



July 29, 2011

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

Re: Work Plan for the Consideration of Incorporating International Financial Reporting Standards ("IFRS") into the Financial Reporting System for U.S. Issuers (File No. 4-600) (the "Staff Paper")

Dear Chairman Schapiro:

The Clearing House Association L.L.C. ("The Clearing House"),¹ an association of major commercial banks, supports the efforts of the Securities Exchange Commission (the "SEC") to explore a variety of methods regarding the best way to incorporate IFRS into the financial reporting system for U.S. issuers, and we appreciate the opportunity to comment on the above-referenced Staff Paper. The Clearing House continues to support the development of a single set of high-quality, understandable and enforceable global accounting standards; however, our members have not reached a consensus view on the best way to achieve this goal at this time, given the magnitude and complexity of this issue. Regardless of the ultimate decisions reached, we have the following recommendations that we believe should be taken into consideration in order to ensure that the International Accounting Standards Board (the "Board" or the "IASB") continues to deliver on its goal of developing a single set of high-quality, global accounting standards.

In summary, The Clearing House:

¹ Established in 1853, The Clearing House is the nation's oldest banking association and payments company. It is owned by the world's largest commercial banks, which collectively employ 1.4 million people in the United States and hold more than half of all U.S. deposits. The Clearing House Association is a nonpartisan advocacy organization representing – through regulatory comment letters, amicus briefs and white papers – the interests of its owner banks on a variety of systemically important banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily and representing nearly half of the automated-clearing-house, funds-transfer and check-image payments made in the U.S. See The Clearing House's web page at www.theclearinghouse.org.

- *recommends* that there be adequate voting U.S. representation in the IFRS Foundation and the IASB;
- *recommends* that the IASB remain committed to and continues to enhance a robust due process; and
- *recommends* that the IFRS Foundation ensure a permanent and independent global funding source for the IASB to ensure the independence of the standard-setting process.

We elaborate on these comments below.

I. The IFRS Foundation and the IASB Need to Have Adequate Voting U.S. Representation.

In order to fulfill the SEC's mission of protecting investors, maintaining fair, orderly and efficient capital markets and facilitating capital formation in the United States, we believe that it will be critical for the United States to remain actively engaged in the international accounting arena; to actively participate in the development and promotion of high-quality, globally accepted accounting standards; to be proactive in identifying new and emerging financial reporting issues; and to ensure that U.S. constituents' interests are suitably addressed in the development of those standards.

To that end, we believe it is of the utmost importance that there be adequate representation of stakeholders in the governing bodies of the IFRS Foundation and the IASB and that the composition of these bodies ensures adequate representation and experience from countries and regions committed to the use of IFRS. We note that U.S. public companies represent a significant portion of the aggregate global market capitalization and that many large U.S. banks and other U.S.-based global companies have foreign subsidiaries that apply IFRS in their local statutory filings. Should the U.S. adopt IFRS in some manner, we believe that it will be important for U.S. companies to be fairly represented in the standard-setting process via permanent representation as voting members of the IASB.

II. The IASB Should Remain Committed to Robust Due Process Procedures.

We note that the Trustees of the IFRS Foundation have established a special committee, the Due Process Oversight Committee, with the task of regularly reviewing and, if necessary, amending the procedures of due process in light of experience and comments from the IASB and constituents. We believe this ongoing review is essential to continue to ensure that the IASB's standard-setting process is robust, accessible and transparent. We believe that the credibility and acceptability of standards are enhanced by a full and transparent due process that includes, but is not limited to:

- public meetings of the IASB Agenda Committee and the Board and exposure of proposals for public comment with sufficient time for constituents to provide their feedback;
- clear procedures as to when the Board should re-expose a project for public comment;
- continuous outreach to stakeholders in the form of broad-based working groups, individual meetings, public roundtables and similar forums to solicit stakeholder input;
- field testing proposed standards and timely pre- and post-implementation impact assessments;
- a sufficient number of skilled and experienced professional staff;
- clear communication in writing by the IASB regarding its consideration of market participants' comments (including those not taken into account) in order to achieve transparency about its technical choices;
- an evaluation of the practical impact of new standards and the costs of possible changes in practice at an early stage of development in order to assess how the proposed standards or interpretations may affect businesses. In this regard, we refer to our earlier letter of January 31, 2011, wherein we suggested to the Financial Accounting Standards Board (the "FASB") and the IASB that serious consideration be given to either prospective implementation or limited retrospective implementation² for the proposed changes to financial instruments and leasing, given the potentially extensive nature of the proposed changes to our members and consequent significant costs associated with full retrospective implementation;
- adequate time afforded for the thorough development, analysis and implementation of new proposals.

In short, The Clearing House believes that a robust due process is the best guarantee for a smooth adoption of IFRS.

III. The IFRS Foundation Must Ensure that the IASB Has a Permanent and Independent Global Funding Source.

The IFRS Foundation must ensure that the IASB has a stable and sustainable permanent funding mechanism that permits the IASB to function independent of special interest groups. While the IFRS Foundation has made progress in developing government-sponsored funding systems, a large portion of the organization's funding still comes from voluntary contributions from companies and accounting firms. We agree that achieving permanent, independent and globally-sourced funding for the IASB remains a critical milestone in the SEC's IFRS roadmap as we strongly support independent accounting standard-setting bodies being insulated from political motivation and influence.

² Limited retrospective implementation could consist of, for example, applying the new standards only to transactions still in existence at the date of adoption, with the cumulative effect of the change in accounting principles shown in stockholders' equity, or requiring, at most, one year of comparative financial statements.

Thank you for considering the comments provided in this letter. If you have any questions or are in need of any further information, please contact me at (212) 613-9883 (email: david.wagner@theclearinghouse.org) or Gail Haas at (212) 612-9233 (email: gail.haas@theclearinghouse.org).

Sincerely yours,

A handwritten signature in black ink that reads "David Wagner". The signature is fluid and cursive, with the first name "David" and last name "Wagner" clearly distinguishable.

David Wagner
Senior Vice President,
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cc: Mr. James L. Kroeker
Chief Accountant, Office of Chief Accountant
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Mr. Craig Olinger
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