



July 28, 2011

Mr. James L. Kroeker  
Chief Accountant  
U.S. Securities & Exchange Commission  
100 F Street, N.E.  
Washington, D.C.

**Re: Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S Issuers – Exploring a Possible Method of Incorporation – A Securities and Exchange Commission Staff Paper – May 26, 2011 (“Staff Paper”)**

Dear Mr. Kroeker,

The Dealer Accounting Committee of the Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates the opportunity to comment on the above mentioned Staff Paper. We continue to fully support the overall objective of convergence of global accounting standards. We believe that U.S. investors, U.S. issuers and U.S. markets would benefit from the comparability of financial information that would result from the adoption of a single set of globally accepted, high-quality, accounting standards.

We believe that the approach described in the Staff Paper is a reasonable approach for the incorporation of International Financial Reporting Standards (“IFRS”) in the U.S. The following are our views regarding certain key areas of the plan.

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association. For more information, visit [www.sifma.org](http://www.sifma.org).

### **The Role of the Financial Accounting Standards Board (“FASB”) in the U.S.**

We agree that the FASB should play an instrumental role in the development of high-quality, globally accepted standards as outlined in the Staff Paper. In particular, we agree that the FASB should review all newly issued IFRS to ensure they are “in the public interest and for the protection of investors” prior to endorsement. We believe U.S. Generally Accepted Accounting Standards (“GAAP”) should seek to be convergent with IFRS. However, we note that there may be rare circumstances, such as offsetting of derivatives, where convergence is likely to be very difficult to achieve, at least in the short or medium term. In such a case, the FASB should provide the rationale for their position, including the factors that weighed in their judgment. Finally, we believe that U.S. constituents should be appropriately represented on the International Accounting Standards Board (“IASB”) which, when taken together with the involvement of the FASB described in the Staff Paper, should have the practical effect of avoiding or minimizing such divergence.

### **The Role of the Securities and Exchange Commission (“SEC”)**

Given its statutory responsibilities, we agree with the comment in the Staff Paper that the SEC’s role in “monitoring of the standard setting-process, including the FASB’s role in that process, would be vital.” The SEC has a “longstanding responsibility under federal securities laws ... to prescribe accounting principles and standards to be followed by U.S. issuers and other entities that provide financial information to the SEC and investors.” We believe an internationally active, vigilant and engaged SEC is an important component of converging U.S. GAAP with IFRS.

### **Transition**

We note that the Staff Paper states that “Subsequent to a Commission decision to incorporate IFRS, the FASB would need to develop a transition plan in a *relatively short period* to allow for U.S. constituents to plan appropriately” (*emphasis added*). We cannot overemphasize the importance of transition planning and the importance of the FASB adopting a plan that allows U.S. constituents to plan appropriately. As described in the Staff Paper, there will be many complexities involved in the development of a transition plan. It is for these reasons we believe that the development of the transition plan must be thoughtful without the imposition of artificial time constraints as implied by the phrase “*relatively short period*.”

The Staff Paper provides for the gradual implementation of IFRS over a period of time as opposed to a “Big Bang” approach. Considering the wide breadth and scope of incorporation of IFRS, we agree. In particular, for large, diversified financial firms, the volume and complexity of such a transition requires that the project be subdivided

into meaningful pieces that can be incorporated in a staged process. As a first step, we believe that the current projects being worked on by the FASB, primarily those that are part of the IASB/FASB Memorandum of Understanding (“MOU”),<sup>2</sup> should be the first standards to be implemented.

We believe that areas addressed by the FASB and not addressed by IASB should be examined very carefully. While the IASB has historically not issued industry-specific guidance, much of the industry-specific guidance in the U.S. has been developed in response to specific business and reporting concerns. We appreciate that the IASB has recently adopted industry specific guidance for investment companies and encourage the IASB to thoughtfully consider other industry specific guidance. We urge the FASB and SEC to not rush to abandon these standards.

We believe it reasonable to allow those issuers that wish to early adopt to have that option. Furthermore, we believe that for ease of transition, the prospective approach to adoption should be allowed wherever feasible. While both of these recommendations will cause a diminution of comparability for a period of time, we believe that the complexity and magnitude of the adoption of IFRS requires this flexibility to be included in the process. In this manner, companies can adopt IFRS as quickly as they are able (and desire) and can reconfigure their systems in a forward looking manner without being burdened by recreating prior years reported data.

### **Small Business and Domestic Capital Market Flexibility**

We also believe that given the costs of conversion and the complexities involved, flexibility should be provided to small businesses and those issuers who look to the domestic capital markets as their primary source of capital. Again, while comparability will be somewhat compromised, requiring these companies to convert to IFRS would not be cost beneficial, in our opinion. We are supportive of the recent comments made by Commissioner Casey:

One of the concerns that has been expressed since we first issued the “Road Map” in November 2008, from smaller reporting companies and other companies that have no international operations or aspirations, is that the transition to IFRS will be burdensome and impose costs without providing them with any commensurate benefits. I understand these concerns, and it makes sense, in my view, to allow these issuers to opt out of IFRS, at least initially, if not permanently. Providing optionality would preserve the benefits of IFRS, ensure continued U.S. influence in the development and preservation of IFRS, and avoid unnecessary costs for smaller U.S. issuers.

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<sup>2</sup> In 2002 the FASB and the IASB announced an MOU to collaborate on the development of common, high-quality standards with the ultimate goal of a single set of high-quality global accounting standards. They updated the MOU in 2006 and 2008 to set forth the scope of their joint work program and to identify targets for completion of convergence projects that they believed were most critical.

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We hope you find these comments helpful. Should you have any questions or wish to discuss these matters further, please contact me (212-357-8437), or the Committee's Staff Advisor, Kyle Brandon (212-313-1280).

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Schroeder". The signature is written in a cursive style with a large, prominent initial "M".

Matthew L. Schroeder  
Chair  
SIFMA Dealer Accounting Committee