August 1, 2011

Office of the Chief Accountant
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: SEC Staff Paper, *Exploring a Possible Method of Incorporation*

Ladies and Gentlemen:

We appreciate the opportunity to respond to the paper *Exploring a Possible Method of Incorporation* (the "Staff Paper"), issued by the staff of the Securities and Exchange Commission's Office of the Chief Accountant on May 26, 2011.

We continue to support the vision of a single set of high-quality, global accounting standards, consistently applied. Attaining this long-term objective would benefit global capital markets and investors. The recent economic crisis highlighted the interdependent nature of global business, and financial and capital markets, making the need for global accounting standards more apparent. Among current accounting standards, International Financial Reporting Standards ("IFRS") alone has the potential to meet this goal. We believe that consistent, global application of IFRS would enhance the efficient allocation of capital globally and, ultimately, benefit investors worldwide.

Approximately 60 countries and those in the European Union have adopted IFRS, in some form, for publicly listed companies, and the SEC continues to evaluate whether IFRS should become available to US domestic issuers. However, adoption of IFRS in all major capital markets will not, in and of itself, achieve the vision. This is because the protection of investors and the efficient application of capital globally can only be achieved when the common set of high-quality global accounting standards is also applied with reasonable consistency. Thus achieving the vision requires both the adoption of IFRS in all significant capital markets and enhanced cooperation and coordination among national regulators, the International Accounting Standards Board ("IASB") and its interpretive body, preparers, and auditors in order to facilitate the consistent application of IFRS. Both of these elements must exist before the vision can become a reality.

Today, achieving the vision remains a longer-term objective. Though standard setters have worked very diligently, and great progress has been made, major convergence projects have not yet been completed. In some, agreements have not been reached to establish the necessary high-quality common standards. Additional areas where significant improvements and convergence are required,

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beyond those currently being deliberated, remain to be addressed. Also, a number of major capital markets have not fully adopted IFRS as issued by the IASB as their accounting standards, and some believe that the consistency of application of IFRS, among those countries that have adopted it, should be improved. And the regulatory and standard setting mechanisms that would facilitate improved consistency in application are, for the most part, not yet in place or do not yet operate at a sufficiently high level.

Within the US, challenges to change also exist. US public companies are still focusing on recovering from the recent economic crisis. And the business environment remains difficult in many industries as full recovery has not yet been achieved. This leads many within the US to question the costs of implementing IFRS in the current environment. Others observe that because of the high quality of US standards, adoption of IFRS may not generate cost of capital benefits similar to those obtained outside the US. These concerns, coupled with ongoing accounting change from convergence projects and challenges relating to the adoption and application of IFRS outside the US, leads us to observe that sufficient capital market and political support does not currently exist to mandate adoption of IFRS in the US for all domestic public registrants.

Though sufficient support for change does not currently exist, in our view, progress on achieving the vision should not stop. Ultimate attainment of the vision is too important. We believe that the Financial Accounting Standards Board ("FASB") should continue to work closely with the IASB to complete the remaining Memorandum of Understanding projects. We realize that many inside and outside of the US are tiring of convergence. We are as well. It is a difficult process. Nevertheless, if the price of ultimately attaining the benefits for investors of a single set of consistently applied high quality global accounting standards is continuing convergence efforts for a period of time, we believe it is a price worth paying. The FASB and IASB agendas beyond completion of the current joint projects should focus on those financial reporting areas that would enhance the quality of individual standards. Where improvements can be achieved in common areas in both sets of standards, it makes sense that there should be on ongoing collaboration between the FASB and IASB to achieve common solutions.

At the same time, key capital market regulators should redouble their efforts to coordinate their regulatory oversight responsibilities in an effort to attain more consistent application of IFRS. This could be achieved through cooperation agreements among regulators or with greater communication and focus.

One example of a regulator cooperation agreement that would enhance the consistent application of IFRS relates to companies seeking cross-border capital in public markets. Major capital market securities regulators could agree that any company purporting to follow IFRS that seeks public capital in another market would be required to file periodic financial statements using IFRS as issued by the IASB with the securities market regulator in which capital is sought. The financial statements of those companies would be subject to reviews by regulators in the countries in which the companies are seeking capital. Should instances of non conformity with IFRS be identified, those matters would be resolved through discussions between the company, their home market securities regulator, and the securities regulator in the market where capital is sought. In this way, these collaboration agreements would enhance the sharing of information and views between territories. Consistent application of IFRS also would be enhanced through additional cooperation and regulatory reviews aimed at identifying unacceptable differences in IFRS. Further, agreements among capital market securities regulators to refer differences of interpretation and application to a refocused IFRS interpretations committee would also assist in achieving a higher level of reasonable consistency. In this regard, we are also supportive of the April 2011 IFRS Foundation Trustee's Strategy Review as it relates to the proposed action steps identified to drive more consistent application of IFRS internationally.

We are concerned that if the initial experience with adoption of IFRS in the US is not positive, it would not be helpful to the overall establishment of IFRS as the global accounting standard worldwide. We believe that once additional progress has been attained through (i) completion of the current convergence agenda, (ii) improved standards, (iii) enhanced cooperation among key capital market securities regulators, and (iv) a refocused IFRS interpretations committee, that a more solid foundation will exist upon which the benefits of a single set of high-quality accounting standards can be achieved. The expected timing for completion and issuance of the major convergence projects of revenue, leasing and financial instruments likely will not be until the fourth quarter of 2012. Considering this timing and the likely retrospective adoption provisions, we believe that few US companies would elect to adopt IFRS until the beginning of their 2015 financial reporting year at which time they would have in place the systems and controls to address both the adoption of IFRS and the implementation of these new standards. To do otherwise would likely result in multiple changes to processes, systems, and controls in a short period of time. Significant progress could also be achieved between now and 2015 in the three other areas mentioned above. As a result, we believe that the SEC should monitor ongoing progress while targeting the beginning of 2015 as the date at which those companies seeking the ability to optionally adopt international standards should be allowed to do so. Optional adoption may be initially limited to companies in certain industries or of a certain size.

We also believe that the SEC should continue working with the FASB and IASB to determine the best means of ultimately transitioning US companies to IFRS on a mandatory basis. The endorsement approach described in the Staff Paper is a fair starting point from which to develop a plan that will facilitate continued progress toward achieving the vision. Included below are additional observations that the staff may wish to consider in their evaluation of an endorsement approach applicable to US financial reporting.

Threshold for incorporating IFRS into US standards

The Staff Paper outlines the continued role of the FASB in promulgating US standards through its endorsement of IFRS. We agree that the FASB is best equipped for the role described by the staff in designing and implementing a transition plan to incorporate IFRS into the US financial reporting system.

In any endorsement mechanism, the criteria against which the endorsing body measures new standards to determine acceptability is most important. In many ways, the endorsement criteria will define the FASB's ongoing relationship with the IASB. Depending upon the stringency of the criteria established, whether IASB standards are suitable for incorporation into US standards may be a more or less difficult decision. The criteria will determine whether a likely outcome of the incorporation process is the ability, or inability, of a US company to assert that the US accounting standards it follows are also consistent with the application of IFRS as issued by the IASB. If the criteria for evaluating the acceptability of IFRS results in modifications to those IFRS prior to incorporating them into US standards, a US version of IFRS may result. Also, since many other countries look to the US for leadership in these matters, the criteria established will have implications with respect to creating multiple forms of IFRS outside the US.

If the endorsement criteria are set at a level that makes endorsement more difficult, multiple forms of IFRS are likely to result. As discussed earlier, multiple forms of IFRS works directly against the goal of a common set of high-quality global accounting standards and would reduce, or eliminate, the expected benefits to investors. This would leave the capital markets in a position similar to today, with multiple accounting frameworks across territories. Alternatively, if the endorsement criteria are set at a level less likely to result in changes to IFRS before incorporation, then the importance of the FASB's role in encouraging high-quality global accounting standards may be significantly reduced as compared to today.

For these reasons we believe that careful consideration must be given to the criteria which the SEC and the FASB establish against which new or existing IFRS standards are evaluated. We believe that the endorsement criteria should be explicitly addressed before any decisions are made to move forward with the SEC Staff Paper method of incorporation.

If and when the SEC concludes that it is appropriate to migrate US domestic issuers to a version of US standards that is also compliant with IFRS as issued by the IASB, we believe that the endorsement threshold should be set at a level that would be consistent with that objective. While not fully detailed in the SEC Staff Paper, the "consideration of public interest and protection of investors" threshold highlighted therein strikes us as a good starting point for further development. The objective of such a threshold would be to protect investors while also attempting to remain compliant with IFRS as issued by the IASB.

Prior to such a decision being made, we believe the FASB should be governed by an objective of issuing or endorsing only individual standards that meaningfully improve the quality of US financial reporting for investors. For all other standards, such as those where current IFRS is not viewed to be a meaningful improvement over US standards, we would support the FASB identifying the most appropriate means to transition to the IFRS but not to move forward with such changes until a final migration decision has been made by the SEC. We believe this would reduce the costs of changing accounting standards for preparers as well as reduce the disruptive analytical effect of changes for investors in situations where meaningful improvement is not expected.

Prospective transition and the international standard on first time adoption

We agree with the notion in the Staff Paper that identifying ways to reduce the transition impact for US companies, while providing useful information to investors, should be a key priority in the transition plan. We also agree that use of prospective application, whenever possible, is an effective way to reduce the costs of transition for US financial statement preparers and thereby benefit investors. Prospective application, however, may lessen comparability of financial information within an issuer's financial reporting. As a result, investors and other financial statement users may need to adjust for the effects of prospective application. These considerations should be evaluated in reaching the decision to prospectively apply accounting changes resulting from the IFRS incorporation process.

A further consideration is that prospective application is often not compatible with the international standard on first time adoption of IFRS. This standard generally requires retrospective application with certain specific exceptions and exemptions. If US issuers are to ultimately be able to unequivocally state compliance with IFRS as issued by the IASB, the first time adoption standard needs to be followed. If the US wishes to apply certain standards prospectively, additional amendments to the international first time adoption standard may be necessary. The FASB and IASB should work collaboratively to achieve a transition approach that can successfully reduce transition costs, while not significantly negatively affecting information provided to investors. Other large capital markets in process of transitioning to IFRS may similarly benefit from reconsideration of certain aspects of the first time adoption standard.

Minimizing the effect of IFRS on the US regulatory environment

As described in the Staff Paper, an endorsement mechanism allows for the retention of US standards (US GAAP) as the basis of financial reporting for US issuers. Retaining the use of US standards is a pragmatic approach that would alleviate the need for amendments to laws, regulations, and contracts that would otherwise be necessary if IFRS was adopted outside an endorsement framework.

Conclusion

We commend the SEC staff for their continued, thorough evaluation of whether, when and how IFRS should be incorporated into the US financial reporting system. We continue to support a vision of a single set of high-quality, global accounting standards that are consistently applied. We believe that IFRS provides the best basis for achieving this vision. However, the conditions necessary to achieve the many benefits of a single set of accounting standards do not yet fully exist. Further improvements are still required in the quality of accounting standards and more work is required by standard setters, preparers, auditors, and key capital market securities regulators to improve the consistency of IFRS application. We believe that the endorsement approach described in the Staff Paper is a fair starting point from which to develop a plan that will facilitate continued progress toward achieving the vision.

We are available to discuss our comments and to answer any questions that the SEC or its staff may have. Please contact Paul Kepple, PwC US Chief Accountant (+1 973 236 5293), or Tom Gaidimas, (+1 973 236 5036) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

cc: Chairman Mary L. Schapiro
Commissioner Luis A. Aguilar
Commissioner Kathleen L. Casey
Commissioner Troy A. Paredes
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