



committee on corporate reporting

September 25, 2007

Nancy M. Morris  
Secretary, Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Subject: File Number S7-13-07

Dear Ms. Morris:

The Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”) wishes to share its views on the Securities and Exchange Commission’s (the “SEC”) Proposing Release “Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with IFRS Without Reconciliation to U.S. GAAP,” (the “Release”). FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR, and not necessarily those of FEI or its members individually. For reasons discussed below, CCR is very supportive of the proposals contained in the Release.

CCR fully supports the concepts underlying the SEC’s “roadmap” to elimination of the requirement to reconcile IFRS (as adopted by the International Accounting Standards Board (“IASB”)) filings to U.S. GAAP. We believe that IFRS standards are of sufficiently high quality and are capable of consistent application such that acceptance of financial statements prepared in accordance with them in U.S. capital markets would meet investor needs. We also observe, and the SEC’s roundtable on March 6<sup>th</sup> of this year affirmed, that the reconciliation to U.S. GAAP is not analyzed or otherwise incorporated into analysts’ forecasts or financial statement analyses prepared by sophisticated users of financial statements. Furthermore the prospect that the SEC may not drop the reconciliation has lead European regulators to actively consider whether to impose a similar reconciliation requirement on U.S. issuers that trade in European capital markets. That potential action is inextricably linked to the SEC’s efforts in this area.<sup>1</sup> For

---

<sup>1</sup> See European Commission Working Document ESC-27-2007

all of these reasons we believe that the elimination of the reconciliation from IFRS to U.S. GAAP is an important and necessary step in the direction of the ultimate goal: achieving a single set of global accounting standards.

Some critics of this proposal have raised the concern that elimination of the reconciliation will undermine convergence efforts and that such action should be taken only when more progress has been made. We observe that using the potential elimination of the reconciliation as the reward for achieving an undefined threshold of convergence is inappropriate and unjustified. In the five years since the Norwalk Agreement was initially enacted by the FASB and the IASB joint standards issued by the Boards continue to contain differences. As a result, we believe that complete convergence as a result of joint standard setting projects remains a long-term goal but not something achievable in the near future. We believe that investors understand the key differences between the two sets of standards and that informed and rational capital allocation decisions are being made in light of those differences. In that regard, we observe that there were no disruptions or dislocations in European capital markets when listed companies began filing IFRS financial statements in 2005. The functioning of those markets today provide a clear indication of the likely future state of U.S. markets: listed companies applying IFRS trading side by side with other listed companies applying U.S. GAAP.

We also observe that to create a high-quality reconciliation between IFRS and U.S. GAAP requires an entity to essentially keep two sets of books, which is both costly and inefficient. Our members that prepare financial statements in accordance with IFRS are concerned about continuing to have to incur those costs in the future, while the rest of our members are wary of a potential requirement to prepare such a reconciliation to IFRS within the next four years as a consequence of being a U.S. GAAP issuer of securities in European capital markets. There is no question that such a requirement entails significant costs for foreign private issuers and will result in significant costs being imposed on U.S. companies in the near future. It is also likely that this potential requirement will be avoided if the parallel U.S. requirement is eliminated.

We hope that upon taking this important step, the SEC will continue to pursue the equally important issue of allowing U.S. companies to apply IFRS as well (as contemplated in your recently issued Concept Release which we plan to comment on separately). Towards that end, we believe that the revised reporting and regulatory framework for qualifying foreign private issuers (those that satisfy the requirements to file IFRS financial statements without reconciliation) should also form the basis for filings by U.S.-based IFRS filers. In that regard, we observe that more work needs to be done in the following areas to ensure that there is a level playing field between foreign companies filing under IFRS (as adopted by the IASB) and U.S. companies filing under U.S. GAAP or, at some point in the future, under IFRS. We believe with the time, effort and cost savings associated with the elimination of the reconciliation to U.S. GAAP, many of these special accommodations to IFRS filers, noted below, will no longer be necessary. However, we also wish to make clear that we do not view changes in these accommodations as a prerequisite for eliminating the reconciliation.

- Interim reporting – foreign private issuers currently are required to provide interim reports only if their home jurisdiction requires such reporting. For many of these issuers this translates into semi-annual reporting.
- Timetable for filing interim and annual financial data – foreign private issuers have up to 6 months to file after the end of their fiscal years. While there may be a need for some additional time in order to translate financial statements and disclosures to English, we believe that current requirements should be conformed to the extent possible with deadlines that apply to comparable U.S. companies.
- 6-K filing requirements – these requirements are quite different from the 8-K requirements that apply to U.S. companies. In addition, this information is deemed “furnished” (as opposed to “filed”) and is therefore not subject to the same requirements, and potential liability, as similar information filed under an 8-K. In addition, we also understand that interim financial statements are provided under Form 6-K and therefore are also furnished not filed.
- Applicability of SEC guidance – while existing guidance addresses to some extent this issue, we believe that greater clarity is needed as to the applicability of regulations S-X, S-K, Staff Accounting Bulletins, etc. for registrants that file financial statements prepared in accordance with IFRS.

We believe that convergence in this area will not be achievable in a single step and will require efforts by the SEC and its counterparts in IOSCO to agree upon common regulatory and reporting frameworks for all major capital markets. We understand that it will be impossible to eliminate all differences among the securities laws in various jurisdictions but believe that such efforts are essential to ensuring the free flow of capital among markets in each major area.

\*\*\*\*\*

CCR commends the SEC for the work that it has done on the roadmap and its efforts to implement its conclusions through the SEC’s processes. We believe that the SEC’s actions in the next two years will determine whether the goals set forth in the roadmap can be achieved in the U.S. securities markets. Members of CCR offer their assistance to the staff of the SEC who are developing a final rule based on this proposal and on the equally important Concept Release issued last month.

Sincerely,



Arnold C. Hanish  
Chair, Committee on Corporate Reporting  
Financial Executives International