NASBA

National Association of State Boards of Accountancy

♦ 150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4201 ♦ Fax 615/880/4291 ♦ Web www.nasba.org ♦

July 31, 2011

The Commissioners
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

By mail and e-mail to rule-comments@sec.gov

RE: Securities and Exchange Commission Staff Paper "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System"

Dear Commissioners:

We appreciate the opportunity to offer comments to the Securities and Exchange Commission (SEC) on its Staff Paper "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System" (the Work Plan). The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness of State Boards of Accountancy. In furtherance of that mission, NASBA's Regulatory Response Committee offers the following comments.

NASBA continues to support the concept of working towards the ultimate goal of achieving a single set of high quality global standards. NASBA looks at the concept of a single set of standards as a long-term goal considering the present number of jurisdictions that have "adopted" International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) with numerous exemptions and national carve outs. Currently, there is not a single set of standards used by many countries that have adopted IFRS. In reality, what has actually taken place is more a matter of jurisdictional "adaption," than true "adoption" of IFRS.

In our November 13, 2007 letter to the SEC in response to the "Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards," we made the following comments:

> "For the past few years, the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) have served as a viable model for many countries as the basis for their jurisdictional financial reporting systems. During this period, the U.S. Financial Accounting Standards Board (FASB) and

> the IASB have worked to converge standards in order to eliminate or minimize differences between the two standard-setting organizations' pronouncements and NASBA strongly supports this cooperative effort. This process allows the best and most desirable characteristics of both accounting systems to be incorporated into a single set of converged accounting principles.
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> "Convergence will facilitate the free flow of capital, goods and services globally without unnecessary differences in the language of financial reporting that result from multiple standards of accounting. NASBA supports this approach for U.S. financial reporting for public companies insofar as the model includes the continued leadership of the FASB. The FASB's standards, including those resulting from the convergence process, should be those used by domestic reporting entities.
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> "Continuing the FASB as the financial reporting standard setter for both publicly-held companies that report to the SEC and for all other business enterprises is essential to the U.S. economy. If the SEC permits IFRS to be used by domestic reporting entities, two reporting standards would be allowed in the U.S. for reporting to the public, those set by IASB and those set by the FASB. The two sets of standards are not yet converged, and the public interest would not be served by allowing companies to elect different accounting standards for economically similar transactions. This would create additional confusion for the investing public."

NASBA believes that continuance of the FASB as a strong, vibrant and effective standard setter is necessary to meet the public interest in the United States, and that the convergence process with IASB standards should continue. The FASB and its predecessors have developed a set of high quality financial standards for both publicly and privately held entities regardless of size. The FASB has created a capable staff to develop and interpret standards, a position different from that of the IASB, which presently relies on others in order to meet its standard setting needs. Also, the present unique method of funding the FASB has given the FASB a high degree of independence not enjoyed by the IASB. NASBA believes the FASB should be retained as the national standard setter for public and private entities. The FASB should continue to use the convergence process (not the adoption or endorsement process) to set financial accounting standards for the United States and to harmonize such standards with international standards where appropriate.

We believe that the Work Plan sets forth a position that could significantly weaken the standard setting ability of the FASB and the ability for the FASB to influence standards set by the IASB. Eliminating the FASB as the national standard setter responsible for developing new standards, and relegating the FASB to only providing input and support in the development of IFRS, would diminish the FASB's currently significant ability to influence the promulgation of international standards in the interest of U.S. stakeholders. Requiring the FASB to endorse the standards of the IASB in accordance with a "protocol," or to justify why the new IASB standard or interpretation should not be adopted by U.S. entities, would place the FASB in a weak and untenable position compared to its being the national standard setter. In a reduced role, the FASB would likely find it difficult to attract and recruit the talent needed for standard setting. Also, in a reduced role, the ability of the FASB (and by extension the SEC) to influence standard setting would be significantly diminished, notwithstanding the FASB's charge to "provide input and support" to the IASB. The FASB, as sponsored by the Financial Accounting Foundation, must act in support of the U.S. public's interest. The transfer of such responsibility to the IASB is unacceptable in this regard. Once diminished, effecting a change back to a position of strength would be unlikely.

The SEC staff believes that the FASB would be in a position to readily "endorse" the vast majority of IASB modifications to IFRS because of its participation in standard setting. This may or may not prove to be correct. We believe that there is a better chance for its being correct if the position of the FASB is unchanged as the national standard setter responsible for developing new standards for the United States and the concept of an "endorsement protocol" is dropped. However, the influence of overseas interests on the standard setting process of the IASB could very well result in more deviations from IASB standards than may be presently contemplated by the SEC staff.

The FASB should have the same free hand subject to oversight that it has today to establish an agenda for addressing the financial reporting standards needed in the U.S. and to assist in the implementation and interpretation of financial reporting standards. The FASB would continue converging existing U.S. standards with international standards to the extent appropriate in order to protect the U.S. public's interest.

This convergence process is largely a long-term proposition that should not be rushed. The goal would be to continue to harmonize U.S. standards with international standards where appropriate without incurring the significant costs in dollars and human endeavor that would likely be associated with adoption of IFRS and diminishing the authority of the FASB.

We appreciate the opportunity to comment on the Securities and Exchange Commission Staff Paper "Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System."

Sincerely,

Michael T. Daggett, CPA
NASBA Chair

David A. Costello, CPA
NASBA President & CEO