

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington D.C. 20549-1090

24 September 2007

**File No. S7-13-07; Release No. 33-8818; 34-55998; International Series Release No. 1302;
*Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With
International Financial Reporting Standards Without Reconciliation to U. S. GAAP***

Dear Ms. Morris

UBS AG appreciates the opportunity to comment on the above referenced proposal, in which the Securities and Exchange Commission ("SEC" or the "Commission") proposes to accept financial statements prepared by foreign private issuers in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board ("IASB") without reconciliation to U.S. generally accepted accounting principles ("GAAP"). UBS, headquartered in Switzerland, is one of the world's leading financial firms, providing a broad range of financial services including advisory services, underwriting, financing, market making, asset management, brokerage, and retail banking. UBS has global registered shares listed on the Swiss, New York, and Tokyo Stock Exchanges. Therefore, in addition to preparing group financial statements in accordance with IFRS, we reconcile to US GAAP. We also prepare parent bank financial statements in accordance with Swiss GAAP. We are therefore keenly aware of the need for high quality financial reporting standards that enable international comparability of financial statements.

One of the most important issues facing the global capital markets today is the establishment of a single set of high quality, globally accepted accounting standards. The demand for that single set of standards is driven by the strong desire for internationally comparable financial information that investors and other capital providers find useful for economic decision making. It also is driven by a strong desire to reduce the global cost of capital *inter alia* by reducing unnecessary regulations that require the reporting of information that is not used by investors in their decision making. We believe that the convergence efforts of the IASB and the FASB are significantly contributing to the realization of that goal. We see this Proposal as another important step in the achievement of that goal. Consequently, we fully support the immediate elimination of the US GAAP reconciliation requirement (the "Requirement") for foreign private

issuers that prepare financial statements in accordance with IFRS, as promulgated by the IASB. We strongly urge the Commission to eliminate the Requirement as soon as possible (i.e., for filings on form 20-F for calendar year 2008 financial statements). We do not view such quick action as imprudent; it is wholly consistent with information obtained from investors at the March 2007 roundtables held by the Commission.

Eliminating the Requirement will greatly benefit investors, analysts, preparers and regulators by (a) reducing the costs from dealing with multiple accounting standards, (b) reducing the cost of capital and (c) improving the quality of financial reporting by reducing the risk of errors resulting from the maintenance of multiple accounting standards.

IFRS is a high quality set of accounting standards that provides investors and creditors throughout the world with high quality financial information needed to make economic decisions. We understand that certain regulators are opposed to accepting IFRS in its entirety and believe that the SEC should accept jurisdictional IFRS without reconciliation to US GAAP. If different regulators throughout the world arbitrarily select the IFRS standards they would like to apply, it makes the objective of a single set of high quality, globally accepted accounting standards unachievable; moreover, it increases the reporting burden on entities that want to access global capital markets. We believe that an independent organization, free of national, political and funding pressures, needs to be in place in order to achieve the objective of a single set of high quality, globally accepted accounting standards. That independent organization must have an open due process that appropriately weighs and considers the views of all global capital markets participants. Based on our extensive experience with IFRS over the last ten years, we believe that the IASB has proven its worth as an independent standard setter that is dedicated to maintaining and following a robust open due process. We believe that the IASB will successfully identify a mechanism that ensures a stable and long-term source of funding.

We reemphasize that the creation of jurisdictional IFRS will not benefit global capital markets as comparability among financial statement preparers will not be achieved. We strongly recommend that national and supranational securities regulators throughout the world resist the urge to create jurisdictional IFRS and, instead, fully participate in the IASB's standard setting due process. We are active participants in that process and we emphatically state that it works.

In addition to the recommendations and issues noted above, our responses to your detailed questions follow in the appendix to this letter. If you would like to discuss any comments that we have made, please do not hesitate to contact William Widdowson (william.widdowson@ubs.com).

Regards,

UBS AG



Clive Standish
Chief Financial Officer



William Widdowson
Head Group Accounting Policy

Appendix

ACCEPTANCE OF IFRS FINANCIAL STATEMENTS FROM FOREIGN PRIVATE ISSUERS WITHOUT A U.S. GAAP RECONCILIATION AS A STEP TOWARDS A SINGLE SET OF GLOBALLY ACCEPTED ACCOUNTING STANDARDS

A Robust Process for Convergence

Questions

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?
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?

Response to Question 1

Yes, we agree that IFRS is widely used and understood and have been issued through a robust standard setter process by an independent group of experts. IFRS is a high quality set of accounting standards that provides investors and creditors throughout the world with high quality financial information needed to make economic decisions. IFRS is required or permitted to be used in over 100 countries and is currently applied by thousands of entities throughout the world.

The IASB's due process is thoroughly documented¹ and is open to all interested parties; it provides an opportunity for those parties to participate in working groups, roundtable discussions and other public forums as well as to submit comments letters. Based on our extensive experience interacting with the IASB, we have found them to be approachable and willing to listen to constituent views. We also believe that the IASB's independence, being free from national and political pressures, has greatly contributed to the production of high quality standards that have been rapidly adopted by global capital markets.

Some governmental authorities believe that they should have oversight responsibility for and exercise control over the activities of the IASB; they also believe that accounting may serve as a mechanism to achieve social objectives. We ardently oppose those views. The goal of accounting standard setting is to produce standards that faithfully and fairly reflect the

¹ Refer to *IASB Due Process Handbook*.

economic position and performance of an entity. That faithful and fair portrayal is in the best interests of all global capital markets and their beneficiaries (all participants in the global economy). We are greatly concerned about the efforts of certain governmental authorities to undermine the independence of the IASB as well as its due process by creating jurisdictional versions of IFRS. We believe that the goal of a single set of high quality, global accounting standards is in the best interests of the global capital markets, but that goal only can be achieved with one version of IFRS— the version that is promulgated by the IASB. Thus, we strongly support the Commission’s proposal to eliminate the Requirement only for FPIs that prepare their financial statements in accordance with the English-language version of IFRS as promulgated by the IASB.

Response to Question 2

Some argue that convergence efforts will slow or cease if the Requirement is eliminated. There is no basis for those arguments. In fact, we believe that the opposite will occur. Eliminating the requirement is a step acknowledging the high quality of IFRS; that step will provide further motivation for users of financial information to demand more convergence. We reiterate that a single set of high quality accounting standards is in the best interests of all participants in the global capital markets. Consequently, we do not expect that demand for convergence to weaken. Furthermore, we expect that eliminating the Requirement will result in more entities using IFRS as promulgated by the IASB, thus reducing the use of jurisdictional versions of IFRS. As the number of entities that use IFRS expands, the pressure to continue convergence will expand because entities want to reduce their cost of capital and investors want to reduce their cost of evaluating investment opportunities and increase their returns.

Consistent and Faithful Application of IFRS

Questions

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?
4. Do you agree that the information-sharing infrastructure being built in which the Commission participates through both multilateral and bilateral platforms will lead to an improved ability to identify and address inconsistent and inaccurate applications of IFRS? Why or why not?
5. What are commenters’ views on the faithful application and consistent application of IFRS by foreign companies that are registered under the Exchange Act and those that are not so registered?
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?
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?

Response to Question 3

Yes, for those entities using IFRS as promulgated by the IASB, we believe that there is sufficient comparability to use and understand the financial statements without the Requirement. This is evidenced by the fact that U.S. users have noted that they do not use the information provided

in the U.S. GAAP reconciliation.² Others parties have concluded that the use of IFRS has increased disclosures among its users and that implementation has resulted in comparability.³

The key issue is whether IFRS application provides investors with the information they need to make quality investment decisions. UBS rarely receives comments on its U.S. GAAP reconciliation because our investors and other users currently use IFRS amounts to perform analyses and assess entity performance. Investors are receiving the information that they need based on UBS's IFRS-based financial information.

Additionally, we would like to remind the Commission that inconsistent application and non-comparability currently exists in U.S. GAAP either because of allowable options (e.g., the Fair Value Option, LIFO vs. FIFO election, etc.) or because of inconsistency of interpretation or practice (e.g., seen most recently with determining the grant date for share-based payment awards and the appropriate amortization policies associated with leasehold improvements). We note that any population of financial reports will contain some degree of inconsistent application. We believe that the degree of inconsistency in IFRS reporting is similar to the degree of inconsistency in US GAAP reporting. We strongly believe that such inconsistency is no more than that historically experienced under US GAAP.

Furthermore, we see the remaining differences between IFRS and U.S. GAAP in a similar light. While we expect that these differences will be reduced and eliminated in time, we do not believe that such differences justify retaining the US GAAP reconciliation requirement.

Response to Question 4

Yes, we believe that the information-sharing infrastructure put in place by regulators, auditors and standard setters is critical to the consistent application of IFRS. The IOSCO database and other agreements to date are extremely important to ensure consistent application.⁴ Providing mechanisms for securities regulators to interact and share viewpoints is critical to achieve consistent global application. We applaud the SEC for its efforts in this area.

Given the principles-based nature of high quality accounting standards, we expect that securities regulators, preparers, and auditors may come to differing conclusions on how to account for particular economic transactions. We are particularly concerned about how two national securities regulators would settle a difference of opinion with respect to an economic transaction of an entity that is based in one of the jurisdictions and has publicly registered securities in the other. We think that an agreement between the securities regulators is imperative in that case. We think that such differences in opinion should be resolved in a public forum with established due process. That may mean that securities regulators must be satisfied with additional disclosures while the IASB or the IFRIC (International Financial Reporting Interpretations Committee) resolves the issue. A regulatory mediator may be needed to ensure that alternative interpretations and conflicting regulatory interpretations are centrally discussed, evaluated and forwarded for resolution in a public forum using established due process. We believe that IOSCO is in the best position to assume that role. Allowing individual regulators to

² Refer to comments made by user representatives at the 6 March 2007 SEC-sponsored roundtables on the use of IFRS and the elimination of the Requirement.

³ Refer to PriceWaterHouseCoopers report, *Accounting for change: A survey of banks' 2005 IFRS annual reports*, issued in September 2006.

⁴ For example, see SEC press releases dated 25 and 26 April 2007 on bilateral agreements with UK FSA and FRC and German BaFin, respectively.

interpret significant accounting and reporting issues would result in differing application of IFRS depending on jurisdiction.

We do not believe that usage of the IOSCO's database should be restricted to securities regulators. We think that all interpretations should be made public after an appropriate aging period.

Response to Question 5

We believe that faithful and consistent application of IFRS by foreign companies that are registered under the Exchange Act is sufficient to warrant the elimination of the US GAAP reconciliation requirement. As nonregistered companies tend to be smaller and have fewer resources, we would expect IFRS application to be less consistent. However, nonregistered companies are a large population including entities that are not publicly registered in any jurisdiction. There are significant differences in the quality of U.S. GAAP application among public and private companies in the U.S. There are many reasons for that difference, which are beyond the scope of this question. We do not believe that this issue has any bearing on whether the US GAAP reconciliation requirement should be eliminated for FPIs. Rather, the issue is on whether U.S. investors are receiving a faithful and fair portrayal of an entity's economic position and performance based on IFRS financial information. We believe that they do as previously discussed above.

Response to Question 6

No, our investors use our IFRS-based financial statements for the purpose of performing their analyses and consequent resource-allocation decisions. Further, we note that the largest audit firms (which do cover the majority of SEC registrants) are already very experienced with IFRS. Each of the large firms produce IFRS interpretive guides and maintain IFRS technical practice centers. Additionally, the SEC should understand that IFRS shares many concepts and principles with U.S. GAAP. Many global capital market participants are familiar with those concepts and principles. Consequently, we think the Requirement should be eliminated immediately (for those filing 20-Fs for their calendar 2008 financial statements) without any type of transition period (especially for large, well known seasoned IFRS filers like UBS).

Response to Question 7

No, the key issue is whether U.S. investors receive the information that they need based on IFRS financial statements. We know that to be the case for UBS and believe it to be generally true for other FPIs filing IFRS financial statements. We think that the IASB has proven its long term viability and that IFRS application has reached critical mass globally to make the number of IFRS filers registered in the US irrelevant for making a decision to eliminate the Requirement. In addition, we believe that the elimination of the Requirement for FPIs using IFRS as promulgated by the IASB will result in an increase in the number of entities that use IFRS. We believe this to be a vital and necessary step in the process to achieve a single set of high quality, global accounting standards.

The IASB as Standard Setter

Questions

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?

Response to Questions 8 and 9

The Commission should continue to monitor and observe the IASB's standard setting activities. Regular and frequent communications with the IASB and IFRIC will provide the requisite basis for successfully dealing with issues of mutual interest. In addition, the SEC must provide leadership in IOSCO and in use of the IOSCO database when it comes to resolving differing views on interpretational issues.

We are concerned that the SEC may become too involved in the interpretation of IFRS. The SEC has interpreted and changed US GAAP many times in the past. SEC speeches at annual SEC/AICPA conferences and SEC staff accounting bulletins are examples of that activity. The SEC must resist the urge to unilaterally interpret IFRS. Instead, it must work within the confines of IOSCO and established communication channels with the IASB and IFRIC to find acceptable solutions. Principles-based standards may not always result in a clear answer. In light of that ambiguity, disclosures must serve as an important mechanism to ensure that investors understand how significant transactions have been accounted for by an entity.

It will be important for the Commission to participate in the following activities in regards to the IASB:

- Identify potential issues to be presented to the IASB when considering agenda items.
- Provide input throughout a standard-setting project's due process period by responding to requests for comments and discussing significant issues in its regular meetings with the IASB and IFRIC.
- Communicate interpretation issues as they arise to the IASB, the IFRIC and IOSCO for resolution.

Summary**Question**

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?

Response to Question 10

UBS is the world's premier private wealth manager. In our capacity as wealth/asset managers, we regularly evaluate the economic performance of entities in financial markets all over the world, both developed and emerging. As wealth/asset managers, we fully support and desire a single set of high-quality globally accepted accounting standards. Such a set of accounting standards will result in a lower cost of capital, which results in higher earnings. Higher earnings contribute to economic expansion and investor satisfaction.

Financial statements prepared on the basis of that set of standards will be easier to understand and compare across entities. Those statements will cost less to prepare, audit and review by eliminating the need to understand and apply differing accounting and reporting standards for the same economic transaction. Those benefits are directly received by investors through higher cash earnings.

As discussed previously, we agree with comments made by several participants in the SEC Roundtable. They explained that users are currently utilizing IFRS financial statements in order to evaluate current performance and make estimates about future performance. Analysts, rating agencies and other significant users of UBS financial statements are well versed in IFRS and fully rely on our IFRS financial statements when performing their analyses. Furthermore, hundreds of millions of retail investors and thousands of professional investment managers are using IFRS-based financial information to make resource allocation decisions every day. IFRS-based financial statements are understandable, transparent, and comparable. If they were not, we would be hearing about such problems in the EU and other mature market economies in which IFRS-based financial statements are being produced. That is not the case. Given the high quality financial information being produced based on IFRS, we believe that the Requirement should be eliminated without limitation.

**DISCUSSION OF THE PROPOSED AMENDMENTS TO ALLOW THE
USE OF IFRS FINANCIAL STATEMENTS WITHOUT
RECONCILIATION TO U.S. GAAP**

Eligibility Requirements

Questions

11. Without a reconciliation, will investors be able to understand and use financial statements prepared using IFRS as published by the IASB in their evaluation of the financial condition and performance of a foreign private issuer? How useful is the reconciliation to U.S. GAAP from IFRS as published by the IASB as a basis of comparison between companies using different bases of accounting? Is there an alternative way to elicit important information without a reconciliation?
12. In addition to reconciling certain specific financial statement line items, issuers presenting Item 18 reconciliation provide additional information in accordance with U.S. GAAP. What uses do investors and other market participants make of these additional disclosures?
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, 74 and that file IFRS financial statements be permitted to omit the U.S. GAAP reconciliation?
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?
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?

Response to Question 11

As discussed previously, investors in entities that prepare their financial statements in accordance with IFRS primarily use those IFRS-based financial statements for economic decisions

whether those investors reside in the U.S. or abroad. Since we believe that the U.S. GAAP reconciliation is not used in any substantive way by investors, we see no reason why removing the information would result in financial statements that are not understandable. We do not believe that the limited information provided by the U.S. GAAP reconciliation is sufficient to understand the financial statements prepared under U.S. GAAP. In addition, UBS receives very few questions or comments regarding our U.S. GAAP reconciliation. As previously noted, our IFRS financial statements provide UBS investors with the information that they need to understand our economic position and performance. Consequently, we think that there is no need to provide a reconciliation or other qualitative disclosures regarding accounting differences between IFRS and U.S. GAAP.

Response to Question 12

We are currently in the process of evaluating the nature and number of U.S. GAAP disclosures embedded in our IFRS financial statements pursuant to Item 18. Nevertheless, we believe that the financial statement disclosures required by IFRS (especially for financial institutions subject to IFRS 7) are sufficient to provide investors with the information they need to understand an entity's economic position and performance. In some cases, those IFRS disclosures are more rigorous than those required by U.S. GAAP or Regulation S-X.

Response to Question 13

We do not believe that eligibility limitations are necessary provided an FPI prepare financial statements in accordance with IFRS as promulgated by the IASB. IFRS financial statements provide information that investors need to make economic decisions.

Response to Question 14

We believe that the Commission should not significantly change the Form 20-F filing deadline for FPIs. FPIs that have active shelf registrations in the US capital markets already are subject to the 15 month rule (Item 8.A.4 of Form 20-F), which effectively imposes a three-month, rather than a six-month, deadline. A December 31 fiscal-year-end registrant must file its Form 20-F with audited annual financials no later than March 31 to maintain its status under Item 8.A.4. First, that is only 30 days later than the March 1 deadline for domestic large accelerated filers. Second, significantly advancing the deadline could result in non-uniform public disclosure because it may result in the Form 20-F filing being available via EDGAR prior to the home country filing being made available (because that home country filing may require additional work to be performed). We believe that additional time beyond the home country deadline should be given to entities to supplement the primary disclosures as required by the Form 20-F format and to consult with U.S. counsel.

Response to Question 15

We reiterate our belief that the Requirement should be eliminated for IFRS preparers for both annual and interim IFRS financial statements. However, in the event that it is not, we recommend that the SEC take steps that make it less onerous to issue securities in the U.S. under a shelf registration.

Questions

16. 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? Is there any reason why an audit firm should not be able to unreservedly and explicitly opine that the financial statements comply with IFRS as published by the IASB? What factors may have resulted in issuers and, in particular, auditors refraining from expressing compliance with IFRS as published by the IASB?
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?

Response to Question 16

We are aware of no reason that an issuer would not be able to unreservedly and explicitly state its compliance with IFRS as promulgated by the IASB. We are not aware of any reason that an auditor would not be able to opine on financial statements prepared in accordance with IFRS as promulgated by the IASB. Further, in the case that an issuer is precluded in its jurisdiction from adopting certain portions of IFRS by its home country regulator, we see no reason why it would not be able to make appropriate adjustments to those home country financial statements for the purpose of complying with such a requirement in filings submitted to the SEC. This is an additional reason why additional time should be provided to FPIs for filing their IFRS financial statements in the U.S.

Response to Question 17

We believe that investors are currently able to analyze and interpret IFRS-based financial information. Thus, IFRS financial statements should be fully accepted by the Commission without reconciliation for the first filing containing audited financial statements. The Commission's overriding constraint of preparing financial statements in accordance with the English version of IFRS as published by the IASB is sufficient for this purpose. Further requirements are not necessary and may serve as a competitive and unfair disadvantage to certain entities desiring to enter the U.S. capital markets.

U.S. GAAP Reconciliation**Questions**

18. Do we need to make any other changes to Items 17 or 18 or elsewhere to implement fully the proposed elimination of the reconciliation requirement for issuers using IFRS as published by the IASB?
19. Is any revision necessary to clarify that the provisions relating to issuers that use proportionate consolidation contained in Item 17(c)(2)(vii) would not apply to IFRS financial statements that are not reconciled to U.S. GAAP under the proposed amendments? If so, what changes would be appropriate?
20. Is the IAS 21 accommodation still useful for non-IFRS issuers? Is it clear that an issuer using IFRS would not need to provide disclosure under Item 17(c)(2)(iv)? If not, what changes would be necessary to make it clear?

Response to Question 18

No, we have examined the regulations and believe that all relevant portions have been dealt with in the SEC's proposal.

Response to Question 19

This question is not applicable to UBS and we have not responded.

Response to Question 20

This question is not applicable to UBS and we have not responded.

Interim Period Financial Statements**Questions**

21. Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS as published by the IASB?
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?
23. How significant are the differences between IAS 34 and Article 10? Is the information required by IAS 34 adequate for investors? If not, what would be the best approach to bridge any discrepancy between IAS 34 and Article 10? Should issuers be required to comply with Article 10 if their interim period financial statements comply with IAS 34? Should we consider any revision to existing rules as they apply to an issuer that would not be required to provide a U.S. GAAP reconciliation under the proposed rules?

Response to Question 21

We do not believe that issuers will have difficulty in preparing interim financial statements that are in accordance with IFRS as published by the IASB.

Response to Question 22

UBS prepares its interim financial statements in accordance with IFRS as promulgated by the IASB and makes express statements to this effect.

Response to Question 23

Although we do not believe it to be necessary, we have no objections to requiring IFRS preparers to comply with Article 10 in their interim financial statements. We do not believe that the differences between IAS 34 and Article 10 are sufficient to warrant delay of elimination of the Requirement. We acknowledge the concern that financial statements prepared under IAS 34 may be more condensed and may not require the same disclosures as those under article 10. However, paragraph 10 of IAS 34 explicitly states, "Additional line items or notes shall be included if their omission would make the condensed interim financial statements misleading". Consequently, we do not agree with the statement that IAS 34 does not contain an explicit statement that interim disclosures must be sufficient to make interim period information not misleading, and we do not believe that the SEC needs to require disclosure in excess of those noted in IAS 34.

IFRS Treatment of Certain Areas

Questions

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?
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?

Response to Question 24

No, elimination of the Requirement should not be delayed.

Response to Question 25

We believe that investors can understand and use IFRS financial statements of entities that have economic activities not explicitly covered by IFRS. Disclosures of significant accounting policies explain the accounting that is used for recognition and measurement. IAS 8, paragraphs 8–10, addresses the appropriate action that an entity should take if specific accounting guidance does not exist. We believe that such guidance ensures that a relevant and reliable accounting policy is adopted and disclosed. U.S. and non-U.S. investors are basing economic decisions on those IFRS financial statements. Further, we are concerned that if the SEC provides guidance on areas not addressed by IFRS, entities will be required to comply with IFRS as promulgated by the SEC and not IFRS as promulgated by the IASB. Consistent with our response to question 16, we advocate the preparation of financial reports in compliance with IFRS as promulgated by the IASB, without jurisdictional variation.

Selected Financial Data**Question**

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?

Response to Question 26

No, we do not believe that issuers should be required to disclose previous information based on the U.S. GAAP reconciliation. We do not believe that that information will be useful. Acceptance of IFRS without reconciliation to U.S. GAAP should be applicable for current and prior financial information.

Other Form 20-F Disclosure**Questions**

27. With regard to references to U.S. GAAP in non-financial statement disclosure requirements, should we amend the references to U.S. GAAP pronouncements that are made in Form 20-F to also reference appropriate IFRS guidance, and, if so, what should the references refer to? Would issuers be able to apply the proposed broad approach to U.S. GAAP pronouncements and would this approach elicit appropriate information for investors? Should we retain the U.S. GAAP references for definitional purposes?
28. Should foreign private issuers that prepare financial statements in accordance with IFRS as published by the IASB be required to continue to comply with the disclosure requirements of FAS 69? What alternatives may be available to elicit the same or substantially the same disclosure?
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?

Response to Question 27

We believe that the SEC staff should reference the IFRS guidance that is equivalent to the U.S. GAAP guidance being referenced. Otherwise, a general reference should be made to the "appropriate IFRS guidance."

Response to Question 28

This question is not applicable to UBS in its capacity as a preparer. We have no objections to requiring specific disclosures related to oil and gas producing activities. Those disclosures are important in understanding the activities of that specialized industry. However, Statement 69, *Disclosures about Oil and Gas Producing Activities*, references and requires disclosures based on figures determined in accordance with Statement 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*. Any supplemental disclosure should be based on IFRS financial statements, and therefore we do not believe that it is appropriate to require IFRS filers to comply with Statement 69 as currently written. If the SEC believes that supplemental

disclosures relating to oil and gas producing activities are necessary, we suggest that the Commission adopt a separate rule for IFRS filers.

Response to Question 29

Yes, the Commission should address the implications of forward looking disclosures required by IFRS 7. In order to be compliant with IFRS as published by the IASB, filers must include IFRS 7 forward looking information as part of their audited financial statements. We do not believe that IFRS filers should be subject to legal jeopardy for statements and disclosures made in good faith in accordance with IFRS. Thus, we believe that the Commission should adopt a safe harbor or similar provision for forward looking information required by IFRS 7.

Other Considerations Relating to IFRS and U.S. GAAP Guidance

Question

30. Are there issues on which further guidance for IFRS users that do not reconcile to U.S. GAAP would be necessary and appropriate? Should issuers and auditors consider guidance related to materiality and quantification of financial misstatements?

Response to Question 30

We think that the SEC should work with the IASB to improve the IASB's guidance on materiality and the quantification of financial misstatements. We believe that there are no other issues. However, the IASB is currently considering whether to provide guidance on management's discussion and analysis. In the future, the scope of financial reporting standards may be enlarged. As the scope of financial reporting standards evolve, we expect the SEC's guidance to evolve as well.

First Time Adopters of IFRS

Questions

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?
32. Would a U.S. GAAP reconciliation be a useful bridge from Previous GAAP financial statements to annual financial statements prepared under IFRS as published by the IASB that are not reconciled 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?
34. Should any extension of the accommodation to first-time adopters be tied in any way to U.S. GAAP reconciliation? If so, how?

Responses to Questions 31–34

Those questions are not applicable to UBS. However, in general, we believe that the SEC should encourage entities that wish to adopt IFRS as promulgated by the IASB.

Proposed Rule Changes

Questions

35. Are the proposed changes to Rules 3-10 and 4-01 sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, what other revisions would be necessary?
36. Are there other rules in Regulation S-X that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the application of those rules be unclear if there were no changes to those rules, and what changes would be suggested in order to make them clear?
37. Is the application of the proposed rules to the preparation of financial statements provided under Rules 3-05, 3-09, 3-10 and 3-16 sufficiently clear? If not, what areas need to be clarified? Are any further changes needed for issuers that prepare their financial statements using IFRS as published by the IASB?

Response to Question 35

We believe that the proposed changes to Rules 3-10 and 4-01 are sufficient to avoid any ambiguity about the acceptance of IFRS financial statements without reconciliation.

Response to Question 36

We have not identified other rules in Regulation S-X that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without reconciliation.

Response to Question 37

We believe that the application of the proposed rules to the preparation of financial statements provided under Rules 3-05, 3-09, 3-10 and 3-16 are sufficiently clear.

Proposed Form and Schedule Changes

Questions

38. Are the proposed changes in Forms F-4 and S-4, and in Rule 701, sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, how should we revise those forms or rule?
39. Under Part F/S of Form 1-A relating to offerings conducted under Regulation A, Canadian issuers may use unaudited financial statements that are reconciled to U.S. GAAP. Should we amend Form 1-A to permit the use by Canadian companies of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation? Does the fact that financial statements under Form 1-A are not required to be audited militate in favor of retaining a U.S. GAAP reconciliation whenever a Canadian issuer uses a GAAP other than U.S. GAAP?
40. Are there other rules or forms under the Securities Act that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the rules or forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?
41. Should Schedule TO and Schedule 13E-3 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the rules or forms be unclear if there were no changes to those Schedules, and what changes would be suggested in order to make them clear?

Response to Question 38

Yes, the proposed changes in Forms F-4 and S-4, and in Rule 701 appear sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation.

Response to Question 39

This question is not applicable to UBS and we have not responded.

Response to Question 40

No, we did not identify other rules or forms under the Securities Act that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP.

Response to Question 41

We believe that the SEC should make it abundantly clear (through explicit statements) in all cases in which IFRS financial statements without reconciliation are acceptable under SEC regulations, rules and requirements.

Quality Control Issues**Question**

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?

Response to Question 42

No, we do not believe that there should be any concern in this regard as IFRS is sufficiently developed and understood. We believe that member firms have had sufficient exposure to IFRS and its practice and interpretation over the last several years to enable them to meet such requirements. Our audit firm has many such persons.

Application to Filings under the Multijurisdictional Disclosure System**Question**

43. Should Form 40-F or F-10 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?

Response to Question 43

We believe that the SEC should make it abundantly clear in all cases in which IFRS financial statements are acceptable under SEC regulations, rules and requirements.

GENERAL REQUEST FOR COMMENT

We request and encourage any interested persons to submit comments regarding:

- the proposed changes that are the subject of this release,
- additional or different changes, or
- other matters that may have an effect on the proposals contained in this release.

In addition to providing comments on these matters, we encourage interested parties to provide comment on broader matters related to the development of a single set of globally accepted accounting standards, for example:

44. If progress does not continue towards implementing a single set of high quality globally accepted accounting standards, will investors and issuers be served by the absence of a U.S. GAAP reconciliation for financial statements prepared using IFRS as published by the IASB?
45. Where will the incentives for continued convergence lie for standard setters, issuers, investors and other users of financial statements if the reconciliation to U.S. GAAP is eliminated for issuers whose financial statements are prepared using IFRS as published by the IASB?

46. Are there additional interim measures, beyond the proposed elimination of the U.S. 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?

Response to Question 44

The ultimate objective of convergence is a single set of high quality, globally accepted accounting standards that reduce the cost of capital and increase investor returns. We recognize that there are many obstacles that need to be removed before that goal is achieved. The convergence efforts of the IASB and the FASB have significantly contributed to the future realization of that goal and the SEC proposal to eliminate the US GAAP reconciliation is another vital step in that direction. We believe that progress towards that goal will continue in all circumstances; we consider that its achievement is inevitable because of its importance to participants in the global capital markets.

Response to Question 45

Refer to our responses to Questions 2 and 44.

Response to Question 46

Some governmental authorities believe that they should have oversight responsibility for and exercise control over the activities of the IASB; they also believe that accounting may serve as a mechanism to achieve social objectives. We ardently oppose those views. The goal of accounting standard setting is to produce standards that faithfully and fairly reflect the economic position and performance of an entity. That faithful and fair portrayal is in the best interests of all global capital markets and their beneficiaries (all participants in the global economy). We are greatly concerned about the efforts of certain governmental authorities to undermine the independence of the IASB as well as its due process by creating jurisdictional versions of IFRS. We believe that the goal of a single set of high quality, global accounting standards is in the best interests of the global capital markets, but that goal only can be achieved with one version of IFRS— the version that is promulgated by the IASB. Thus, we strongly support the Commission’s proposal to eliminate the Requirement only for FPIs that prepare their financial statements in accordance with the English-language version of IFRS as promulgated by the IASB.

PAPERWORK REDUCTION ACT

Pursuant to 44 U.S.C. 3506(c)(2)(B), we request comment in order to:

- evaluate whether the proposed collections of information are necessary for the proper performance of the functions of the Commission, including whether the information will have practical utility;
- evaluate the accuracy of our estimates of the burden of the proposed collections of information;
- determine whether there are ways to enhance the quality, utility, and clarity of the information to be collected;
- evaluate whether there are ways to minimize the burden of the collections of information on those who respond, including through the use of automated collection techniques or other forms of information technology; and
- evaluate whether the proposed amendments will have any effects on any other collections of information not previously identified in this section.

COST BENEFIT ANALYSIS

47. Do you agree with our assessment of the costs and benefits as discussed in this section? Are there costs or benefits that we have not considered? Are you aware of data and/or estimation techniques for attempting to quantify these costs and/or benefits? If so, what are they and how might the information be obtained?
48. Which foreign private issuers would have the incentive to avail themselves of the proposed amendments, if adopted? Are there any reasons for which an issuer that is eligible to file IFRS financial statements without reconciliation under the proposed amendments would elect to file a reconciliation? If so, what are they?
49. Are there particular industry sectors for which a critical mass of the issuers who raise capital globally already report in IFRS? If so, which industries are they and why?

Response to Question 47

We agree with your assessment of the expected benefits from the elimination of the requirement to produce a U.S. GAAP reconciliation. However, we do not agree with your assessment regarding the costs. UBS has prepared reconciliations of its IFRS accounts to US GAAP for approximately 10 years. Based on the very few questions that we receive from analysts, it is apparent that they are very familiar with IFRS and perceive nominal, if any, value from the US GAAP reconciliation. This is further supported by comments made by users in the SEC's 6 March 2007 roundtable in which those issues were discussed. It is because of those facts that we disagree with the statement that a FPI "who does not produce a U.S. GAAP reconciliation may face a reduced following in the marketplace." IFRS has advanced to a point where it is widely understood in the marketplace. We believe that the cost and accounting risk of complying with multiple GAAPs is far greater than the very minimal risk that an investor will be unable to understand IFRS.

Response to Question 48

Based on our previous responses, we cannot think of any logical rationale that would support a decision to continue filing a U.S. GAAP reconciliation. We do not subscribe to arguments suggesting that the Requirement serves as a type of internal control on IFRS application. Such

reasoning is based on the assumption that global entities outside of the U.S. have poor internal controls and global audit firms are incapable of auditing IFRS financial statements; those assumptions are not grounded in reality.

Response to Question 49

We do not believe that critical mass in a particular industry is relevant in determining whether the Requirement should be eliminated.