



The Honorable Christopher Cox
Chairman
Securities and Exchange Committee
100 F. Street N.A.
Washington D.C. 20549
United States of America

24 September 2007

Dear Mr Cox,

RE: ELIMINATION OF US GAAP RECONCILIATION FOR FOREIGN PRIVATE ISSUERS WITH IFRS FINANCIAL STATEMENTS

BUSINESSEUROPE welcomes the opportunity to comment on the SEC proposal to eliminate US GAAP reconciliation for Foreign Private Issuers (FPI) with IFRS financial statements.

BUSINESSEUROPE is fully supportive of the SEC and other parties' efforts devoted to achieve one set of high-quality, globally accepted accounting standards. We believe that the next step the SEC is considering, ie to eliminate the US GAAP reconciliation for Foreign Private Issuers who report in compliance with IFRS, serves this overall objective well.

This next step also best serves the US financial market attractiveness for Foreign Private Issuers, and more particularly European issuers. The development in the EU of fully integrated financial markets, and more particularly the adoption of IFRS as the relevant set of financial reporting standards in the EU, has in the past years increased significantly the European financial markets competitive position. As a result, mutual recognition of US GAAP and IFRS as adopted in the EU is a key factor to ensure that all entities originating from one or the other geographical area have access to the US or European financial markets without the hurdle of any reconciliation extra costs.

If the SEC wishes that its potential decision to eliminate US GAAP reconciliation requirements for Foreign Private Issuers fulfils the above objective, it needs to reconsider the sole reference made in its proposal to IFRS as published by the IASB. All entities worldwide are indeed subject to their own set of legislation and accordingly prepare financial statements in compliance with the set of financial reporting standards that is legally required in their jurisdiction. For the same reason, auditors' opinions have to refer to that very same set of financial reporting standards. No economically significant jurisdiction can adopt any set of reporting standards without ensuring that the pronouncements by a fully stand-alone, private body such as the IASB best serves the investors' protection and interests. Equivalence needs to be granted between official, legal pronouncements that entities are likely to apply.



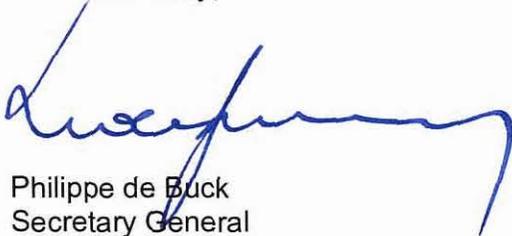
Notwithstanding our comment above, the European process for adoption of IFRS has been set up with the clear objective that all IFRS as published by the IASB are meant to be adopted in the European Union, *unless* those pronouncements would be *contrary* to the true and fair view or to public interest. It is hence meant as a safeguard process and not designed to modify or alter *original pronouncements* issued by the IASB. As a result, differences between IFRS as adopted in the EU and IFRS as published by the IASB are not likely to arise. At present, except for the very small number of companies who do not comply with all IAS 39 requirements, all European issuers are in a position to comply with IFRS as published by the IASB. And efforts are being actively developed in order to eliminate any difference between IAS 39 as adopted in the EU and IAS 39 as published by the IASB. Other differences that exist at present are only *timing differences* and it is likely that they are solved before IASB pronouncements become effective. The IASB has proven helpful in adopting a one year delay between the date of issuance and effective date of its *pronouncements*, in order to grant jurisdictions the time necessary for adoption processes.

It is worth noting that, although ultimately the same objective of best protecting and serving the investors' interests is at stake, the SEC oversight role over the FASB and ability to issue financial reporting requirements for listed entities provides the SEC with much greater powers of influence over the issuance of US GAAP than Europe has accepted to have over the issuance of IFRS as adopted in the EU.

We provide more detailed comments in response to a selection of questions raised in the SEC consultation in the attached appendix.

Should you wish to comment on the above further, please do not hesitate to contact us.

Yours sincerely,



Philippe de Buck
Secretary General



APPENDIX TO BUSINESSEUROPE COMMENT LETTER ON THE SEC PROPOSAL TO ELIMINATE US GAAP RECONCILIATION FOR FOREIGN PRIVATE ISSUERS WITH IFRS FINANCIAL STATEMENTS.

1- Are IFRS issued through a robust process by a stand-alone standard setter, resulting in high quality accounting standards?

Yes, BUSINESSEUROPE believes that the IASB due process for issuing IFRS is quite robust. The quality of the IASB due process has increased over the last few years and has as of today reached a quite satisfactory level of transparency. Furthermore, the IASCF Constitution has set the necessary features to ensure the IASB's independency.

However BUSINESSEUROPE supports the European endorsement mechanism to act as a safeguard process, in the unusual circumstances where the IASB or the IFRIC would not have issued sufficiently robust requirements. For example, the withdrawal of IFRIC 3 by the IASB has been decided after it had become apparent that IFRIC 3 would not be endorsed in the EU. The IASB in making their withdrawal decision acknowledged that the IFRIC consensus, although consistent with existing IFRS, did not allow true and fair presentation of emission rights.

2- Should convergence between US GAAP and IFRS as published by the IASB be a consideration in our acceptance in FPI filings of financial statements prepared in accordance with IFRS as published by the IASB without a US GAAP reconciliation?

The SEC announcement back in 2006 that US GAAP and IFRS did not need to be identical before the requirement for US GAAP reconciliation was removed has been a very positive and critical move. It has indeed allowed both standard setters to undertake jointly the positive path of convergence, i.e. seeking and developing jointly revised high-quality financial reporting standards that are likely to best serve investors' information needs. Convergence would not serve that ultimate objective if the FASB and IASB had to align their standards although the standard finally retained would not meet the desirable level of quality.

While we believe that convergence efforts and the development of joint projects must continue after the reconciliation has been removed, we believe that none of the Boards should feel compelled to align its final decision to the final decision of the other Board, unless they are convinced that the underlying requirements best serve the quality of financial reporting provided to investors and creditors.

In addition we do not believe that the requirement for US GAAP reconciliation best serves investors' and creditors' needs at present. Reconciliation items now



mainly consist of historic, timing differences and relatively minor technical differences remain. We do not believe that reconciliation data contribute to the understanding of entities' financial position and performance beyond what is already provided by financial statements prepared in accordance with IFRS.

3- Is there sufficient comparability among companies using IFRS?

Although the level of comparability that IFRS allows to achieve can certainly be improved in the future as the IASB revises or supersedes its present requirements, we believe that IFRS already constitute a robust set of financial reporting standards and that financial statements prepared in accordance with IFRS meet the *qualitative characteristics necessary to best serve investors' interests, including comparability and understandability.*

IFRS are a set of principle-based standards and include as a basic principle retrospective application of new requirements (with few practical exceptions). As a result we believe they are more likely to provide comparable information than a rule-based set of standards.

Also we believe that reconciliation to US GAAP does not bring any additional information that genuinely contributes to increased comparability among entities.

4- Do you agree that the information sharing infrastructure being built in which the SEC participates through both multilateral and bilateral platforms will lead to an improved ability to identify and address inconsistent and inaccurate applications of IFRS?

Information sharing among regulators, as all other forms of information sharing and common thinking among practitioners, can only contribute positively to an *improved ability to identify potential areas of inconsistent or inaccurate applications of IFRS.* This coordination should help enforcers to rely on enforcement decisions made by the entity's home enforcers, either positive or negative, and other enforcers should not reach different views.

However, the knowledge and understanding of *specific circumstances and of the substance of transactions* is key to ensure that IFRS are properly applied, and it is essential that the IFRS, as a principle-based set of standards, remains able to provide different financial reporting answers to different economic circumstances, although those circumstances would look similar. It is hence essential that information sharing among regulators does not progressively transform into a set of formal rules.

It is also of the utmost importance to note that only the IASB and the IFRIC have the ability to interpret IFRS. If, in the process of their reviews, regulators identify room for potential inconsistencies, they should request appropriate action from the IASB/IFRIC and not decide by themselves, even on a coordinated basis, the interpretation that seems to them the most relevant.



5- Should the timing of our acceptance of IFRS without a US GAAP reconciliation depend upon FPI, audit firms and other constituencies having more experience with preparing IFRS financial statements?

No, we do not think that the removal of the reconciliation to US GAAP should be delayed and command the SEC for having proposed 2008 as the first year of application.

FPI, audit firms and other constituencies have reached in Europe (and probably in other areas where IFRS have been adopted) an acceptable level of knowledge and experience to ensure that investors and creditors, in Europe, are provided with adequate financial reporting on the basis of IFRS compliant financial statements. It has indeed been acknowledged that transition to IFRS that had been prepared two to three years in advance of 2005 went well in Europe. 2008 will be the fourth year of reporting in compliance with IFRS in Europe, and two more years of reporting from now will further increase and improve present knowledge and experience of all stakeholders.

6- How should the SEC and its staff further support the IFRS standard setting and interpretive processes?

As indicated in our comment in paragraph 5 above, we believe that the SEC and its staff should contribute to the IASB and IFRIC due process as all other stakeholders do. The SEC contribution to IFRIC *on behalf of IOSCO* should continue, as it helps the entire process to benefit from the reviews conducted by the SEC's staff of financial statements prepared in accordance with IFRS.

7- How should the SEC consider the implication of its role with regard to the IASB, which is different and less direct than our oversight role with the FASB?

The IASB objective of developing a single set of high quality financial reporting standards for application *on a worldwide basis* implies that any direct contribution or influence that stakeholders, including regulators, could have previously in the standard setting process applicable for their jurisdiction necessarily decreases. The best support that the SEC can bring to the fulfilment of this objective is to accept that its influence and control over the whole process of standard setting diminishes. However the SEC as the regulator of one of the most significant financial markets should be – and is likely to be seen as – a very important contributor in the IASB's due process.

8- Is there any reason why an issuer should not be able to unreservedly and explicitly state its compliance with IFRS as published by the IASB?

Yes, there are. As already explained in our cover letter, it is unlikely that the IFRS as published by the IASB is the set of standards applicable in various jurisdictions. For example European entities have to comply with IFRS as endorsed in the EU and their auditors have to express their opinion by reference to IFRS as endorsed in the EU. Timing differences or, in very rare



circumstances, unacceptability of a new IASB requirement, may create temporary differences between IFRS as published by the IASB and IFRS as endorsed by the EU.

9- Where will the incentives for continued convergence lie for standard setters, issuers, investors and other users of financial statements if the reconciliation to US GAAP is eliminated for issuers whose financial statements are prepared using IFRS as published by the IASB?

As already stated, the incentives lie in the objective of a single set of high quality financial reporting standards applicable worldwide and are quite independent of whether the reconciliation requirement is removed. The removal of the requirement is beneficial to financial markets, to FPI in the US and to US issuers in Europe (and elsewhere), as it allows all issuers to list in various markets without undue extra cost.

All stakeholders involved in the development and application of IFRS today are supporters of convergence efforts undertaken by FASB and IASB, as these convergence efforts well serve the IASCF's ultimate objective, independently from the removal of the US GAAP reconciliation.

10- Are there additional interim measures, beyond the proposed elimination of the US GAAP reconciliation from IFRS financial statements, that would advance the adoption of a single set of high quality globally accepted accounting standards? If so, what are they? Who should undertake them?

Decisions made by jurisdictions around the world to adopt IFRS, authorise the use of IFRS or enter into a convergence program with the IASB each add to the adoption of a single set of high quality globally accepted accounting standards. To authorise US issuers to file their financial statements in compliance with IFRS would be one of those decisions that would bring a very significant additional progress towards this ultimate goal (as considered by the SEC in its concept release issued in the course of last month).

11- Reconciliation requirement for entities applying a set of GAAP not deemed equivalent to US GAAP

The SEC proposal is to eliminate the requirement for a reconciliation to US GAAP for financial statements prepared in accordance with IFRS as published by the IASB. We believe however that where a reconciliation requirement remains, that reconciliation should be required to either US GAAP or IFRS as published by the IASB, whichever is the least cumbersome for entities. Convergence with IFRS programs are flourishing all over the world and as a result differences between those converging GAAP and IFRS are likely to be less numerous than in the comparison with US GAAP. This decision would participate in easing the access of foreign entities to US financial markets.