

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

2 August 2011

Re: SEC Staff Paper “Work Plan for the Consideration of Incorporating International Financial Reporting System for the U.S. Issuers – Exploring a Possible Method of Incorporation”

Dear Mrs. Shapiro

We welcome the opportunity to comment on the SEC Staff Paper “Work Plan for the Consideration of Incorporating International Financial Reporting System for the U.S. Issuers – Exploring a Possible Method of Incorporation” issued on May 26, 2011 (“Staff Paper”). We understand this Staff Paper is part of the Work Plan implemented by the SEC to assess the opportunity to incorporate IFRS in the US accounting framework. Therefore, we understand the method presented in the Staff Paper is just one of various options currently reviewed by the SEC.

General Comment

First, we want to express that we are in favor of the adoption of the IFRS for the public companies in the USA. The current situation in the USA is unusual since private companies have the option to use IFRS to prepare their financial statements, but with the exception of foreign public issuers that apply IFRS as adopted by the IASB for their local reporting, public companies are not allowed to apply IFRS. However, we are opposed to the development of national flavored IFRS and we are concerned that the plan proposed by the Staff would encourage such national flavored developments. It has to be noted that the endorsement model as applied by the European Union did not generate significant deviations from the IFRS as issued by the IASB (to date there is only one divergence, with no significant impact on financial statements, except for banks).

We agree with the SEC that the adoption may be achieved using different ways and the one presented in the Staff Paper offers significant upsides. However, we feel that most, if not all, of these upsides benefit to the preparers only whereas the investors would see negative impacts especially during the transition period. This result would appear to contravene to the SEC mandate, which is to protect investors.

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Also, we feel that this approach could create significant risks with regards to the objective to develop and maintain a comparable and high quality accounting standard with no national flavor in the mid and long term; also the process envisioned for the transition phase may create instability in application and further complexity for the users to analyze and compare financial statements.

The Approach offers significant upsides

- Cost Savings

The main positive aspect we see in this gradual adoption of IFRS standards into US GAAP and the completion of the convergence project is the fact that companies will be able to reduce dramatically the cost (cash and human resource-wise) for the transition. Under the approach under consideration, the changes would have similar impacts as to those resulting from the adoption and implementation of new standards. Moreover, these impacts will be spread over a significant period of time (between 5 and 7 years). Additional factors in favor of this seamless approach are the fact that these new standards would not require a retrospective application and a process similar to IFRS 1 – First Time Adoption is not considered.

- Clarity for Preparers

Another interesting aspect of this plan is clarity it provides and the clear path it sets to preparers compared with the current situation whereby companies and other interested parties, such as CPAs or Academia are left in the dark in terms of how to be prepared and under which timeframe.

Under the assumption that US GAAP endorsing IFRS standards with no significant deviations from the ones adopted by the IASB, large US international groups would largely benefit from this approach since they could reduce the costs of preparing their consolidated financial statements, since most of their foreign subsidiaries are currently allowed to apply already IFRS. It has to be noted that this positive aspect is already effective for foreign groups applying IFRS with US subsidiaries, since AICPA allows the adoption of IFRS for private companies.

- SEC Controls Maintained

Finally this approach allows the SEC and US standard setters to protect the US and users of the US companies financial statements against the risk of seeing the IASB not able to maintain its independence or its ability to issue high quality standards. The process as proposed in the Staff Paper would substantially maintain in the SEC the control over accounting standards apply by public issuers.

Which may be offset by loss in clarity for the users and mid and long term issues

These positive aspects are significantly offset by what we believe are negative consequences were the plan presented in the Staff Paper was implemented as proposed. In particular, we are not convinced that this approach serves the best interests of investors.

- The transition period is too long

As mentioned above the gradual transition by endorsement of standards over an extended period of time (five to seven years) provides significant upsides for preparers. On the other hand, this method makes complex the reading and the comparability of the financial statements during this transition period and going forward.

Several aspects of the proposal will lead to this complexity:

Prospective application only of newly adopted standards

Potentially, companies would present on the face of their balance sheet items that have different basis of accounting. For example, if the componentization of fixed assets became mandatory under US GAAP (as it exists under IFRS), companies would present a dual method of accounting: a building acquired prior to the adoption of the new standard would be reported as one item and it would depreciated under one useful economic life only; whereas a building acquired post adoption of the standard would be broken down by components, with each one depreciated over its own useful economic life.

Unstable accounting platform until the end of the endorsement process

During the transition period, accounting standards will be updated and modified at a rapid pace which will make difficult to effectively compare performance over time since every year will see new standards that would require transition and implementation.

- Risk of developing of “US-flavored IFRS”.

The main downside we see in the plan proposed is the risk already identified by the Staff for a development over time of “US-flavored IFRS”.

Under the envisioned structure, the FASB and the SEC would maintain their significant role at the IASB level in the Monitoring Board, but at the same time they would maintain the ability to endorse or refuse for the USA standards adopted by the IASB.

In the short term and as suggested in the Staff Paper, one can imagine that the SEC and the FASB would pay attention to limit the development of “US-flavored” IFRS, but no one can predict which route would be followed in ten or twenty years.

On a very practical matter, since the adoption of IFRS would be via an endorsement process, current standards under US GAAP with no equivalent under IFRS, such as industry specific standards would still be in force, maintaining de facto a divergence between the two standards.

Another aspect not fully addressed by the Staff is the future role of the Emerging Issues Task Force (EITF) in this “condorsement” environment. Under the current US GAAP environment, the EITF has a critical role to develop implementation guidance by answering specific questions received on how to apply standards. Without a change in the role of the EITF, it would be another source for generating “US-flavored” IFRS.

However mitigating measures may help to reduce these risks

We recognize the mandate of the SEC to protect the interests of the investors and, as a result, the importance for the SEC and the FASB to maintain the oversight and the ultimate control on accounting standards applied in the US. These US focused concerns may conflict at time with the projects led or standards issued by the IASB, which must primarily address multinational issues.

We believe that these two potentially conflicting mandates could be harmonized by modifying the project discussed in the Staff Paper in the following manner:

- Reduce the length of the transition period with an adoption date

Under this approach, the FASB would list all IFRS standards to be adopted and would implement them at a pre-set date.

The convergence project would be completed and therefore the remaining standards to be adopted or modified would not be that numerous.

Also during the period between the end of the Convergence project and the adoption date, FASB would not adopt new standards and would not implement additional implementation guidance.

- Accept a First Time Application methodology instead of the proposed prospective approach for new standards

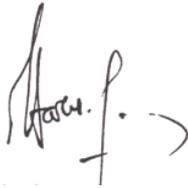
Despite the adoption of IFRS 1 – First-time Adoption of International Financial Reporting Standard would not be necessary if the plan discussed in the Staff Paper were adopted, a first time adoption methodology should be developed instead. We consider that a first time adoption approach, although modified to take into consideration the result of the convergence, would improve the comparability of performance going forward by creating a comparable starting point being companies.

- Develop a new role for the EITF

We believe that the role of the EITF could be similar to the one played by European standard-setters, which provide comments and suggestions to the International Financial Reporting Interpretation Committee. As such, the EITF would become an advisor for the IFRS Interpretation Committee instead of working directly with the FASB.

We would be pleased to discuss further our comments with you and remain at your disposal should you require further clarification or additional information.

Yours Sincerely,



Michel Barbet-Massin

Head of Financial Reporting Technical support