitable in the short term in any case and further, that those firms for whom early adoption would make sense should have the ability to do so, both for efficiency reasons and because in many instances this would enhance comparability in the most relevant, international markets.

We strongly believe that issuers should be allowed to adopt the large volume of new standards in the most efficient manner. The upcoming accounting changes will put a significant strain on issuers over the coming few years. It would be punitive for standard setters to add to this strain by mandating a specific approach for adoption. For some issuers an efficient approach could be a "big bang", while for others it may be a phased-in schedule.

Local variations

Under any incorporation method, the objective should be to make U.S.-specific variations of IFRS unnecessary through the development of high-quality standards that have the benefit of full consideration of the needs of all stakeholders including of course U.S. firms. Local variations would undermine the objective and benefits of a single set of high-quality standards both because of the deviations between U.S. and international standards

(and hence complexities for both issuers and users) that would be created and, even more importantly, any U.S. deviations would certainly make it difficult to hold the line on consistent, uniform adoption of standards elsewhere. We believe it is important for the FASB to continue to participate in IASB due process for the development of new standards in the future. Thus, through the development of high-quality IFRS that consider the needs of the U.S. marketplace, U.S.-specific variations would be unnecessary.

Moreover, we urge the Commission and other U.S. government agencies to encourage other jurisdictions to adopt IFRS as issued by the IASB through cooperation and coordination with other international bodies such as IOSCO, the Monitoring Board, the Financial Stability Board, the Basel Committee and the G-20. This will help prevent the creation of local variations in non-U.S. jurisdictions.

In addition, we understand that there would be a need to consider the extent to which current U.S. GAAP application guidance should be retained. We believe further consideration of this issue would be required given the trade-off between principles and rules. This may be a transition issue as U.S. issuers and auditors, which have been accustomed to extensive guidance, will need to work carefully through the shift to a different level of guidance.

Transition

We also welcome the Commission's thoughtful consideration of the cost burden that issuers will bear, and agree with the objective of a single set of high-quality, globally accepted accounting standards achieved in a practical manner that minimizes both the cost and effort needed to incorporate IFRS into the financial reporting system for U.S. issuers.

Many firms argue that maximizing the number of IFRSs incorporated prospectively will contribute to a meaningful reduction in the volume of required systems changes and the need to restate or recalculate amounts for some standards. However, some have noted that operational issues such as the need to maintain dual systems might arise in some cases when applying standards prospectively. Hence, we believe that transition requirements will need to be considered judiciously as the changes required for some standards may raise operational challenges and cost/benefit considerations. Adequate adjustment times need to be determined on an objective basis as well.

We are aware that the Commission recently held roundtables to solicit views of (i) investors, (ii) regulators, and (iii) smaller public companies regarding the incorporation of IFRS in the U.S. We encourage the Commission to conduct further roundtables to solicit the views of larger global financial institutions such as the IIF Members participating in the Senior Accounting Group. The IIF Senior Accounting Group stands ready to supplement the views expressed in this letter at such a roundtable event, or at any time at your convenience.

Should you have any questions about this letter or the views expressed, please contact the undersigned (dschraa@iif.com) +1 202 857 3312) or Carol Wong (cwong@iif.com +1 202 857 3633).

Very truly yours,

A handwritten signature in black ink, appearing to read "David Schraa", with a long horizontal flourish extending to the right.

Cc: Mr. Ethiopis Tafara, Director, Office of International Affairs, U.S. Securities and Exchange Commission
Ms. Leslie Seidman, Chairman, Financial Accounting Standards Board
Mr. Hans Hoogervorst, Chairman, International Accounting Standards Board

Dr. Josef Ackermann

*Chairman of the Management Board and the Group Executive Committee
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Charles Dallara

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The Honorable Mary L. Schapiro
Chairman
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Dear Chairman Schapiro:

The Institute of International Finance (IIF) has supported the harmonization of accounting standards for many years. It remains the view of the Institute that consistent, high-quality international accounting standards are fundamental to the vitality and stability of today's global financial markets. The IIF therefore shares the Securities and Exchange Commission's view that a single set of high-quality, globally accepted accounting standards will benefit U.S. investors, and international investors more broadly. In addition, we agree with the Commission that attaining this goal will further its mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

We are aware that the Commission's staff is executing a work plan to consider specific areas and factors relevant to the Commission's determination later this year as to whether, when, and how the current financial reporting system for U.S. issuers should move to International Financial Reporting Standards ("IFRS"). We are fully supportive of the Commission's work in this area and stand ready to provide industry input where needed.

We are encouraged that the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) are continuing work to converge major financial reporting standards this year. The IIF has supported the boards' convergence efforts mainly through our Senior Accounting Group and the "three-way dialogue" sessions the IIF has organized among the IASB, FASB, SEC, Accounting Task Force of the Basel Committee and IIF members. The IIF Senior Accounting Group has also for many years provided industry commentary on accounting proposals of international significance. Although significant differences remain between the accounting frameworks related to specific projects, we are encouraged by the efforts undertaken by both boards to meet jointly and address issues requiring timely joint resolution.

As highlighted in our April 2009 response to the Commission on the Roadmap for Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards By U.S. Issuers (Release no. 33-8982), we believe that by bringing the U.S. market into the international accounting system, the Commission has the opportunity

to take a significant step toward the development of integrated, efficient and well-informed global markets. Achieving this will certainly be in the public interest and further the protection of investors. It will also contribute to the broad interest of U.S and non-U.S. investors alike in enhancing financial stability and creating efficient markets. A single, consistent, global set of high-quality standards will also facilitate capital formation and allocation across the global economy. Nothing could contribute more importantly toward these goals than adoption of IFRS as the “single language” of accounting in all the increasingly interlinked major financial centers.

Our long-standing dialogue with the IASB, the Accounting Task Force of the Basel Committee, the Commission and FASB, supports the conviction that IFRS generally constitute “high-quality” international standards developed through proper due process and public consultation procedures, recognizing that work on important projects is in process. Moreover, the governance of the IASB has been substantially improved. An important dimension of this is the oversight provided by you and your colleagues on the IFRS Foundation’s Monitoring Board, and the Institute is participating in the current consultations on strengthening the Monitoring Board’s role. We believe therefore that, the Commission can have confidence that IFRS will generally continue to constitute high-quality standards as they develop and evolve, among other things because of the keen interest of international issuers such as our members, as well as the support of the International Organization of Securities Commissions (IOSCO) and the international regulatory community.

The Institute believes that there is a high level of support among internationally active firms for the adoption of IFRS in the U.S. and we stand ready to work with the Commission insofar as possible to ensure achievement of this goal. At this time of fragile recovery, we believe that it is particularly important that we work towards adopting a consistent accounting and reporting framework. The Board of Directors of the IIF therefore felt it timely to reiterate the Institute’s endorsement of U.S. adoption of IFRS, to carry out the commitment to convergence of the G-20 and other international public sector bodies.

Best regards.

Sincerely,



Josef Ackermann
Chairman of the Management
Board and
the Group Executive Committee
Deutsche Bank AG



Charles Dallara
Managing Director
Institute of International Finance

Cc: Mr. James Kroeker, Chief Accountant, Securities and Exchange Commission
Ms. Julie Erhardt, Deputy Chief Accountant, Securities and Exchange Commission

Mr. Paul Beswick, Deputy Chief Accountant, Securities and Exchange Commission
Mr. Steve Merriett, Associate Director and Chief Accountant, Board of Governors
of the Federal Reserve System
Ms. Kathy Murphy, Chief Accountant, Office of the Comptroller of the Currency
Mr. Jeffery Geer, Chief Accountant, Office of Thrift Supervision
Mr. Robert Storch, Chief Accountant, Federal Deposit Insurance Corporation
Ms. Leslie Seidman, Chairman, Financial Accounting Standards Board
Sir David Tweedie, Chairman, International Accounting Standards Board
Mr. Hans Hoogervorst, Chairman-designate, International Accounting Standards
Board
Mr. Robert R. Glauber, Vice-Chairman, Trustees of the IFRS Foundation