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

Dear Sirs:

The IIF Accounting Working Group is pleased to submit written comments on the SEC’s Proposed Rule “Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to US GAAP” File No. S7-13-07; Release Nos. 33-8818; 34-55998; International Series Release No. 1302.

We welcome the Proposed Rule to facilitate the acceptance by the SEC of financial statements prepared in accordance with IFRS without reconciliation to US GAAP. We strongly support the aims of mutual recognition and convergence on high-quality accounting standards, and the SEC’s proposal to promote these aims by removing the reconciliation requirement.<sup>1</sup>

We approach the Proposed Rule from an international perspective and while the Institute, in this comment letter will not address every question, members may do so in their own comments.

#### *Importance of Recognition*

The SEC states, at 72 Federal Register 37966 that, “In encouraging the acceptance of mutually agreeable global accounting principles and reducing regulatory burdens while protecting investors, the Commission has recognized that information required by an international accounting standard may be adequate for investors even if that information is not the same as information required under US GAAP”.

We have been following IASB/FASB convergence efforts with keen interest, and believe that an impressive effort has been made to date. While we do not believe in convergence for the sake of convergence, we do believe that convergence on high-quality standards in the interest

<sup>1</sup> The IIF’s membership of internationally active financial institutions is very concerned with the effectiveness and efficiency of cross-border regulation in the context of rapidly integrating international markets. The report, *Proposal for a Strategic Dialogue on Effective Regulation*, published in December 2006 and available on the IIF website <http://www.iif.com/regulatory/effreg/> gives a general overview of this critical topic, including views on harmonization and mutual recognition. Accounting convergence and appropriately judicious application of mutual recognition principles in the accounting field are clearly fundamental to the achievement of a cross-border regulatory regime that will be both more effective in achieving the broad regulatory goals of the SEC and its partners in IOSCO and more efficient both in the sense of ease and cost of administration for firms and also in the sense of minimizing burdens on capital formation.

of more efficient and effective cross-border markets should be a priority for both Boards. As Commissioner McCreevy in his introductory speech to the meeting with the Hundred Group of Finance Directors on March 22, 2007 said, “In the short-term we need to move to mutual recognition and equivalence of accounting standards across the globe”.

High-quality standards deserve recognition provided an international standard of due process, administration and enforcement is reached in the respective jurisdictions.

*Q 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 this statement.

*Q 2. Should convergence between US 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 US 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 US 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?*

In our view, IFRS and US GAAP have already converged to such an extent as to provide equivalent information to users, and certainly to the extent necessary to provide the confidence necessary to support mutual recognition. The US GAAP reconciliation now mainly consists of historic, timing differences and relatively minor, technical differences which are difficult for preparers to determine and to calculate and for users to understand. As do many in the market, we question whether there is any economic utility in the reconciliations now required.

The SEC is fundamentally concerned with investor protection and ensuring users of financial statements have relevant, reliable and understandable and reasonably comparable information to make decisions.

Should the IASB and FASB reach substantially different conclusions in the convergence process, we believe that the SEC should approach the divergences from the point of view of a principles-based assessment of the goals of accounting standards. Only if a true regulatory failure could be shown to be apparent in the difference (i.e., the approach adopted by one Board or the other would fail to achieve the goals of disclosure or investor protection in some fundamental way) should the SEC intervene directly, and then it should limit its reaction to applying the minimum “regulatory filter” to either set of standards. Of course, this would not prevent the SEC from making appropriate due-process representations to either or both Boards.

*Q 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 US GAAP reconciliation?*

IFRS represents a coherent set of high-quality accounting standards which is capable of being used by firms in providing financial statements that meet the qualitative characteristics of financial reporting, including being comparable and understandable.

We believe that IFRS is sufficiently developed and understood by the global financial community and US investors in particular to be filed without a US GAAP reconciliation.<sup>2</sup>

*Q 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?*

We urge the SEC to work through multilateral and bilateral platforms to address any perceived issues that may arise with regard to inconsistent applications of IFRS. We believe that information-sharing amongst regulators will result in an improved ability to identify potential inconsistent and inaccurate applications of IFRS by individual issuers. However, it must be recognized that not all potential instances identified will actually turn out to be inconsistent or inaccurate applications. It will be necessary to distinguish inaccuracies or errors by individual issuers from broader questions of interpretation.

While it is vital to identify errors and application problems, when it is determined that these are issuer-specific issues, we would urge that they be dealt with in a spirit of regulatory cooperation and mutual recognition via the home regulator. Where there is a legitimate issue of interpretation, we would respectfully urge that the SEC adopt the view that only the IASB and IFRIC are in a position to address interpretative issues that may give rise to inconsistent applications of IFRS until such interpretative issues are resolved and this, of course, is not fundamentally different from what arises with resolution of US GAAP issues today.

The principle of mutual recognition would suggest that the SEC should have in place a mechanism with the home country regulators to deal with questions of interpretation of standards. We support the SEC CESR work plan and encourage expansion of the role of bodies such as CESR to deal with issues of interpretation.

#### *The SEC's role with the IASB*

*Q 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?*

The SEC is one regulator and user of financial statements, albeit an important one, and should use the established channels for communication in the same way as other regulators and users.

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<sup>2</sup> Even if the US GAAP reconciliation were, contrary to the hope and expectation of the industry, not removed, consideration should be given to not requiring some US disclosures to be provided where IFRS disclosures are sufficient. In particular, IFRS 7 requires disclosure about financial instruments including those that are measured using models with inputs that are not readily observable in the market. These disclosures would be similar to, although not identical with, disclosures required by SFAS 157.

*Q 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?*

The IASB is a stand-alone body that is committed to developing, in the public interest, a single set of high-quality, understandable and enforceable global standards for financial reporting.

We believe that the principles of comity and mutual recognition necessitate and legitimize a “different and less direct” oversight role of the SEC, to quote the Release, with the IASB than it has had with the FASB. The SEC should be prepared to accept that it will naturally have a different role with regard to an international body. This is essential to the development of a truly international accounting framework.

The SEC’s differing relationships with the IASB and FASB are well understood in the market; indeed, it will be important for the SEC to preserve the present bounds of that relationship and manage its relationship with the IASB in such a way as to maintain the independence and international legitimacy of the IASB, and robustness of its processes. On the other hand, the IASB’s processes are well enough developed, and the interests of other major-market regulators (coordinated to an important extent through IOSCO), which will similarly feed into those processes, are sufficiently congruent with those of the SEC that there can be very substantial confidence that the fundamental regulatory goals of the SEC will be those pursued through IASB.

The Release states, at 72 FR 37968, “As experience with IFRS continues to grow, the Commission will monitor for any possible flaws in the standards and any issues associated with the faithful and consistent application of those standards”.

The SEC’s vigilance in monitoring IFRS (as indeed in monitoring US GAAP) is critical. However, in pursuing any issues it identifies, the SEC can adapt its procedures as appropriate for its role in relation to the IASB. The SEC should raise any concerns relating to possible flaws in standards with the IASB and comment through the IASB’s due process. Any views or comments made publicly in this process should be couched in terms such that they would be understood by the market as inputs to the process, not directives to be implemented as such, until promulgated through the relevant IASB process.

#### *Deadline for the Form 20-F*

*Q 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 US GAAP information is included? If a shorter deadline is appropriate for foreign private issuers that would not provide a US 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?*

In certain jurisdictions, the deadline for the shareholders' meeting to approve the annual or consolidated accounts is six months after the end of the financial year. The existing six month deadline to file Form 20-F annual reports offers the flexibility expected by firms that organize their shareholders' meetings shortly before the deadline. Therefore, we do not believe that the deadline for Form 20-F should be changed.

Should the SEC believe that it might be possible to align the US deadline with the home market deadline, we urge the SEC to recognize that some firms may require additional time to complete all the disclosures and obtain all the exhibits required by Form 20-F. Therefore, we suggest that if the deadline were shortened it should still be at least one or two months after the home market deadline.

In any case, we believe that the deadline for the Form 20-F should in no case be earlier than the deadline for an issuer's annual report in its home market. There are obvious practical reasons for this, but also, we believe that a change in rules aimed at easing the burden of a foreign issuer's filing in the United States should not result in firms' being subject to multiple, inconsistent deadlines with respect to financial statements. In the spirit of mutual recognition, the base-line requirement should be that of the home market, with some leeway for Form 20-F to be filed later if need be for practical reasons.

#### *IFRS in the EU*

*Q 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?*

We agree that the goal should be a single set of high-quality, globally accepted accounting standards. This would provide internationally comparable financial information for investors and other capital providers and reduce the reporting burdens on entities that want access to global capital markets.

Listed companies in Europe are obliged to report under IFRS as endorsed by the EU ("IFRS-EU"). The EU's accession to IFRS has been the fundamental breakthrough event in global acceptance of IFRS, and has catalyzed the broad movement to these high-quality standards. Although IFRS-EU is based on IFRS as issued by the IASB ("IFRS-IASB"), the very presence of the EU's endorsement mechanism creates at least the potential for technical "endorsement differences" between IFRS-EU and IFRS-IASB if the EU should not endorse, entirely or in part, particular standards issued by the IASB, and there may possibly be timing differences owing to the time required for the endorsement process, though we would urge the IASB and the EU to do everything possible to avoid such differences. At present, there is only one optional difference between IFRS-EU and IFRS-IASB. Therefore, almost all issuers that apply IFRS-EU will be able to state that they comply with IFRS-IASB as well as IFRS-EU, unless they have exercised the relevant option.

When there are timing differences after a change of IFRS because of the due process required for the European endorsement, EU issuers should be allowed a reasonable period in which to refer to pre-change IFRS as IFRS-IASB, pending final endorsement as so modified.

In most circumstances EU issuers will be able and willing to state compliance with both IFRS as endorsed by the EU and IFRS as issued by the IASB. If it should happen that specific differences arise between IFRS-EU and IFRS-IASB, we would urge that the SEC accept disclosure of an explanation of the differences between the two with respect to an issuer's accounts. Such disclosure would give sufficient and clear information to the market without bringing back the burdens of the US GAAP reconciliation, and would in fact be more useful disclosure in the future, given the broad acceptance of IFRS-IASB.

In order to ensure that differences between IFRS-EU and IFRS-IASB are avoided, we urge the SEC, CESR and the European Commission to work together through the IASB due process to avoid any potential differences. Furthermore, we will continue strongly to recommend that regulators around the world resist any temptation to create jurisdictional IFRS and instead fully participate in the IASB's standard setting due process with the aim of establishing a single set of high-quality, globally accepted accounting standards.

#### *Interim Period Financial Statements*

Similarly, interim-period financial statements prepared under IFRS provide interim information of the same utility as interim period financial statements prepared under US GAAP. And we believe that a change in rules aimed at easing the burden of foreign-issuer filing in the United States should not result in companies' being subject to inconsistent interim requirements with those prescribed in the home market. Further, we believe requiring different or additional interim requirements to those prescribed by the home market would be unreasonable in terms of the incremental administrative burden and cost, unnecessary from an economically meaningful disclosure perspective, and not advisable in the proper spirit of mutual recognition.

#### *Sufficient grounds to eliminate the reconciliation requirements*

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

We believe the benefits of reducing the regulatory cost and burden for issuers and increasing the attractiveness of the US public capital markets to foreign issuers are overwhelming reasons to eliminate the reconciliation requirements. We also believe that benefits that will arise from eliminating the reconciliation should not be impeded by the fact that the guidance for certain industries, such as Insurance, is not yet fully developed. This should not delay the removal of the reconciliation requirement and we do not consider an ongoing US GAAP reconciliation an effective method of enhancing comparability between issuers in such industries.

#### *Forward-looking information required by IFRS 7*

*Q 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?*

*IFRS 7 Financial Instruments: Disclosures* requires issuers applying IFRS to provide certain forward looking information inside the financial statements. Similar information is provided

by US issuers outside the financial statements under safe harbor provisions. In order to obtain a level playing field, we believe it would be appropriate for the SEC to provide a safe harbor provision for IFRS filers as well.

*Other matters*

English language version of IFRS: The Release states, at 72 FR 37962, “we propose amendments to Form 20-F and conforming changes to Regulation S-X to accept financial statements prepared in accordance with the English language version of IFRS as published by the IASB without reconciliation to US GAAP when contained in the filings of foreign private issuers with the Commission.”

We understand the practical reasons for the limitation of the recognition of IFRS to the English language version. We would, however, ask that the SEC provide guidance as to the meaning of the phrase “prepared in accordance with the English language version of IFRS” in order to avoid unnecessarily costly and burdensome over-interpretations of this phrase by auditors or issuers.

2008 Interim Financials: Assuming the reconciliation requirement is lifted in 2009, the new rule would apply to an issuer’s 2008 financials. We would urge similar relief be granted for the 2008 interim financials.

The IIF Accounting Working Group wishes to thank you for the opportunity to submit these comments. We hope that the foregoing comments are useful to the SEC.

Should you have any questions, please do not hesitate to contact the undersigned or Mohini Singh, Policy Advisor of the Institute’s Regulatory Affairs Department, at 1-202-857-3633, email: [msingh@iif.com](mailto:msingh@iif.com).

Very truly yours,



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