STATE OF NEW YORK
BANKING DEPARTMENT
ONE STATE STREET PLAZA
NEW YORK, NY 10004

July 29, 2011

Mr. James L. Kroeker
Chief Accountant
Office of the Chief Accountant
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File No. 4-600

By email

Dear Mr. Kroeker:

The New York State Banking Department has reviewed the Securities and Exchange Commission’s "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," and we appreciate the opportunity to provide our thoughts. We regulate not only U.S. banking organizations and non-bank lenders, but also the U.S. branches and agencies of foreign banking organizations whose home country financial statements may be prepared in accordance with International Financial Reporting Standards (“IFRS”). Consequently, we make extensive use of financial statements of banks and their holding companies, and we would be directly affected by any decision of the Securities and Exchange Commission (“SEC”) to allow U.S. issuers to prepare their financial statements in accordance with IFRS.

We continue to support the goal of high-quality, globally accepted accounting standards. To this end, we believe the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") should be given every possible opportunity to substantially converge their standards. This effort is more important than following a predetermined timetable. Arguments that the U.S. will be "left behind" on IFRS or "left out" of the IASB suggest tactics unrelated to the merits of IFRS. If the IASB shuts the FASB, SEC, or other American representation out of the global standard-setting process, the SEC will have to reconsider U.S. involvement with IFRS.

The details of the Work Plan suggest that the SEC may consider a single global standard -- i.e., "IFRS as issued by the IASB" -- no longer possible. This casts doubt on a cornerstone argument of global convergence, namely comparability of financial results between institutions around the world. The SEC may also be concerned with its ability to exert influence if it agrees to follow IFRS as issued. While this represents a valid concern, it should not be a driving factor in whether to intervene in accounting standards following issuance by the IASB.

If the SEC determines that substantial convergence between IFRS and U.S. generally accepted accounting principles ("GAAP") is not achievable, then we believe that an approach that moves U.S. GAAP closer to IFRS is preferable to retaining the content of current U.S. GAAP. This will minimize the extent to which financial statement preparers and users in the U.S. must be knowledgeable about two different accounting regimes. If complete convergence is not possible, the Work Plan's approach should be strongly considered. The proposed "Condorsement" approach has substantial merit, and we have comments on certain relevant elements:

* While some may consider an extended period of transition (e.g., "five to seven years") as too long and suggest it raises questions about the U.S. commitment to IFRS, we believe this is a prudent approach to ensure the quality of all adopted standards, allow adequate training, enhance implementation of new standards, and gradually increase understanding in the U.S. This timeframe is also realistic in view of the experiences of standard setters' ongoing efforts to agree on multiple issues under tight deadlines. An extended transition period should also give privately-held companies not subject to the SEC's decisions a better opportunity to work with FASB to move in step with SEC registrants towards convergence with IFRS rather than having this lead to two separate sets of accounting standards. We continue to oppose a bifurcation of accounting standards between publicly-traded and privately-held companies since it will impair comparability between institutions, introduce confusion, and reduce confidence in accounting and financial reporting. Comparability between institutions is an important supervisory tool, since regulators identify outliers against their peers. Instead of creating separate standards, as in the IASB's guidance for small and medium-sized entities, we encourage adoption of simplified accounting standards for all entities.

* As the movement towards IFRS and its more principles-based approach continues, the SEC should consciously and publicly allow good-faith judgments to stand, and also avoid the temptation to second-guess institutions' management and external auditors. In a similar vein, the SEC

should use its influence to encourage sensible legal reform, since fear of litigation has been a significant factor in the demand for detailed U.S. accounting standards.

* We support the Work Plan's retention of U.S. GAAP as the explicitly named statutory basis of financial reporting to avoid the administrative burdens that would be required to change statutory references to IFRS. This should also avoid the need for bank regulators to address the legal restrictions surrounding the Federal Deposit Insurance Corporation Improvement Act of 1991, which requires that regulatory accounting be "no less stringent" than U.S. GAAP.

If you would like to discuss our letter, please call me at (212) 709-1532 or email me at john.mcenerney@banking.state.ny.us.

Very truly yours,

John McEnerney
Chief of Regulatory Accounting