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April 16, 2009

Ms. Florence E. Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

RE: File Number S7-27-08

Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers

Dear Ms. Harmon:

We are pleased to respond to the U.S. Securities and Exchange Commission's (Commission or SEC) proposed roadmap and rule proposal: *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (Proposed Roadmap). Consistent with our November 9, 2007 comment letter response to the SEC's *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (Concept Release), we continue to support, as the ultimate goal, the use of a single set of high-quality, globally-accepted accounting standards issued by a single global standard setter for financial reporting purposes. Although we have included recommendations for clarifications and improvements to the Proposed Roadmap for consideration by the Commission which are described below, we believe the plan presented in the Proposed Roadmap, including the achievement of certain milestones before mandating adoption of International Financial Reporting Standards (IFRS)¹ by U.S. issuers, provides a reasonable plan of action for making that decision and establishing the timeline for the transition to IFRS by U.S. issuers. Because we believe it is important that U.S. constituents have an understanding of the Commission's plans, we urge the Commission to provide clear communications about its plans and action steps regardless of whether it intends to publish a final Roadmap based on this proposal.

¹ As used in our letter, the term IFRS refers to standards issued by the IASB (including its interpretive body, the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies, the International Accounting Standards Committee (IASC) and the Standing Interpretations Committee (SIC)) and does not extend to jurisdictional variants of IFRS.



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We believe that when consistently applied, the use of a single set of high-quality, globally-accepted accounting standards would increase comparability of financial information among companies, and could foster more effective and efficient allocation of capital on a global basis. Enhanced comparability of financial information among all companies in all capital markets should increase the usefulness of the information available to users in making such allocation decisions.

As the Proposed Roadmap states, approximately 113 countries either require or permit the use of IFRS for financial reporting by listed companies. Therefore, IFRS is the most likely means to achieve the goal of a single set of high-quality, globally-accepted accounting standards. In order to obtain the full benefits of a single set of globally-accepted accounting standards, national or regional variants of IFRS should be avoided, as such variants will dilute comparability of financial statements and undermine that ultimate goal.

Given that the Proposed Roadmap does not provide a date-certain for the mandatory use of IFRS by U.S. issuers, progress towards certain milestones identified in the Proposed Roadmap may be delayed until such a date is set. The lack of a firm date for mandatory transition to IFRS is a source of uncertainty among financial reporting constituencies and is a disincentive for preparers, educators, and users to expend resources in support of a successful transition to IFRS. The lack of a date-certain also may be a disincentive to management and the Boards of Directors of U.S. issuers in making the investment required to adopt IFRS under the early adoption provisions in the Proposed Roadmap. Accordingly, it is likely that U.S. issuers will delay IFRS-related changes to systems, accounting and other operational processes, internal controls, and contracts until the Commission decides to mandate IFRS.

Our suggestions for clarifications and improvements to the Proposed Roadmap are discussed in the following sections.

Milestones

The Proposed Roadmap would direct the Commission staff to monitor progress on four milestones prior to a 2011 determination of whether to mandate the use of IFRS by U.S. issuers. We agree that it is appropriate to achieve certain of the milestones identified in the Proposed Roadmap; however, we believe it is important that the milestones be measurable so that progress can be objectively monitored and evaluated by the Commission staff. Below, we have provided our views on which milestones are appropriate and what steps would constitute progress against the milestones.

Improvements in Accounting Standards

We support continued progress on the joint projects identified in the Memorandum of Understanding (MoU) between the FASB and the IASB. However, given the number of projects



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currently identified in the MoU, it is unlikely that all of these projects will be completed in time for the 2011 decision on whether to mandate IFRS for U.S. issuers. As such, we recommend that the SEC encourage the Boards to focus on progress toward completion of key, high-priority projects. MoU projects may be prioritized as either mandatory for completion or needed to improve IFRS but not critical prior to a decision on the use of IFRS. For example, mandatory projects may be characterized as those that, if not completed, would result in a loss of information as compared to information currently provided under U.S. GAAP. Needed but not critical projects include those which would improve the existing standard under both U.S. GAAP and IFRS.

We believe that completion of the following MoU projects resulting in converged U.S. GAAP and IFRS would provide significant improvements in financial reporting and, therefore, progress on these standards should be an important factor to consider in 2011 when the SEC addresses mandating the use of IFRS for U.S. issuers. We believe that the following projects should be prioritized as “mandatory” for completion:

- Financial instruments
- Fair value measurements
- Revenue recognition
- Financial statement presentation

We support continued convergence efforts on the remaining MoU projects, but do not consider completion of the following projects to be “mandatory” in the SEC’s decision to mandate the use of IFRS in 2011:

- Leases
- Liability and equity distinctions
- Consolidations
- Derecognition
- Post-employment benefits, including pensions

We recommend that the FASB’s convergence efforts with IFRS be aimed at the development of U.S. GAAP standards that are identical to the IFRS standards issued by the IASB. We believe that issuance of identical standards is the most practical approach to “convergence” on the MoU projects given the projected timing for completion of the projects and the potential timing of the mandatory transition to IFRS. Further, the issuance of identical standards is consistent with the objective of a single set of high-quality, globally-accepted accounting standards. Additionally, the issuance of similar but not identical standards may result in U.S. issuers having to make two changes: one to adopt the new U.S. GAAP requirements and one to convert to IFRS.

The FASB also will need to consider the potential operational and financial statement impacts of the effective dates and transition requirements of any new U.S. GAAP standards issued. In



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particular, the FASB should consider the transition provisions of any standards issued and work with the IASB to identify any additional amendments that would be required to IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which requires full retrospective application of the IFRS standards in effect at the reporting date unless an exception or exemption exists in IFRS 1. This coordination is important to prevent situations in which U.S. issuers would be required to adopt a significant, new U.S. GAAP standard only to still have to transition to an "identical" IFRS standard upon adoption of IFRS due to different transition requirements between U.S. GAAP and the fully-retrospective application provisions of IFRS 1.

Accountability and Funding of the IASC Foundation

The second milestone addresses the accountability and funding of the International Accounting Standards Committee Foundation (IASC Foundation). The Trustees of the IASC Foundation are responsible for the funding of the IASB. A secure, stable funding source not dependent on the outcome of any standard-setting decision is critical to the IASB's ability to function as the independent global accounting standard setter. We believe the funding methodology should be a mandatory levy system with representative participation by the markets using IFRS. Such a funding system is consistent with the IASC Foundation Trustees' funding plan and would increase the stability of the IASC Foundation and the IASB, more equitably share the costs of funding the global standard setter, and allow the IASB to develop and maintain staffing levels sufficient for the Board to function as the global standard setter. Although U.S. participation in the mandatory levy system may be delayed until the decision is made to mandate IFRS for U.S. issuers, the FASB should continue to support the IASB through participation in joint MoU projects and by providing staff and other resources to support those projects.

We believe that the IASB structure, including the International Financial Reporting Interpretations Committee (IFRIC), and due process procedures include the necessary elements of transparency, accessibility, and accountability of an independent standard setter. However, for the IASB to become the single global accounting standard-setter, staffing and resources must increase to the level that will enable the IASB to function on its own. Increased resources and staffing are necessary in order for the IASB to function as the single global, independent standard setter for a significantly larger constituency.

We agree with the Proposed Roadmap that the IASB needs to demonstrate its ability to function as an independent standard setter while being accountable to the capital markets that rely on its standards. In KPMG's comment letter on the IASC Foundation Discussion Document: *Review of the Constitution: Public Accountability and the Composition of the IASB – Proposals for Change*, it was noted that certain of the proposed constitutional changes designed to enhance the IASC Foundation's actual and perceived public accountability could help safeguard the independence of the standard setting process and make the Foundation and the Board more accountable to its constituents. See the comment letter at <http://www.iasb.org/NR/rdonlyres/97622AEE-221E-4B03-8F82-0B89AB7E83AD/0/70.pdf>.



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Specifically, we support the creation of the autonomous “Monitoring Board”. We believe that the membership and remit of the Monitoring Board is appropriate as it focuses on public authorities, including the SEC, with the responsibility for setting financial reporting requirements in capital markets. The Monitoring Board, combined with the use of IFRS by more major capital markets, may lessen the ability of individual jurisdictions to exert undue influence on the IASB.

We agree that the Monitoring Board should approve IASC Foundation Trustee appointments after an appropriate recruitment, evaluation, and selection of the proposed candidates by the Trustees or the Trustee Appointments Advisory Group, whose membership would not overlap with the Monitoring Board. Such a separation of responsibilities provides an appropriate balance of duties. Further, as stated in the discussion document regarding the proposed constitutional changes, neither the IASC Foundation Trustees nor the Monitoring Board should, in their oversight, intervene in the IASB’s standard setting process.

Improvement in the Ability to Use XBRL

The third milestone addresses the ability of U.S. issuers filing under IFRS to use the existing IFRS XBRL taxonomy. The existing IFRS taxonomy has been developed to include only the financial reporting concepts required to be reported using IFRS. The U.S. GAAP taxonomy has been developed to include all of the reporting requirements of U.S. GAAP plus common practices. As a result, the U.S. GAAP taxonomy is significantly larger and more detailed than the IFRS taxonomy. We believe that this difference between the U.S. GAAP and IFRS taxonomies should be addressed to promote consistency and comparability of interactive data and to assist in any transition from U.S. GAAP to IFRS reporting.

Education and Training

The fourth milestone specified by the Proposed Roadmap is education and training. We do not believe that this is a milestone to be achieved prior to a decision to require U.S. issuers to adopt IFRS. Rather, education and training are implementation issues that will follow the Commission’s final decision to mandate IFRS, rather than a milestone that can be reliably measured prior to the Commission’s final decision.

In-depth knowledge of IFRS in the U.S. is presently limited. Currently, IFRS knowledge is likely limited to a relatively small proportion of the personnel in the senior analyst and credit-rating community, institutional investors, large accounting firms, and companies that report using IFRS in foreign jurisdictions or to foreign parents.

U.S. audit firms participate in audits of IFRS financial statements through their work on U.S. subsidiaries of foreign entities currently using IFRS for consolidated reporting. Those audit firms, including KPMG LLP, have invested in an IFRS infrastructure in the U.S. and have provided IFRS training and development for many audit professionals. We remain committed to



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continue to undertake the necessary training and development to audit financial statements prepared in accordance with IFRS. To help raise external IFRS awareness, KPMG's global IFRS group and KPMG LLP have jointly developed a number of IFRS resources, including a comparison of significant differences between IFRS and U.S. GAAP. These resources are available at www.kpmgifrg.com. In addition, the KPMG IFRS Institute is an open forum where users, preparers, and other constituents can share knowledge, gain insight and access thought leadership about the evolving global financial reporting environment. The KPMG IFRS Institute is accessible at www.kpmgifrsinstitute.com.

The adoption of IFRS by U.S. issuers will require training of a large number of additional users, preparers, auditors, and other market participants, and training costs will be significant. However, until the uncertainty surrounding the decision whether to mandate IFRS for U.S. issuers is resolved, colleges and universities, preparers and other constituents will likely delay significant expenditures on IFRS education and training.

Early Use Option

We believe that the limited early use of IFRS by a sub-set of U.S. issuers may provide the Commission with useful information as it considers mandating the use of IFRS. The criteria in the Proposed Roadmap meet the objective of identifying a limited group of companies for potential early adoption, and the methods for determining industry classification are clear. However, we recommend that U.S. issuer subsidiaries of foreign companies using IFRS also be included in the population allowed to early adopt IFRS. We agree with the objective that the population of potential early users of IFRS focus on increased consistency and comparability among peer companies, and encourage the Commission to consider what is best for investors in making its final determination of such a population.

Without a date-certain, however, the number of companies opting for early use of IFRS is likely to be limited. The possibility, pending the SEC's final decision on IFRS, that early adopters may have to convert back to U.S. GAAP could act as a significant disincentive to preparers who otherwise might opt for early use if this uncertainty were eliminated. Few companies, even those who may otherwise wish to adopt IFRS, may be willing to expend the resources necessary to adopt IFRS before the SEC has committed to IFRS. As a result, the SEC may not see a broad-based, meaningful sample of companies as early adopters. We do not believe, however, that a low number of early adopters should adversely influence the Commission's decision to move forward in requiring IFRS.

Proposed Reconciliation to U.S. GAAP

The Proposed Roadmap provides two alternatives for early-use U.S. issuers with respect to the disclosure of U.S. GAAP information. Proposal A would require U.S. issuers to apply IFRS 1. IFRS 1 requires entities to disclose in the notes to the financial statements an audited reconciliation of U.S. GAAP to IFRS equity at the date of transition and at the end of the latest



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period for which financial information was originally reported under U.S. GAAP (i.e., January 1, 2007 and December 31, 2008 for a calendar-year company adopting IFRS for its 2009 financial statements) and comprehensive income for the latest period presented in its most recent annual financial statements under U.S. GAAP (i.e., 2008). Proposal B would supplement the requirements of IFRS 1 with an additional, ongoing unaudited reconciliation of IFRS amounts to U.S. GAAP amounts for all periods presented in the financial statements.

The additional U.S. GAAP reconciliation requirements in Proposal B appear to be consistent with the Proposed Roadmap since the Commission has not yet committed to requiring U.S. issuers to apply IFRS. Such a reconciliation requirement would maintain the availability of U.S. GAAP information for financial statement users prior to any decision by the Commission to mandate the use of IFRS and, therefore, would avoid the loss of information that users may consider important. However, the reconciliation requirements in Proposal B may act as an additional disincentive to potential early adoption of IFRS. Furthermore, even when an early adopter provides IFRS information, financial statement users may continue to rely on more familiar U.S. GAAP information making it difficult for the Commission to determine user reaction to IFRS information provided by U.S. issuers. As a result, the amount of useful information available to the SEC from issuers opting for the early application of IFRS and users of those financial statements could be reduced. A reconciliation may also influence preparers' elections under IFRS. Preparers may be more likely to try to "harmonize" their application of IFRS to U.S. GAAP reporting as much as possible rather than applying IFRS independent of the previous application of U.S. GAAP if they are required to continue to reconcile IFRS information to U.S. GAAP.

Under Proposal B, unaudited reconciliations would be subject to the limited auditor responsibilities under PCAOB Interim Standards AU 550, *Other Information in Documents Containing Audited Financial Statements*. While we do not object to the reconciliations being unaudited, we observe that issuers face a risk that the information may subsequently become subject to audit if the SEC decides not to require IFRS and requires early-adopters to revert to U.S. GAAP.

Transition and Timing

Anticipated Timing of Future Rulemaking

At this time, we believe that the timing in the Proposed Roadmap for the Commission's final decision on whether to mandate use of IFRS by U.S. issuers is a reasonable plan. As stated in the Proposed Roadmap, monitoring achievement of the milestones between now and 2011 is relevant to the decision making process. However, we believe that a date-certain for mandatory use of IFRS is critical to the successful implementation of IFRS. As noted earlier, until the uncertainty surrounding mandatory use of IFRS is resolved, preparers and educational institutions may be unlikely to commit the monetary and personnel resources needed for a



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transition to IFRS. Such delays may pose a significant challenge to calendar-year large accelerated filers whose date of transition to IFRS would be January 1, 2012 under the timetable identified in the Proposed Roadmap.

Our expectation is that the endorsement process in various jurisdictions using IFRS will keep pace with the issuance of IFRS standards between now and the 2011 decision by the SEC to mandate use of IFRS by U.S. issuers. We believe that continued endorsement of IFRS as issued by the IASB is critical to the objective of achieving a single set of high-quality globally-accepted accounting standards. Continued endorsement, or the lack thereof, could affect the desirability of switching to IFRS or the method in which IFRS is adopted. The SEC should consider the scope and nature of any jurisdictional variances in determining whether to mandate IFRS for U.S. issuers.

The Proposed Roadmap includes a provision for a study by the Office of the Chief Accountant on the implications to investors and other market participants of the implementation of IFRS by U.S. issuers. We would expect that much of the information to be used in the study would be derived from the experiences of the companies opting for the early use provisions of the Proposed Roadmap. However, as the Proposed Roadmap also includes disincentives to early use that we believe will limit the number of U.S. issuers opting for early use, we recommend that the Commission direct the staff to supplement such a study with a 2010 report on the progress towards achievement of the milestones and the effect, if any, on the timetable identified in a final Roadmap.

Timing and Transition for Mandatory Use of IFRS

Should the Commission decide in 2011 to mandate the use of IFRS by U.S. issuers, we recommend a phased-in transition over a two-year period in order to reduce the amount of time that two accounting models are being used as the basis for information provided to users. Otherwise, we support the timing for mandatory conversion to IFRS in the Proposed Roadmap subject to our concerns over the lack of a date-certain. We believe that large accelerated filers should be required to apply IFRS in the first year of the transition (i.e., periods ending on or after December 15, 2014) with the remaining U.S. issuers required to apply IFRS in the following year. We believe that this phase-in approach would allow smaller issuers with more limited resources additional time to undertake the training, systems development, and other steps necessary for a successful transition while limiting the time in which financial statements of a significant number of U.S. issuers are not comparable due to the application of different financial reporting standards. In the event that a three-year transition period is mandated, the Commission also will need to provide guidance as to the requirements for U.S. issuers whose filing status changes during the transition period.



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Periods to be Included During Transition

The Proposal would require three years of financial information in the year a company first adopts IFRS. IFRS 1 requires a minimum of two years of IFRS financial information in the year of first-time adoption such that companies would present three audited balance sheets and two audited statements of comprehensive income, cash flows, and changes in equity. IFRS 1 also requires transitional disclosures that provide an explanation of the effect of the transition to IFRS including reconciliations of equity and comprehensive income from U.S. GAAP to IFRS. We believe the Commission should provide the same accommodation to U.S. issuers as is provided to foreign private issuers in the year of first-time adoption of IFRS to present two years of financial information along with the required transitional disclosures.² We believe that the cost associated with providing three years of audited information rather than two years required under IFRS 1 would outweigh the benefits of presenting IFRS information for the earliest year in the three-year period.

SEC Matters

SEC Rules, Regulations and Interpretations

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The Commission has proposed to add Article 13 to Regulation S-X. For now, this approach is satisfactory, given our belief that a very limited number of early adopters will emerge. Nevertheless, we believe that the SEC may need to clarify the applicability of its rules and regulations if all U.S. issuers are required to apply IFRS in preparing their financial statements. For instance, the Proposed Roadmap states that “an eligible IFRS issuer would apply IFRS as issued by the IASB in its entirety, and ordinarily would not be required to comply with provisions of Regulation S-X that specify financial presentation, disclosure content, or recognition and measurement of amounts within the issuer’s financial statements. However, . . . in many instances, disclosures of the types specified by Regulation S-X may be necessary in IFRS financial statements to fully comply with the general requirement for fair presentation of IFRS financial statements . . .”³ We encourage the Commission to provide clear guidance for IFRS filers on the “many instances” where the applicability of Regulation S-X as well as other

² SEC Release No. 33-8879, *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP*, December 21, 2007.

³ SEC Release No. 33-8982, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers*, p. 84.



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Commission rules, regulations and interpretive guidance would be necessary in the preparation of IFRS financial statements.

Prior to mandatory adoption of IFRS by U.S. issuers, we encourage the SEC and its staff to undertake a comprehensive review of all rules, regulations and interpretive guidance and make changes to align them with the requirements and terminology of IFRS. The Center for Audit Quality's (CAQ) response to the proposed rule change: *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP* (see the CAQ comment letter at www.sec.gov/comments/s7-13-07/s71307-81.pdf) provided schedules identifying several specific examples of SEC regulations, guidance and staff positions that include references to U.S. GAAP as part of the SEC requirements, including references in non-financial statement disclosure requirements. The appendix to the CAQ comment letter contained illustrative examples of items, and we hope that this appendix will help the SEC staff work with issuers, auditors and users to address and perhaps anticipate some of the application issues that can be expected to arise.

Proposed Article 13 to Regulation S-X does not explicitly refer to Rule 3-10 of Regulation S-X, *Financial statements of guarantors and issuers of guaranteed securities registered or beginning registered* and Rule 3-16 of Regulation S-X, *Financial statements of affiliates whose securities collateralize an issue registered or being registered*. We believe that the SEC should address these rules in the final adoption of Article 13.

The Proposed Roadmap specifies that the supplemental U.S. GAAP reconciliation proposed under Alternative B for early adopters should give sufficient details to enable users to understand material adjustments to the primary statements. However, the Proposed Roadmap does not specify the format under which an IFRS issuer should present this reconciliation, that is, should it be analogous to the former Item 17 or Item 18 reconciliations of Form 20-F, or some other format. We believe the cost of providing an analogous Item 18 reconciliation outweighs the benefits and therefore we recommend that, if a supplemental U.S. GAAP reconciliation is required, it be prepared and presented in a manner analogous to former requirements of Item 17 of Form 20-F.

We recommend that Item 301(a) of Regulation S-K explicitly allow an IFRS issuer to present selected historical financial data using IFRSs for the same periods provided in the financial statements in its first filing applying IFRS with the remaining years presented on the basis of U.S. GAAP, and then phase-in the required years of IFRS information by providing an additional year of IFRS information in each of the subsequent filings.

Upon issuance of a final rule requiring use of IFRS by U.S. issuers, we would expect the SEC to provide guidance on the nature and timing of transitional disclosures prior to adoption of IFRS, similar to those required under SAB Topic 11M, *Disclosure Of The Impact That Recently Issued*



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Accounting Standard Will Have On The Financial Statements Of The Registrant When Adopted In A Future Period. In connection with providing these types of disclosures, we believe U.S. issuers should describe the potential impact of applying IFRS by providing robust qualitative and quantitative disclosures within a set timeframe prior to adopting IFRS. We suggest that the SEC consider the experiences of other markets that have adopted IFRS in determining the extent and timing of qualitative and quantitative disclosures by U.S. issuers prior to adopting IFRS.

While we encourage the SEC and its staff to undertake a comprehensive review of its rules, regulations and related interpretive guidance to determine their applicability to issuers using IFRS, we believe that, in general, the SEC should not prescribe additional information within the financial statements beyond that required by IFRS. To do so would be inconsistent with the goal of creating a single set of globally-accepted accounting standards issued by an independent standard setter (the IASB). However, the SEC and its staff should consider what additional information outside the financial statements is needed to ensure that investors continue to receive comprehensive information about U.S. issuers.

Extension of Safe-Harbor Relief to IFRS 7 Disclosures

IFRS 7, *Financial Instruments: Disclosures*, requires disclosures within the financial statements of information similar to that currently required for U.S. issuers by the SEC's market risk disclosure requirements. Accordingly, we encourage the Commission to develop limited safe-harbor protection for forward-looking information that IFRS requires to be provided as part of the audited financial statements.

Other Matters

Scope-Out of Broker-Dealers and Registered Investment Companies

We support the exclusion of registered investment companies and broker-dealers from the planned transition to IFRS. The U.S. GAAP guidance for registered investment companies and broker-dealers prescribes a fundamentally different accounting and reporting model than is applicable for other entities. Nevertheless, the ultimate goal should be for all entities to transition to IFRS. Accordingly, we believe that the final Roadmap should include a plan of transition to IFRS by registered investment companies and broker-dealers that allows adequate time for the IASB and SEC to consider the appropriate financial reporting model for such entities.

Use of Professional Judgment

The use of professional judgment is critical in the application of both U.S. GAAP and IFRS. However, IFRS represents an accounting and financial reporting framework that generally is considered to provide less-detailed implementation guidance as compared with U.S. GAAP. As the Proposed Roadmap states, IFRS has significantly less application and interpretive guidance



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than U.S. GAAP. With less-detailed implementation guidance, preparers and auditors will be required to exercise professional judgment in additional areas under IFRS. Additionally, IFRS does not provide industry specific guidance where U.S. GAAP has extensive industry specific guidance. This situation may result in there being more situations where judgment in the selection, interpretation and application of IFRS is needed. The expectation is that, under IFRS, the disclosures will need to be more extensive to provide transparency to the judgments being made by management. We encourage the Commission to incorporate the recommendations made by the Committee on Improvements to Financial Reporting that the SEC establish a statement of policy articulating how judgments would be evaluated by the SEC⁴. The recommendation also asks the PCAOB to adopt a similar approach for auditing judgments. This would “provide an environment that promotes the use of judgments and encourages consistent evaluation practices among regulators.”⁵ A consequence of less-detailed implementation guidance in an IFRS regime is that comparability may reflect a range of acceptable interpretations of the standards. Users and regulators must be prepared to accept reasonable judgments in the application of standards, including situations that may lead to differing outcomes in what appear to be similar circumstances, as long as sufficient transparency for users is achieved through appropriate disclosures.

Role of SEC, FASB, and PCAOB

During the period of transition to mandatory use of IFRS, the SEC should recognize the IASB, in addition to the FASB, as the accounting standard setters for U.S. issuers filing financial statements with the SEC. If the SEC mandates the use of IFRS by all U.S. issuers, the SEC should recognize the IASB as the single accounting standard setter for U.S. issuers. Once the U.S. recognizes the IASB as the single accounting standard setter, we do not believe that the standards of the IASB and its interpretative body, IFRIC, should be subject to a formal U.S. ratification or other endorsement process. Given that the ultimate objective is a single set of accounting standards as issued by the IASB, we believe that the SEC should not impose any additional reporting requirements, beyond those required by IFRS, within the financial statements.

The PCAOB should consider the impact on the auditors’ ability to obtain audit evidence to corroborate managements’ assertions related to legal claims. The threshold for disclosure currently set out in the American Bar Association Statement of Policy Regarding Lawyers’ Responses to Auditors’ Requests for Information should be modified for inquiries made under IFRS. This consideration is necessary due to the requirement under IFRS to recognize legal contingencies meeting the more-likely-than-not threshold, which is a lower threshold than the

⁴ August 2008, *Final Report of the Advisory Committee on Improvements to Financial Reporting to the United States Securities and Exchange Commission*, page 93.

⁵ *Ibid.*, page 88.



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probable threshold in U.S. GAAP. In addition, the PCAOB may consider issuing guidance for auditors engaged in auditing market risk information included in the audited financial statements pursuant to IFRS 7; as such information is unaudited and included in the Management Discussion and Analysis when U.S. GAAP financial statements are prepared. The PCAOB also should address the conflict that exists between the requirements for recognition or disclosure of post-balance sheet events under IAS 10, *Events after the Reporting Date* and under the PCAOB's Interim Standards AU 560, *Subsequent Events*.

Other Regulators and Agencies

As stated in the Proposed Roadmap, the use of the LIFO inventory method is not permissible under IFRS. However, there currently exists a "LIFO conformity" rule for U.S. taxpayers using LIFO for tax purposes. We understand that this LIFO conformity rule is not tied to U.S. GAAP but rather is tied to the entity's financial reporting to shareholders. Additionally, we understand that transfer pricing arrangements and franchise tax considerations may be affected by the adoption of IFRS. As such, the SEC should work with the Internal Revenue Service and other tax authorities to mitigate the tax consequences to U.S. issuers from the adoption of IFRS. The SEC also will need to work with prudential regulators to understand the impact on regulatory capital requirements for industries such as banking and insurance as well as on the rate-making process for industries such as utilities.

* * * * *

We believe that the Proposed Roadmap provides a reasonable action plan and timetable for achieving the ultimate objective of a single set of high-quality, globally-accepted accounting standards issued by a single global standard setter. We believe that the Proposed Roadmap appropriately balances the need for caution and decisiveness in successfully transitioning to a single set of global accounting standards in the U.S. market.

We appreciate the opportunity to submit our comments on the Proposed Roadmap. If you have any questions regarding our comments, please do not hesitate to contact Sam Ranzilla, (212) 909-5837, sranzilla@kpmg.com, Glen Davison, (212) 909-5839, gdavison@kpmg.com, or Mark Bielstein, (212) 909-5419, mbielstein@kpmg.com.

Sincerely,

KPMG LLP

cc:



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SEC

Chairman Mary L. Schapiro
Commissioner Luis A. Aguilar
Commissioner Kathleen L. Casey
Commissioner Troy A. Paredes
Commissioner Elise B. Walter
James L. Kroeker, Acting Chief Accountant

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