Cisco Systems, Inc.
170 West Tasman Drive
San Jose, CA 95134-1706

Phone: 408 526-4000
Fax: 408 526-4100
http://www.cisco.com

July 29, 2011

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

Re: File Number 4-600; Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers

Dear Chairman Schapiro:

Cisco Systems, Inc. ("Cisco") appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") Staff Paper, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers* (the "Staff Paper"). We are generally supportive of the convergence efforts of the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") (collectively the "Boards"). Given the magnitude of incorporating International Financial Reporting Standards ("IFRS") into the U.S. financial reporting system, we believe appropriate transition methodologies and timelines will be critical to the success of these efforts.

Cisco continues to be supportive of a single set of global accounting standards and believes there are long term benefits that would result from their development. We understand that the approach outlined in the Staff Paper is one possible method to incorporate IFRS into the U.S. financial reporting system should the Commission decide to move forward with adopting IFRS. The approach ultimately decided upon needs to balance the cost and burden of implementation with the needs of the investors and users of the financial statements. Incorporating IFRS into the financial reporting system for U.S. issuers requires a logical and sequential approach over a specified period of time in order for the preparers of financial statements to adequately manage these changes. The proposal in the Staff Paper of incorporating both convergence and endorsement could minimize the cost and effort by transitioning to IFRS over a five to seven year period rather than making the changes all at once as required in a full conversion.

While we are generally supportive of the approach outlined in the Staff Paper, we are however concerned with the role of the FASB as outlined in the Staff Paper. The Staff Paper describes the FASB's role as participating in the IASB standard setting process and ultimately endorsing the IASB's modifications to IFRS into U.S. Generally Accepted Accounting Principles ("U.S. GAAP"). U.S. companies operate in one of the most highly advanced and technically demanding regulatory and legal environments in the world and as a result, U.S. companies require a strong standard setting presence to support the U.S. capital markets. We believe the FASB should play an active role in the standard setting process to ensure that high quality standards meeting the needs of the U.S. markets are achieved. At a minimum, the FASB needs to be sufficiently involved in the standard setting process to ensure that issues have been evaluated by a group with specific experience in the U.S. capital markets and with an understanding of the consequences of the proposed standards to ensure that the needs of U.S. companies are not overlooked. One way this objective could be accomplished is to have FASB representation on the IASB.

The objective of the approach described in the Staff Paper is for U.S. GAAP to be consistent with IFRS, which would allow a U.S. issuer to represent that it is in compliance with IFRS as issued by the IASB. Under the Staff Paper, the FASB would maintain authority to modify or add to the requirements of IFRS. In the Staff Paper, it is the Commission's expectation that the FASB would exercise this authority only in "rare" circumstances. While we are supportive of a threshold to ensure consistency with IFRS, we believe the proposed "rare" threshold may be too limited. Any threshold should take into account the impact on the U.S. market of the differences between U.S. GAAP and IFRS standards. Prior to defining a threshold it will be important for the FASB to understand how these differences will impact U.S. companies. We recognize that this approach may result in permanent differences between U.S. GAAP and IFRS, which could undermine the premise of having a single set of global accounting standards, however we believe that some differences may be reasonable and necessary to ensure protection of the U.S. capital markets. Additionally, as U.S. companies operate in a stricter regulatory and legal environment than companies in much of the rest of the world, we recommend that the FASB be given more flexibility to provide for these differences or to be able to react to unexpected market events.

The effects of new standards are often more than just related to technical accounting issues and could potentially create issues for the U.S. market which might not exist in other countries. In some cases what appears to be a minor difference in standards between U.S. GAAP and IFRS can have a significant impact on a company's financial statements and, potentially, its business. One specific example is the approach used to evaluate whether transfers of financial assets qualify for derecognition. While U.S. GAAP focuses on the evaluation of control, IFRS focuses on the transfer of risks and rewards. As result, transactions such as the sale of receivables with recourse may qualify for derecognition under U.S. GAAP, but would not be eligible for derecognition under IFRS. This difference could result in material changes to a company's balance sheet. If this is viewed as nothing more than a technical accounting issue, one might overlook the impact it could have on an industry, the business and/or the financial statements of companies that enter into derecognition transactions.

The existence of differences between IFRS and generally accepted accounting principles in other jurisdictions is not uncommon. Within the European Union ("EU"), the European Commission ("EC") originally adopted IFRS as issued by the IASB with the exception of two items (the fair value option and hedge accounting) which were carved out. The fair value option issue was subsequently resolved leaving hedge accounting as the remaining difference. A similar approach would be reasonable for the FASB to take when the need arises to protect U.S. business interests. Any differences which are carved out for U.S. purposes could eventually be resolved when the related standards are reviewed in the future. While this approach would prolong full conversion, it would in our opinion be a reasonable option to pursue.

The current convergence projects address critical issues such as revenue recognition and are a key element in the Staff Paper. Completion of these projects is an important step in the transition strategy of the Staff Paper. These projects highlight the challenges associated with reaching a consensus on the final standards. The Boards, while trying to converge at a rapid pace, have already passed their original target completion dates and the timelines continue to slip. The differences of opinion in these convergence projects highlight the difficulty in achieving complete convergence, especially when taking into account the needs of the U.S. reporting environment. Rather than formulating a possible approach for incorporation of IFRS at this time, we believe the Boards should focus first on bringing the convergence projects to completion. Working through the current issues will provide an understanding of how and if the Boards can work together to resolve differences, where differences may arise and how the U.S. market might be affected as compared to the rest of the world. Once we have learned from this process, we will be in a better position to evaluate how best to incorporate IFRS into the U.S. financial reporting system.

In conclusion, while we continue to be supportive of a single set of global accounting standards, the process of achieving that result as described in the Staff Paper needs to further address the FASB's role in the standard setting process. Without a greater role for the FASB, we question whether this approach is appropriate for the U.S. capital markets as we would expect the existence of differences to occur more than on a "rare" occasion as currently evidenced by the debates in the convergence projects. Completing the convergence projects could provide us with more insight into the types of differences which may arise during the conversion process, resulting in standards which better meet U.S. needs. In incorporating IFRS into the U.S. financial reporting system it important that the standards not only be of high quality, but that they also be relevant to the U.S. market.

We thank the Commission for the opportunity to provide our comments on this Staff Paper. If you have any questions regarding our letter or would like to discuss our views in further detail, please feel free to contact me directly at (408) 526-7815.

Sincerely,

Prat Bhatt
Vice President, Principal Accounting Officer and Corporate Controller
Cisco Systems, Inc.

Cc: James Kroeker, SEC Chief Accountant
Leslie Seidman, FASB Chair
Dennis H. Chookaszian, Chairman, FASAC