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July 28, 2011

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

Filed Electronically: http://www.sec.gov/cgi-bin/ruling-comments?ruling=4-600&rule_path=/comments/4-600&file_num=4%AD600&action=Show_Form&title=Commission%20Statement%20in%20Support%20of%20Convergence%20and%20Global%20Accounting%20Standards

**Re: SEC Staff Paper – Work Plan for the Consideration of Incorporating
International Financial Reporting Standards into the
Financial Reporting System for U.S. Issuers**

Dear Ms. Schapiro:

The New York State Society of Certified Public Accountants, representing more than 28,000 CPAs in public practice, industry, government and education, welcomes the opportunity to comment on the above captioned Staff Paper.

The NYSSCPA's SEC IFRS Work Plan Joint Task Force, a joint task force of the NYSSCPA's Financial Accounting Standards, International Accounting and Auditing and SEC Practice Committees, deliberated the paper and drafted the attached comments. If you would like additional discussion with us, please contact Renee Mikalopas-Cassidy, the Chair of the Task Force, at (917) 716-6848, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,


Richard E. Piluso
President

Attachment

COMMENTS ON SEC STAFF PAPER

**WORK PLAN FOR THE CONSIDERATION OF INCORPORATING
INTERNATIONAL FINANCIAL REPORTING STANDARDS INTO THE
FINANCIAL REPORTING SYSTEM FOR U.S. ISSUERS**

July 28, 2011

Principal Drafters

Deepak Doshi, Financial Accounting Standards Committee
Robert A. Dyson, Financial Accounting Standards Committee
Mitchell J. Mertz, SEC Practice Committee
Renee Mikalopas-Cassidy, International Accounting and Auditing Committee
William M. Stocker III, International Accounting and Auditing Committee

SEC IFRS Work Plan Joint Task Force Members

For the Financial Accounting Standards Committee –

J. Roger Donohue
Deepak Doshi
Robert A. Dyson
John J. McEnerney

For the International Accounting and Auditing Committee –

Jan C. Herring
Richard C. Jones
Michael R. McMurtry
Renee Mikalopas-Cassidy
William M. Stocker III
Yan Zhang

For the SEC Practice Committee –

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Theo Vermaak

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NYSSCPA Staff

Ernest J. Markezin
William R. Lalli

New York State Society of Certified Public Accountants

Comments on SEC Staff Paper

Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers

General Comments

We continue to support the overall goal of establishing a single set of high-quality global accounting standards for U.S. issuers in order to enhance the comparability of financial information and the efficiency and effectiveness of capital formation and allocation. We generally support standards that could provide U.S. issuers in compliance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) to be in a position to assert compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

While we consider the many merits of the Securities and Exchange Commission (“SEC”) Staff’s Work Plan, we have a number of concerns regarding the ability to maintain the quality of standards, comparability, transitional issues and the proposed timeline. The Work Plan does not adequately address the concerns previously expressed by the New York State Society of Certified Public Accountants (“NYSSCPA”) in the March 5, 2009 comment letter on the SEC Roadmap **(See Attached Appendix.)**

Our detailed comments follow:

Quality of Standards

In the March 2009 letter, the NYSSCPA recommended that the SEC consider whether IFRS meet or exceed the standards of quality established by the Financial Accounting Standards Board (“FASB”) Concepts Statements (pages 2 to 3). The Work Plan does not directly address this, but indicates that the FASB will assess future modifications and, if need be, make revisions to IFRS. This process would be overseen by the SEC (see pages 9 through 12). While the Work Plan explains that such revisions are expected to be “infrequent,” the SEC has not explained the basis for this conclusion, and we are uncertain about whether such a conclusion is reasonable.

The NYSSCPA has slightly modified its original stance. Because there is a value to comparability with international standards, it is possible that IFRS would be desirable or “almost as good” in terms of quality. Even with this modification, the question remains as to why FASB revisions under the Framework would be “infrequent.”

Comparability

The Work Plan does not address the NYSSCPA March 2009 letter’s concern that two benefits of adopting IFRS, improved comparability with non-U.S. reporting entities

and providing management with greater judgment in preparing financial information, were inherently contradictory (see pages 3 to 4). Another development related to comparability is that various countries have taken exception to certain IFRS pronouncements, and the Work Plan proposes that the U.S. do likewise.

Should the SEC adopt the framework of “Condonement,” it appears highly likely that the U.S. would create exceptions and “carve-outs” that would decrease the desired international comparability. These national level exceptions are already creating an environment of having a national essence of IFRS while diminishing the goal of international comparability. The planned proactive involvement by the SEC and FASB should help keep the additional endorsement process period to a minimum along with agreements to set mutually agreed-upon effective enactment dates. Comparability across jurisdictions may be further reduced by the tendency of preparers and auditors to apply IFRS in a manner that is as similar to their current or former national GAAP as possible. The recommendation that the FASB assess current IFRS pronouncements will provide a basis for the projected number of exceptions that may apply to U.S. GAAP. Before proposing any adoption of IFRS, the SEC should identify those standards it believes are unacceptable and in which circumstances a U.S. exception may be taken. The review should take place after the convergence project is substantially completed, and a listing of the exceptions and concerns identified.

We support the Work Plan’s retention of U.S. GAAP as the statutory basis of financial reporting to avoid the administrative burdens and costs that would be required to change statutory references to IFRS. However, we suggest that it is better to think of the U.S. reporting standards as IFRS with additional SEC regulatory requirements, with disclosure of the exceptions or reconciliations to IFRS.

Further, we have concerns that there would be legal ramifications under multiple standards in which preparers and auditors may be second-guessed. We understand that the legal systems outside of the U.S. are very different and that litigation in accounting and auditing matters is significantly less frequent. We are concerned that with standards relying more on judgment, two independent parties can arrive at different conclusions, and both be correct. This result in our current legal system could create an alarming amount of litigation against auditors and preparers of financial statements with enormous costs.

Nonpublic and Not-for-Profit Entities

Although its accounting standard-setting authority is limited to financial statements filed by public companies, the SEC should not ignore the potential impact on nonpublic and not-for-profit organizations of any decision to require public companies to apply IFRS by simply considering them out of scope. Just as the SEC considers comparability of the financial reporting of registrants with foreign alternatives for investors, we believe that it should consider the comparability of the financial reporting of registrants with private alternatives for investors.

As currently promulgated full IFRS and IFRS for Private Entities, known as IFRS for SMEs, represent a “big GAAP/little GAAP” system. An accounting standard environment with four potential systems would cause confusion among preparers and users. In addition, due to the volatility of the U.S. business environment, entities have gone public or delisted, grown from small to large entities while others have shrunk. To add potentially significant accounting changes to this process could be a costly and an unnecessary distraction.

We acknowledge that various standard-setting parties, including the Blue Ribbon Panel sponsored by the American Institute of Certified Public Accountants (“AICPA”), the Financial Accounting Foundation (“FAF”) and the National Association of State Boards of Accountancy (“NASBA”), are working to address the issues of nonpublic companies and the interrelationship with the FASB. Any decision to adopt an IFRS framework for public companies must also adequately address how GAAP is to be applied for nonpublic companies and not-for-profit entities.

Condorsement Framework

The Work Plan suggests a framework for incorporating IFRS, and refers to it as “Condorsement.” This approach seems to address the following concerns and objectives:

1. Reduces the cost burden and effort on companies adopting IFRS.
2. Transitions over a period of time to allow constituents to absorb and digest.
3. Retains FASB/SEC as a U.S. standard setter in endorsing and modifying IFRS if necessary, before incorporating them into U.S. GAAP.
4. Retains U.S. GAAP and thereby reduces complexities associated with changing all current references to U.S. GAAP in U.S. laws, contractual documents, regulatory requirements, and guidelines.
5. Provides protection of U.S. investors and addresses U.S. specific issues.

We agree with the approach in principle, but we have specific concerns with some of the details. In order to understand how this goal would ultimately be represented, we request that the SEC coordinate with the Public Company Accounting Oversight Board (“PCAOB”) on its reconsideration of the auditor’s opinion. This would allow us to envision an auditor’s opinion, as contemplated by the end of the incorporation period, which reflects how a U.S. issuer who is in compliance with U.S. GAAP would also be able to represent compliance with IFRS. For example, would the report be silent, would both U.S. GAAP and IFRS be indicated, or would the report state “in conformance with IFRS, as adopted by the United States?”

U.S. “convergence” Priority – IFRS Subject to MoU Projects (Category 1)

The U.S. should vigorously continue its joint projects “convergence” efforts between the FASB and the IASB, to move both standard setters toward new, mutually-acceptable high-quality standards, as opposed to “Convergence” as defined under the Framework which would involve the full, but potentially staged or phased, replacement of existing U.S. GAAP through the incorporation of IFRS into U.S. GAAP pursuant to an orderly transition plan.

We support that U.S. GAAP convergence with IFRS is a practical possibility because of the many similarities between the objectives and principles of U.S. GAAP and IFRS. However, at this time many critical unresolved differences remain that need to be addressed including the completion of the conceptual framework project which is currently in several phases. Significant measurement issues must also be resolved such as revenue recognition and the classification of certain debt and equity that may result in permanent differences between U.S. GAAP and IFRS. We have concerns over the ability to minimize costs and efforts without an ongoing convergence effort between U.S. GAAP and IFRS. The lingering concern would be whether comparability—the stated purpose of IFRS—can truly be achieved given that the proposed Framework will encourage individual nuances to develop. Nevertheless, this might be the best solution for the time being.

It is also important that foreign issuers listed on U.S. exchanges comply with standards as required of U.S. issuers. Any additional required disclosures by the FASB or the SEC should also apply to foreign issuers, and they should provide an appropriate reconciliation to the standards adopted for U.S. issuers.

In its evaluation of filings, the SEC Staff needs to recognize that with the greater judgment allowed under IFRS, reasonable people will differ in their utilization of IFRS, and will require greater flexibility in their reviews. The SEC should consciously and publicly allow good-faith judgments to stand and avoid the temptation to second-guess management and external auditors. In a similar vein, the SEC should use its influence to encourage sensible legal reform because avoidance of litigation has been a significant factor in the demand for detailed U.S. accounting standards.

IFRS Subject to Standard Setting (Category 2)

The plan for the FASB to assess the IASB's ongoing standard-setting efforts and projects will be most efficient and effective with proactive engagement at the IASB level. Hopefully, appropriate lead-time and effective dates will be developed with the IASB as contemplated by the Work Plan in order to keep alignment between the standards at a maximum.

IFRS Not Subject to Standard Setting (Category 3)

The FASB's plan to assess first the "static" IFRSs for earliest incorporation into U.S. GAAP should be identified prior to the implementation of the plan and a proposed incorporation date determined. It appears unnecessary to consider a staging of these items as they have been static for some time, and can be done in bulk to minimize the confusion caused by multiple phase-in periods. Any exceptions should be identified quickly to determine areas of potential concern, and set aside for future assessment. The Work Plan to define different prospective application for individual IFRSs also appears unnecessary if appropriate effective dates are determined, or should have limited application without undermining the integrity of the requirements of the underlying IFRSs.

Timeline and Transitional Issues

While some may consider an extended period of transition as too long and suggest it raises questions about the U.S. commitment to IFRS, we believe that it is a prudent approach to provide adequate time to ensure the quality of all adopted standards, allow adequate training, enhance implementation of new standards and gradually increase understanding in the U.S.

A timeline of five years appears to be realistic in view of the experiences of standard setters' ongoing efforts to agree to multiple issues under tight deadlines. This period should give nonpublic companies and not-for-profit entities, not subject to SEC decisions, adequate time to work with the FASB to move in step with SEC registrants and adequately address impacts.

Conversely, in the intervening transitional period, the U.S. might be in a “catch-up” posture with IFRS due to the dynamic evolutionary nature of U.S. GAAP. The advantages for U.S. companies competing in global capital markets using globally accepted accounting principles is not achieved with a lengthy transition period, and the costs associated with maintaining two sets of accounting standards during this period will be substantial. The longer transition period of up to seven years under consideration may be costly in the end. We recommend that the transition period be no longer than five years.

Another critical consideration for setting a timeline is that there is an understanding with the IASB of its willingness to work along proposed SEC timelines. The IASB has many other countries and competing agenda priorities to manage through this process, and it has not indicated any additional joint convergence projects with the U.S. The tradeoff of subscribing to the IFRS model will be that the U.S. is only one of many voices, and only a certain amount of limited resources can be devoted to specific U.S. issues. While the U.S. is currently influential, there is a need to assure that this status is maintained. Maintaining the three representatives on the IASB and an on-going exchange of technical accounting staff will help ensure an appropriate level of U.S. influence.

We believe that the SEC should assess whether the current decision-making process of the IASB is conducive to setting future high quality standards. One area of concern is the influence of various national regulators, users and others who promote the interests of their specific constituencies as opposed to the needs of the worldwide community. We believe that we may be able to put faith in assurance that there will not be any future political interference only if certain IASB governance matters are resolved (such as fiscal independence and operational freedom).

Education and Training

Users will realize the primary benefits of a single set of high-quality globally accepted accounting standards only if they fully understand the basis of the reported results. While some progress has been made such as including IFRS topics on the CPA exam in 2011, effective training and education on IFRS is critical to any implementation

plan. Due consideration should be given to the ability of market participants to institute a change as costly and pervasive as the adoption of IFRS thereby making timing and sequencing of incorporation critical. In addition, there will be a need to educate the public on the fundamental U.S. GAAP and IFRS differences and the benefits of convergence.

Early Use of IFRS and First Time Adoption

In connection with the educational requirements, we continue to support the concept of early adoption in order to provide the mechanism in which learning will be promoted by necessity, and consider early adoption to be a critical factor during the transitional phase. We believe that the current proposed eligibility criteria under the SEC Roadmap should be changed to allow a more representative sample of U.S. companies to early adopt IFRS as discussed in the NYSSCPA March 5, 2009 letter.

We are uncertain as to how first time adoption of IFRS would be achieved under the proposed Framework. We request that the SEC provides clarity on how IFRS 1, which provides guidance for first-time adoption of specific standards, will be treated. As there is no “adoption” under the Condorsement approach, guidance would need to be provided by the FASB in the event that a particular IFRS is “condorsed.” In addition, not applying some of the practical expedients allowed under IFRS 1, could result in unresolved differences between U.S. GAAP and “pure” IFRS as it relates to retrospective application and opening balances. An obvious example is the IFRS 1 provision to use fair value of property, plant and equipment as deemed opening cost when the componentization and residual value depreciation requirements under IFRS are adopted.

The mechanics of how documents would be referenced indicating GAAP, IFRS, or a dual referencing need to be considered to enhance the transition as well. An additional consideration is that the Plan provides for prospective application of IFRS adopted standards (which will decrease comparability unless adequate phase-in time is provided).

We continue to support Proposal B presented in the SEC Roadmap (which would require early IFRS adopters to reconcile their financial statements to U.S. GAAP for all periods presented). The reconciliation requirement would compel early IFRS adopters to maintain their U.S. GAAP records and related controls. Doing so will be very important under the Framework in order to provide useful information to users of financial information.

Implementation

The Work Plan needs to consider the feasibility of a true implementation of the Framework presented. A reasonable outline of an implementation timeline should be created in order to provide some certainty to preparers, users and auditors prior to the SEC making a decision regarding the implementation of this Framework.

The Work Plan only suggests that a mechanism to make any changes to IFRS should have a high threshold, but specific guidance for the kind of changes and reasons for changes should be determined prior to implementation. Clear criteria for evaluating

IFRS for incorporation into U.S. GAAP would benefit the FASB/SEC in their deliberations, and such criteria would benefit observers of the condorsement process when we are asked to comment on proposals to adopt or endorse an IFRS exposure draft.

Part of the establishment of this Framework would have to be consideration of how to deal with the IASB's Conceptual Framework for Financial Reporting versus the FASB Concepts statements. If each individual IFRS, International Accounting Standards ("IAS"), International Financial Reporting Interpretations Committee ("IFRIC") and Standing Interpretations Committee ("SIC") interpretation were to be added to the FASB Accounting Standards Codification ("ASC") that would, through IAS 8 incorporate the IASB Conceptual Framework for Financial Reporting into U.S. GAAP. Assuming that is the case, what is the status of the FASB Concepts? Will the ASC call for the financial statements preparer to reference the FASB Concepts instead of the IASB Conceptual Framework? If the latter, even with convergence efforts on the respective frameworks it could represent a significant difference between the resulting U.S. GAAP and IFRS. In addition, the latter approach would make the FASB Concepts authoritative whereas they are not currently.

A further concern is the ease of comparison and understanding of the differences between IFRS as issued by the IASB and the Condorsed U.S. GAAP. We understand that in some jurisdictions (*e.g.*, Hong Kong and Australia), IFRS has almost entirely been adopted, but is codified in a completely different format such that it can sometimes not be readily determinable from the local authoritative literature what differences do exist between IFRS as issued by the IASB and the local, nearly converged, variety. We believe that at some point, if the Framework is adopted that U.S. GAAP be clearly "IFRS plus and minus," that is a clear statement that U.S. GAAP consists of IFRS as issued by the IASB, and a discrete set of FASB pronouncements that either add requirements or rescind IASB requirements for use in U.S. GAAP. For example, there might be an "IFRS differences codification" ("IFRS DC"), an appendix to the FASB ASC, which would be continuously updated to include all differences between U.S. GAAP and IFRS. The main body of the ASC could then include everything from IFRS and the IFRS DC (except those portions of IFRS specifically blocked by the IFRS DC). Such an information source as the IFRS DC would be of significant help in reducing the costs to investors in determining the differences between financial statements prepared under U.S. GAAP and those prepared under IFRS as issued by the IASB.

The convergence/endorsement process must also consider the role of constituents, and the implications for the timing of adoption. For example, at what phase would the FASB/SEC issue an IFRS for constituent comments, pre-endorsement, post-endorsement, or at both phases?

We support the Framework approach to a mandatory conversion to IFRS along with vigorous continued convergence efforts of the FASB and the IASB. The support of such an approach is dependent on the ability to provide the substantial convergence as planned by the end of 2011. Numerous unresolved issues remain. The proposed Framework, while allowing U.S. GAAP to continue and provide incorporation of IFRS,

will provide a useful solution if there are minimal and meaningful differences between the two systems and appropriate disclosure and reconciliations of the differences are provided.

Continuance of the convergence efforts will help produce the best quality global accounting and reporting standards and will help minimize convergence costs for U.S. entities while an appropriate feasible timeline and incorporation mechanism is developed.



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3 park avenue, at 34th street, new york, ny 10016-5991
212.719.8300 • fax 212.719.3364
www.nyscpa.org

March 5, 2009

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

By e-mail: rule-comments@sec.gov

**Re: Roadmap for the Potential Use of Financial Statements Prepared in Accordance
with International Financial Reporting Standards by U.S. Issuers
(Release Nos. 33-8982; 33-9005; 34-59350; File No. S7-27-08)**

Dear Ms. Murphy:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned release. The NYSSCPA thanks the SEC for the opportunity to comment.

The NYSSCPA's IFRS Roadmap Task Force deliberated the release and drafted the attached comments. If you would like additional discussion with us, please contact Rita M. Piazza, the Chair of the SEC Practice Committee, at (212) 710-1744, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in cursive script that reads "Sharon Sabba Fierstein".

Sharon Sabba Fierstein
President

Attachment

**COMMENTS ON SEC RELEASE Nos. 33-8982; 33-9005; 34-59350
File No. S7-27-08**

**ROADMAP FOR THE POTENTIAL USE OF FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS BY U.S. ISSUERS**

March 5, 2009

Principal Drafters

David Bender, SEC Practice Committee
Robert A. Dyson, Financial Accounting Standards Committee
Hisham A. Kader, International Accounting & Auditing Committee
Anna Zubets, Financial Accounting Standards Committee

IFRS Roadmap Task Force Members

For the Financial Accounting Standards Committee –

Robert A. Dyson
Fred R. Goldstein
Edward P. Ichart
John J. McEnerney
Anna Zubets

For the International Accounting & Auditing Committee –

Luis E. Cabrera
Lori Catapano
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Michele Amato	Leon J. Gutman	John P. Rushford
Gautam Anumukonda	Edward J. Halas	Paul Rykowski
Patricia Baldowski	Elliot L. Hendler	Stephen A. Scarpati
Curtis Banos	Steven Kreit	Andrew Schneider
John A. Basile	David J. Lamb	Robert E. Sohr
David Bender	Moshe S. Levitin	Frederic S. Starker
Michael C. Bernstein	Helen R. Liao	Joseph Troche
Dov Braun	Robert P. Marggraf	George I. Victor
Jeffrey M. Brinn	Jonathan T. Marks	Liren Wei
Thomas E. Caner	Thomas P. Martin	Philip H. Weiner
Henry G. Clark	Nicole J. Martucci	Paul J. Wendell
Burgman E. Connolly	Corey L. Massella	Steven Wolpow
Bridget M. Day	Jacob Mathews	David C. Wright

NYSSCPA Staff

Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on the Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

(Release Nos. 33-8982; 33-9005; 34-59350; File No. S7-27-08)

General Comments

We support the goal of establishing a single set of high-quality global accounting standards in order to enhance the comparability of financial information and the efficiency and effectiveness of capital formation and allocation. However, the proposal by the Securities and Exchange Commission ("SEC" or the "Commission") to allow or require public companies in the U.S. to replace U.S. Generally Accepted Accounting Principles ("U.S. GAAP") with International Financial Reporting Standards ("IFRS") as their primary basis of accounting should be based on the quality of the accounting standards and not just on the desire to conform accounting standards worldwide.

The SEC Roadmap does not present, in sufficient detail, the methodology and criteria expected to be applied to the milestones in assessing the adequacy of IFRS in meeting the needs of preparers, users, and auditors. Before requiring the adoption of IFRS, the SEC should establish clear criteria on which decision makers, preferably a committee consisting of a cross-section of representatives from the preparer, user, and auditor communities, will assess the quality of IFRS. In addition, the SEC has appropriately identified the need for effective training and education on IFRS for the various stakeholders. While we agree with the Commission's objectives in allowing early use of IFRS, we believe that the eligibility criteria should be changed to allow a more representative sample of U.S. companies to early adopt IFRS.

The current economic crisis is unprecedented in its global reach, and its depth and duration are hard to predict at the moment. Companies, investors, and other participants in the U.S. capital markets have to face the continued dearth of capital at an economically feasible price. It would be reasonable to conclude that the monetary and human capital costs of the transition to IFRS could be burdensome to entities with limited resources and prohibitive for some smaller entities, even over a period of many years. For instance, the cost of training, an important element of any change, is expected to be significant for auditors, academia, and issuers and users of financial statements. Accordingly, due consideration should be given to the ability of market participants to institute a change as costly and pervasive as the adoption of IFRS.

An alternative approach that may address this concern would be to delay the mandatory conversion to IFRS and, instead, vigorously continue the convergence efforts of the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB"). Regardless of the approach, the Commission must include substantial convergence progress as an explicit milestone in support of its decision

processes in 2011. Continuance of the convergence efforts will help produce the best quality global accounting standards and will help minimize convergence costs for U.S. entities when IFRS adoption becomes mandatory.

The principal value of convergence with or ultimate adoption of IFRS is the increase of comparability. Comparability is not a value unto itself, but rather it adds value by lowering the cost to investors in making investment decisions. Such costs of comparison would also be lowered significantly if the differences between U.S. GAAP and IFRS consisted of only a few issues. The value of comparability would be advanced considerably, with less cost in terms of relevance and reliability.

Quality of Standards

In assessing the quality of IFRS, the Commission should consider whether IFRS meets or exceeds the standards of quality established by the FASB Concepts Statements, which present the objectives and concepts of financial reporting in the U.S. Although a final decision need not be bound by all aspects of the FASB Concepts Statements, departures from those statements should be carefully considered and accepted only when IFRS principles are superior or, at least, comparable. Thus, the SEC should show that IFRS is consistent with FASB Concepts Statement No. ("CON") 1, *Objectives of Financial Reporting by Business Enterprises*, whose paragraph 29 states that "management's primary role in external financial reporting is that of communicating information for use by others." According to paragraph 34, "[f]inancial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions." Any assessment of IFRS should specifically address these objectives.

According to CON 2, *Qualitative Characteristics of Accounting Information*, comparability and consistency are important qualitative characteristics of financial information. As discussed below, we believe the SEC needs to address comparability and consistency issues prior to requiring the application of IFRS to financial statements filed with the Commission. In addition, in assessing the quality of IFRS, the SEC should consider the results of its December 2008 study on fair value accounting, given that IFRS requires or allows fair value measurement for many balance sheet items.

We agree that the SEC should also assess whether the current decision-making process of the IASB is conducive to setting future high quality standards. One area of concern is the influence of various national regulators, users, and others who promote the interests of their specific constituencies, as opposed to the needs of the worldwide community. For example, in its recent actions, the IASB permitted retroactive reclassification of financial assets out of held-for-trading category, which allowed companies to "cherry pick" assets with significant losses and reverse those losses out of net income. A *CFO.com* article dated November 14, 2008, "Revised Fair Value Rule is Weaker: Moody's" reported that the IASB rushed through changes to IAS 39 and IFRS 7 because "the European Commission was bearing down on the organization and threatening to pass legislation." The Chairman of the IASB asserted that "the IASB faced a standard-setting dilemma that he would never encounter again." The dissenting IASB

board members stated that they "do not believe that amendments to standards should be made without any due process." Questions about the IASB's ability to weather political pressures raise serious doubts about its ability to issue high quality standards.

We believe that we may be able to put faith in assurances of no future political interference only if certain IASB governance matters are resolved, such as fiscal independence and operational freedom. The SEC Roadmap addresses forming a Monitoring Group and other governance matters in Section III.A.2 (pages 24-27). The proposed Monitoring Group appears to consist of various national regulatory agencies and may not necessarily consider the needs of users, preparers, and auditors. We believe that the SEC should carefully evaluate the effectiveness of such a monitoring group in 2011. We are concerned that legislative bodies may mandate changes to IFRS causing a divergence from the goal of one global accounting standard, thereby undermining one of its principle values.

Comparability

The Roadmap presents two benefits from adopting IFRS: improved comparability with non-U.S. reporting entities and providing management with greater judgment in preparing its financial information. While desirable, these attributes appear inherently contradictory. In Section II.A.2 (page 17), the Roadmap asserts:

"Promoting a single set of globally accepted accounting standards will benefit investors as more and more companies prepare their financial statements applying a single set of high-quality accounting standards. With a single set of accounting standards, investors can more easily compare information and will be in a better position to make informed investment decisions. This benefit is dependent upon use of a single set of high-quality standards globally and financial reporting that is, in fact, consistently applied across companies, industries and countries."

However, in Section VIII.A.1 (page 128), the Roadmap asserts:

"IFRS also is not as prescriptive as U.S. GAAP in certain areas and in certain areas permits a greater amount of allowable options than currently in U.S. GAAP. This relatively lesser amount of guidance and greater optionality may increase issuers' ability to account for transactions or events in accordance with their underlying economics but may also result in the application of greater judgment in applying the standards."

The comparability of financial statements prepared in conformity with IFRS may be overstated. IFRS does not seem to be consistently applied from country to country, as the number of allowable options is conducive for the regulatory agencies in each country to interpret IFRS pursuant to their respective needs and business environments. In order to properly assess the comparability benefits of IFRS, the SEC should compile and summarize these variations in IFRS across jurisdictions. Comparability across jurisdictions is further reduced by the tendency of preparers' and auditors', because of

their habits of mind, to apply IFRS in a manner that is as similar to their current or former national GAAP as possible.

When using principles based standards, reasonable people may arrive at materially different results after applying their judgments to a given set of facts and circumstances. We note that a significant amount of U.S. GAAP literature relates to prescriptive guidance issued by the FASB, the Emerging Issues Task Force, and other interpretive bodies in order to reduce variability in practice. The reduction of specific guidance, including bright lines, would seem to create more variability in financial reporting than what is currently allowable under U.S. GAAP.

A number of legal matters may cause the U.S. to develop its own national version of IFRS, which would further reduce comparability. For example:

- The SEC has the legal authority to set accounting standards for registrants. Congress reiterated the importance of this authority in recent economic recovery legislation. In the past, the SEC has asserted this authority by issuing its own regulations and guidance such as Financial Reporting Releases and Staff Accounting Bulletins (“SAB”). The SEC may also effectively create a U.S. version of IFRS through Accounting and Auditing Enforcement Releases (“AAER”), reviewer decisions, and speeches.
- Preparer and auditor concerns over the legal ramifications of being “second-guessed” are real. In a September 10, 2008 speech, Charles D. Niemeyer, a member of the Public Company Accounting Oversight Board (“PCAOB”), noted that the proliferation of calls for more detailed accounting guidance in U.S. GAAP came as a result of a 1969 case, where the Second Circuit of the U.S. Court of Appeals upheld the conviction of three auditors in a major fraud, despite their compliance with then existing accounting principles. Mr. Niemeyer noted this ruling has been recently upheld in other cases. Concerns over being second guessed could only be alleviated through changes in U.S. law. The existing U.S. legal system will continue to create added pressures on the SEC to create more detailed guidance.
- Changes in Federal and state regulatory regimes may not be accomplished in time to adopt IFRS, necessitating a dual accounting system for financial institutions, insurance companies, public utilities, or other regulated entities where the regulators have prescribed accounting standards which have been considered acceptable for the regulated industries.
- The Internal Revenue Code requires conformity in the method of accounting for inventory for both tax and GAAP purposes. IFRS does not permit the last-in-first-out method, which is permitted in the United States provided that it is used for both U.S. GAAP and tax purposes.

One issue not addressed by the Roadmap is the effect of adopting IFRS on nonpublic and not-for-profit entities. Consideration of these entities involves the future of setting accounting standards in the United States and raises the following questions:

- Should the U.S. maintain a separate organization to set accounting standards for nonpublic and not-for-profit entities or adopt the proposed IASB rules for small and medium sized entities (“IFRS for Private Entities”)?
- What will the governing structure, including funding, be if the U.S. maintains a separate accounting standard setting organization?
- If the IASB’s proposed IFRS for Private Entities are adopted, who will assess the quality of such standards?
- Would the IASB allocate sufficient resources so IFRS for Private Entities standard-setting activities can function effectively?
- What would be the effect of a separate IFRS for Private Entities be on public companies? For example, companies going public after being private for several years may have to restate their IFRS for Private Entities financial statements into full IFRS financial statements. Also, income and expense of the equity-method investees will have to be determined based on the same accounting principles as those applied in the investor’s consolidated financial statements. If the equity-method investee applies IFRS for Private Entities in its separate financial statements, then the investor may have to make adjustments to determine the investee’s net income based on full IFRS. Financial statements of nonpublic guarantors may also have to be presented in accordance with full IFRS.

Although its accounting-setting authority is limited to financial statements filed by public companies, the SEC cannot ignore the impact on nonpublic and not-for-profit organizations of any decision to require public companies to apply IFRS. Full IFRS and the proposed IFRS for Private Entities represent a big GAAP/little GAAP system. The accounting profession in the United States has consistently rejected big GAAP/little GAAP over the years. Any decision in 2011 to adopt IFRS must adequately address this concern.

Limited Early Use of IFRS

We support the Commission’s proposal to allow voluntary early adoption of IFRS by a limited number of U.S. issuers starting with the 2009 fiscal year. We agree that voluntary early adoption of IFRS will be a critical milestone in educating the U.S. financial community about IFRS, in easing the transition for auditors and other service providers, and in providing the Commission with valuable information for its decision in 2011. However, we believe that the eligibility criteria should be changed to allow a more representative sample of U.S. companies to early adopt IFRS. We also support limiting early adoption of IFRS to industries where doing so will increase comparability among

competitors. However, we believe that the methodology for determining “IFRS industries,” as proposed in the Roadmap, yields anomalous results and should be amended.

The Roadmap proposes limiting optional early use of IFRS to the top twenty companies in industries deemed to be “IFRS Industries”. The Roadmap states: “If [a] U.S. issuer were among the 20 largest companies globally in a particular industry and IFRS is used as the basis of financial reporting more often than any other basis of financial reporting among the 20 largest listed companies worldwide in that industry, then the U.S. issuer would be eligible to elect to use IFRS in its filings with the Commission.” We agree with limiting early adoption to “IFRS Industries.” We believe, however, that the voluntary early use of IFRS should be extended to companies not included in the top twenty.

The Roadmap suggests that the proposal to limit early use of IFRS to the twenty largest companies in a given industry is grounded in an assumption that larger companies will be more likely to have sufficient expertise and resources to carry out the adoption. We disagree; we believe that a company’s size does not necessarily determine the level of burden imposed by the adoption process or the company’s willingness to undertake it.

In fact, IFRS adoption experience in Europe has shown that smaller entities may need less time to complete the IFRS transition, while large companies with numerous subsidiaries in different countries may take as long as five years. Also, smaller U.S. registrants with significant, if not predominant, foreign operations, may prefer to use IFRS. For example, some U.S. issuers are wholly-owned foreign operations that have been reverse-merged into U.S. domestic public shells. It would be much easier for them to use IFRS rather than U.S. GAAP and, as such, they would be good candidates for early adoption.

We are concerned that there may not be sufficiently broad knowledge of IFRS in the U.S. to allow many companies to early adopt IFRS. Unduly limiting early adoption based on market capitalization may further restrict the number of U.S. companies using IFRS by 2011. It is important for the Commission to glean insight from a sufficiently large and diverse sample of IFRS users in the U.S. Accordingly, we believe it is essential that early adopters of IFRS in the U.S. comprise a broader, more representative sample of U.S. public companies, a step beyond the Commission’s current definition.

We support limiting IFRS adoption to those industries where doing so will increase comparability. However, we note that the definition of “IFRS Industry,” as currently drafted, yields anomalous results. The examples given in the Roadmap (pages 55-56) show that an industry where 20% of the twenty largest companies use IFRS would be considered an IFRS industry, while another industry where 35% of the twenty largest companies use IFRS, would not. We believe that the definition should be based on the percentage of companies in an industry using IFRS. An industry would be considered an “IFRS Industry” if a certain minimum percentage (e.g., 35%) of its largest twenty companies use IFRS. The minimum percentage should be set with the objective of

encouraging comparability, while rendering a sufficiently large and diverse sample of IFRS users in the U.S. by 2011.

Disclosures Required in IFRS Financial Statements

We support Proposal B presented in the Roadmap, which would require early IFRS adopters to reconcile their financial statements to U.S. GAAP for all periods presented. Although this may deter some eligible companies from adopting IFRS early, we believe this potential drawback is outweighed by the benefits of these disclosure requirements. Most importantly, IFRS to U.S. GAAP reconciliations over a meaningful period of time will provide the Commission with important data to be considered as part of its decision process in 2011. The Commission should evaluate information such as the effects of IFRS adoption on earnings, consistency of accounting policies selected by companies in the same industry, and the extent of adjustments required to reconcile from U.S. GAAP to IFRS. Furthermore, the reconciliations will be helpful in educating U.S. financial statement preparers and the investing community about differences between IFRS and U.S. GAAP. Another essential benefit of Proposal B is maintaining comparability among U.S. issuers while two different accounting frameworks are being used in the U.S.

As pointed out in the Roadmap, the reconciliation requirement would compel early IFRS users to maintain their U.S. GAAP records and related controls. Doing so will be very important, in the event that the Commission decides not to proceed with mandating IFRS adoption for all U.S. issuers.

Absent the reconciliation requirements imposed by Proposal B, there will not be sufficient market mechanisms to encourage early IFRS adopters to provide similar information voluntarily or to maintain adequate U.S. GAAP records and internal controls. Accordingly, we believe following Proposal B is the best choice.

Education and Training

The Roadmap correctly states that investors will realize the primary benefits of a single set of high-quality globally accepted accounting standards only if they fully understand the basis of the reported results. The Roadmap also identifies the various stakeholders who would need effective training and education on IFRS. They include students and university professors, investors, personnel of issuers, issuers' governing bodies, auditors, rating agencies, investment and research analysts, actuaries, valuation experts, lawyers, and personnel of regulators.

To date, the need to learn IFRS has primarily been limited to those stakeholders who interact with companies that issue IFRS-compliant financial statements. These IFRS-conversant stakeholders are likely a very small percentage of the total U.S. population of stakeholders. Training and education of these IFRS-conversant stakeholders occurred over a number of years through sponsored formal training programs or on-the-job training. However, this organic or informal approach to IFRS education and training will probably not be adequate to support the adoption of IFRS in the U.S. within the timeline detailed in the Roadmap.

For instance, U.S. companies that are proposed to be eligible for early adoption and opt to do so by the 2009 fiscal year are expected to be large companies and would likely require the rapid education of the various aforementioned stakeholders. Accordingly, even for stakeholders of large public companies, a more formal approach to training would be required to occur in calendar 2009. While the costs of a formal training program undertaken by all stakeholders have not been quantified, it will surely require a significant investment per stakeholder. This raises the issue of educating and training the personnel of smaller issuers and smaller audit firms and every other stakeholder who would have to prepare for the adoption of IFRS in 2015.

The current economic crisis will probably significantly reduce the ability of many small companies, auditors, and other participants with limited financial means to incur the significant costs associated with a change to IFRS. Solely relying on private investment to affect the significant structural changes required for the successful adoption of IFRS could result in a patchwork of IFRS knowledge throughout the U.S. with some groups of stakeholders who are better educated on and, therefore, better prepared to deal with IFRS than others.

We expect that the big and medium sized accounting firms and other profit seeking entities will step up to offer various IFRS training programs for professionals. In order to opine on IFRS financial statements, existing CPAs would likely be required by the various state boards of accountancy to earn mandatory CPE credit in IFRS. With regard to university education in the U.S., market forces will help to ensure that IFRS is included in the respective curricula of the various universities once the adoption of IFRS in the U.S. becomes a certainty. Given that U.S. GAAP could continue to be applied (by private companies and certain other entities not covered by the Roadmap) even after the adoption of IFRS, the IFRS curriculum would need to be added to the existing U.S. GAAP curriculum. However, we do not believe that these professional and university programs will be substantially in place by 2011, although we do expect significant growth in the number of such activities over the next two years. We do believe the establishment of a date (after the 2011 assessment) for the adoption of IFRS will be the most potent driver for the establishment of comprehensive professional and university programs.

Matters on Which Specific Comments Were Requested

We have the following responses where matters on which specific comments were requested. Each question to which we are responding is reprinted below, followed by our response:

- 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?**

In assessing the level of readiness of U.S. investors, issuers, and other market participants for the transition to IFRS, the Commission should consider, among other things, the growth in IFRS education and training programs in the U.S., as well as implementation and audit issues unique to the application of IFRS in the U.S. We suggest the following methods that the Commission could employ to assess the extent of progress achieved:

- Analyze data relating to the growth in IFRS training and education in the U.S. Data sources could include continuing professional education records (relating to IFRS) from the various state licensing boards, the number of and growth in fee-based IFRS training programs, the number of university programs with comprehensive courses on IFRS, growth in the number of U.S.-based accountants with certifications in IFRS (such as the Diploma in International Financial Reporting), etc.
- Conduct periodic surveys of companies and other institutions that are affected by the transition to IFRS to gauge progress on the adoption of IFRS, implementation issues and the costs of transition.
- Issue inquiry letters in which the issuer responds to comments raised by Commission staff. With respect to IFRS filings, it would be useful for the Commission to monitor and disseminate results of SEC inquiry letters (and other matters) related to IFRS filers during this transition period.
- Conduct or participate in periodic roundtable discussions with various groups of stakeholders on topics relating to the adoption of IFRS. Encourage bodies such as the FASB, the American Institute of Certified Public Accountants, and Financial Executives International to take lead roles in organizing and running these roundtables.
- Encourage the PCAOB to devote some attention to IFRS filings in the course of its inspections of Registered Firms (auditors) and to provide to the Commission input relevant to the application of IFRS in the U.S.

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 don't believe eligibility criteria should be based on market capitalization. We believe that the option to use IFRS should be extended beyond the top twenty companies in a qualifying industry. Potentially, all filers in "IFRS Industries" should be allowed to use IFRS. If restrictions are imposed, they should be based on significance of the issuer's foreign operations rather than on market capitalization.

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?**

As discussed above, the eligibility test proposed in the Roadmap yields anomalous results, with some "IFRS Industries" encompassing a lower percentage of IFRS users than non-"IFRS Industries". We believe that the "IFRS Industry" should be defined based on the percentage of the top twenty companies using IFRS.

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?**

We believe that eligibility criteria should be assessed on an ongoing basis, rather than at a specific point in time. If a previously disqualified industry later becomes qualified, then qualifying users in that industry should be allowed to early adopt IFRS.

23. **Do commenters have any suggestions about the procedural aspects of the proposed eligibility requirements, e.g., the procedure of 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 a 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 objection be optional? Is the method for calculating eligibility clear and appropriate or are there other alternative suggestions that should be considered? Should the Commission publish standards or criterion 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 that the proposed procedure is necessary and that the formality of obtaining a letter of no-objection is appropriate. Given the significance of such a change in accounting standards to investors, each request should be carefully considered and monitored concerning the reason and timing of the change to IFRS. The letter should neither be optional nor advisory.

As discussed above, we recommend some changes to the method of calculating eligibility. While we agree that early adoption of IFRS should be limited to industries where comparability would be enhanced, we recommend that “IFRS Industry” be defined based on the percentage of the top twenty companies using IFRS. We also believe that the option to early adopt should be extended beyond the top twenty companies in each “IFRS industry.”

The Commission should publish standards or criteria to guide staff and financial statement preparers. The Commission may want to retain some discretion in whether to approve early adoption of IFRS by a particular company, rather than simply applying “bright line tests.” The Commission and its staff should consider whether a candidate for a no objection letter would be a representative issuer whose IFRS filing would provide comparability to others using those standards, as well as whether the issuer is likely to be successful in its application of IFRS.

It may not be appropriate for the Commission to publish all submissions and responses. However, it may want to publish the list of companies who have been issued no objection letters, as well as selected statistics, such as total number of applicants and common reasons for rejection. Finally, it would be useful for the Commission to publish a list of industries that have been already determined to be “IFRS Industries” based on recent submissions. Companies in those industries should be able to request a letter of no objection from the staff without presenting additional analysis showing that their industry is an “IFRS Industry.”

- 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 believe that early adoption eligibility criteria should be based, at least in part, on the objective of enhancing comparability among competing companies. As discussed above, we do not believe that companies should be prevented from early adopting IFRS based on their market capitalization. However, the size of global activities may be an appropriate criterion.

- 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 that in 2011 the Commission should undertake a rigorous and objective evaluation of the appropriate extent of use (or lack thereof) of IFRS in the United States. It should consider the suitability of IFRS for issuers of varying sizes in

varying industries, including the voluntary early adopters. Based on its evaluation of milestones set out in the Roadmap, if the Commission decides that use of IFRS is undesirable for *any* U.S. issuers, it should require *all* then existing IFRS users to revert back to U.S. GAAP in their next annual filings.

28. Is it appropriate to exclude investment companies, employee stock purchase, savings and similar plans and small reporting companies? Are there other classes of issuers or certain industries that should be excluded?

We believe that the transition to IFRS should include all entities that are registered with the Commission including investment companies, employee stock purchase, savings and similar plans, and small reporting companies. However, the transition date for the adoption of IFRS would vary by the size of the entity with larger entities adopting IFRS before smaller ones. The final regulations would have to be very specific with regard to the various transition dates for all registered entities and provide detailed guidance on size tests. Smaller companies would benefit from the lessons learned (by companies, auditors, regulators, and standard setters) through the implementation of IFRS by larger companies and possibly reduce their costs of transitioning to IFRS. The transition date for investment companies and employee stock purchase, savings, and similar plans could also be scheduled for a later date, due to the relative complexities of those entities.

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 supplemental information 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?

As discussed in the general section above, we believe that Proposal B is appropriate, because it will provide educational benefit for the Commission, preparers, and the investing public, maintain comparability among U.S. issuers, and encourage early IFRS adopters to maintain U.S. GAAP records and controls. We believe that in the absence of the required U.S. GAAP reconciliation for all periods presented, there will not be sufficient market mechanisms to encourage IFRS users to present such information voluntarily or to adequately maintain their U.S. GAAP records and controls.

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?

As discussed above, we believe that Proposal B would encourage early IFRS adopters to maintain their U.S. GAAP records and controls and would facilitate a smooth reversion to U.S. GAAP, if necessary.

- 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 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 U.S. GAAP information appear as a note to the financial statements? Is the proposed role of the auditor appropriate?**

The U.S. GAAP financial statement information should be audited. It should not be filed as an exhibit. It should be deemed as “filed” rather than “furnished.”

Supplemental GAAP information should appear as a note to the financial statements. In addition, details in the note should describe reasons for the differences and amounts related to those differences.

- 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?**

Yes, we believe that discussion of reconciling differences between IFRS and U.S. GAAP in the issuer’s Management’s Discussion and Analysis will be helpful to a reader and should be required.

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

The information required by Proposal B should be provided for all quarterly periods covered by IFRS.