



COMMENT LETTER

To

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

Date

24 September 2007

By email: rule-comments@sec.gov

Dear Madam,

Proposed Rule Change: Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP (Proposing Release No. 33-8818)

File number: S7-13-07

We are pleased to have the opportunity to comment on the above proposed rule change issued by the Securities and Exchange Commission ("SEC"), on behalf of BDO International¹.

We support the proposal that the SEC should accept from foreign private issuers their financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") without reconciliation to generally accepted accounting principles ("GAAP") as used in the United States.

We note that the draft states:

- "The proposed amendments will not apply to issuers using a jurisdictional or other variation of IFRS. It would be acceptable for an issuer to state compliance with both IFRS as published by the IASB and a jurisdictional variation of IFRS, and an audit firm to opine that financial statements comply with IFRS as published by the IASB and a jurisdictional variation of IFRS, so long as the statement relating to the former was unreserved and explicit."
- "A foreign private issuer that does not state unreservedly and explicitly that its financial statements are in compliance with IFRS as published by the IASB, or for which the auditor's report contains any qualification relating to the application of IFRS as published by the IASB, would continue to be required to provide the U.S. GAAP reconciliation under current rules."

As an alternative to the above we suggest that a foreign private issuer should be allowed to provide reconciliation to IFRS as published by the IASB instead of reconciliation to U.S. GAAP.

¹ BDO International is a world wide network of public accounting firms, called BDO Member Firms, serving international clients. Each BDO Member Firm is an independent legal entity in its own country.

The network is coordinated by BDO Global Coordination B.V., incorporated in the Netherlands, with an office in Brussels, Belgium, where the Global Coordination Office is located.

We have the following additional comments to make on questions raised in the proposal document:

1. *Do investors, issuers and other commenters agree that IFRS are widely used and have been issued through a robust process by a stand-alone standard setter, resulting in high-quality accounting standards?*

We agree with the above statement.

2. *Should convergence between U.S. GAAP and IFRS as published by the IASB be a consideration in our acceptance in foreign private issuer filings of financial statements prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation? If so, has such convergence been adequate? What are commenters' views on the processes of the IASB and the FASB for convergence? Are investors and other market participants comfortable with the convergence to date, and the ongoing process for convergence? How will this global process, and, particularly, the work of the IASB and FASB, be impacted, if at all, if we accept financial statements prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation? Should our amended rules contemplate that the IASB and the FASB may in the future publish substantially different final accounting standards, principles or approaches in certain areas?*

The current processes and discussion between the FASB and IASB are sufficient to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation.

3. *Is there sufficient comparability among companies using IFRS as published by the IASB to allow investors and others to use and understand the financial statements of foreign private issuers prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation?*

Yes.

6. *Should the timing of our acceptance of IFRS as published by the IASB without a U.S. GAAP reconciliation depend upon foreign issuers, audit firms and other constituencies having more experience with preparing IFRS financial statements?*

No. We believe IFRS is now broadly used and the parties concerned are able to prepare and audit IFRS financial statements.

7. *Should the timing of any adoption of these proposed rules be affected by the number of foreign companies registered under the Exchange Act that use IFRS?*

No.

8. *The IASB Framework establishes channels for the communication of regulators' and others' views in the IFRS standard-setting and interpretive processes. How should the Commission and its staff further support the IFRS standard-setting and interpretive processes?*

9. *How should the Commission consider the implication of its role with regard to the IASB, which is different and less direct than our oversight role with the FASB?*

There should be constructive dialogue and discussion with IASB Board members and staff. UK

- 10 *The Commission has gathered certain information from representatives of issuers, investors, underwriters, exchanges and other market participants at its public roundtable on IFRS. We are interested in receiving information from a broader audience. Is the development of a single set of high-quality globally accepted standards important to investors? To what degree are investors and other market participants able to understand and use financial statements prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation? We also encourage commenters to discuss ways in which the Commission may be able to assist investors and other market participants in improving their ability to understand and use financial statements prepared in accordance with IFRS. How familiar are investors with financial statements prepared in accordance with IFRS as published by the IASB? Will the ability of an investor to understand and use financial statements that comply with IFRS as published by the IASB vary with the size and nature of the investor, the value of the investment, the market capitalization of the issuer, the industry to which the issuer in question belongs, the trading volume of its securities, the foreign markets on which those securities are traded and the regulation to which they may be subjected, or any other factors? If so, should any removal of the reconciliation requirement be sensitive to one or more of these matters, and, if so, how?*

We agree that the development of a single set of high-quality globally accepted standards is important to investors.

The ability of an investor to understand and use financial statements will vary with the size and nature of the investor whatever GAAP is used for those financial statements.

13. *Should we put any limitations on the eligibility of a foreign private issuer that uses IFRS as published by the IASB to file financial statements without a U.S. GAAP reconciliation? If so, what type of limitations? For example, should the option of allowing IFRS financial statements without reconciliation be phased in? If so, what should be the criteria for the phase-in? Should only foreign private issuers that are well-known seasoned issuers, or large accelerated filers, or accelerated filers, and that file IFRS financial statements be permitted to omit the U.S. GAAP reconciliation?*

No.

14. *At the March 2007 Roundtable on IFRS, some investor representatives commented that IFRS financial statements would be more useful if issuers filed their Form 20-F annual reports earlier than the existing six-month deadline. We are considering shortening the deadline for annual reports on Form 20-F. Should the filing deadline for annual reports on Form 20-F be accelerated to five, four or three months, or another date, after the end of the financial year? Should the deadline for Form 20-F be the same as the deadline for an issuer's annual report in its home market? Should we adopt the same deadlines as for annual reports on Form 10-K? Why or why not? Would the appropriateness of a shorter deadline for a Form 20-F annual report depend on whether U.S. GAAP information is included? If a shorter deadline is appropriate for foreign private issuers that would not provide a U.S. GAAP reconciliation under the proposed amendments, should other foreign private issuers also have a shorter deadline? Should it depend on the public float of the issuer?*

If the Commission intends to reduce the filing period, it should consult through a separate rule-making proposal.

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15. *Although reconciliation to U.S. GAAP of interim periods is not ordinarily required under the Exchange Act, foreign private issuers that conduct continuous offerings on a shelf registration statement under the Securities Act may face black-out periods that prevent them from accessing the U.S. public capital market at various times during the year if their interim financial information is not reconciled. Even if commenters believe we should continue the U.S. GAAP reconciliation requirement for annual reports that include IFRS financial statements, to address this issue should we at least eliminate the need for the U.S. GAAP reconciliation requirement with respect to required interim period financial statements prepared using IFRS as published by the IASB for use in continuous offerings? Should we extend this approach to all required interim financial statements?*

We do not believe the US GAAP reconciliation requirement should be continued for annual reports or interim financial information that includes IFRS financial statements.

17. *If the proposed amendments are adopted, should eligible issuers be able to file financial statements prepared using IFRS as published by the IASB without a U.S. GAAP reconciliation for their first filing containing audited annual financial statements? If the amendments are adopted, what factors should we consider in deciding when issuers can use them? For example, should we consider factors such as the issuer's public float (either in the United States or world wide), whether the issuer has issued only public debt, or the nature of the filing to which the amendments would be applied? Will investors be prepared to analyze and interpret IFRS financial statements without the reconciliation by 2009? If not, what further steps, including investor education, may be necessary?*

We do not believe the US GAAP reconciliation requirement should be continued for annual reports that include IFRS financial statements.

21. *Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS as published by the IASB?*

No. IAS 34 *Interim Financial Reporting* would be available.

22. *Do foreign private issuers that have changed to IFRS generally prepare interim financial statements that are in accordance with IFRS, and do they make express statements to that effect?*

Yes.

24. *Are there accounting subject matter areas that should be addressed by the IASB before we should accept IFRS financial statements without a U.S. GAAP reconciliation?*

No.

25. *Can investors understand and use financial statements prepared using IFRS as published by the IASB in those specific areas or other areas that IFRS does not address? If IFRS do not require comparability between companies in these areas, how should we address those areas, if at all? Would it be appropriate for the Commission to require other disclosures in these areas not inconsistent with IFRS published by the IASB?*

A principles-based, rather than rules-based, GAAP will have areas that are not black and white, and where a range of results would be permissible. IAS 1 requires disclosure of accounting policies, noting this is particularly useful where policies are selected from permitted

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alternatives. In addition, disclosure is required of judgments made by directors in the process of applying accounting policies, of key assumptions concerning the future, and of key sources of estimation uncertainty. In total, these disclosures should enable investors to understand the approach in those specific areas.

- 26. *Should issuers that are permitted to omit a U.S. GAAP reconciliation for their current financial year or current interim period be required to disclose in their selected financial data previously published information based on the U.S. GAAP reconciliation with respect to previous financial years or interim periods?***

We see no need for reconciliation if the previously published information is in accordance with IFRS. If it is not, we suggest that a foreign private issuer should be allowed to provide reconciliation to IFRS as published by the IASB, in accordance with IFRS 1, instead of reconciliation to U.S. GAAP.

- 29. *Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?***

Yes. A safe harbor provision or similar relief would be appropriate.

- 31. *If a first-time IFRS adopter provides, in a registration statement filed during the year in which it changes to IFRS, three years of annual financial statements under a Previous GAAP and two years of interim financial statements prepared under IFRS as published by the IASB, should we continue to require that the interim financial statements be reconciled to U.S. GAAP?***

A foreign private issuer, first-time IFRS adopter should be allowed to provide reconciliation to IFRS as published by the IASB, in accordance with IFRS 1, instead of reconciliation to U.S. GAAP.

- 33. *Should the Commission extend the duration of the accommodation contained in General Instruction G for a period longer or shorter than the proposed five years? Would seven years, ten years or an indefinite period be appropriate? If so, why?***

We favour an indefinite period. We believe this accommodation should be available to any first time adopter.

- 34. *Should any extension of the accommodation to first-time adopters be tied in any way to U.S. GAAP reconciliation? If so, how?***

No.

- 42. *Without the reconciliation to U.S. GAAP, should we be concerned about member firm requirements to have persons knowledgeable in accounting, auditing and independence standards generally accepted in the United States review IFRS financial statements filed with the Commission? Are there alternative ways in which concerns may be addressed?***

We do not believe such a statement is required if the financial statements are prepared in accordance with, or reconciled to, IFRS as published by the IASB.

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We would be happy to discuss our views with you. Should you wish to do so, please contact Helen Thomson by phone: +32 2 778 01 30 or by email: hthomson@bdoglobal.com.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Helen Thomson'. The signature is fluid and cursive, with a prominent initial 'H'.

BDO Global Coordination B.V.