



294 Route 100
Somers, NY 10589

February 19, 2009

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Subject: 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:

The International Business Machines Corporation ("IBM" or the "company") welcomes the opportunity to share its views on the Securities and Exchange Commission's (the "SEC" or the "Commission") "Roadmap for the Potential use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers" (the "Roadmap").

IBM supports the development and use of a single set of high quality global accounting standards developed and maintained by an independent standard setter. We believe our views are consistent with the November 2008 G-20 Summit Declaration. These standards will enable investors to compare companies across national boundaries, enhance the efficiency of capital markets worldwide, improve the quality of information reported by entities in various jurisdictions and reduce the burden and cost of compliance with multiple reporting frameworks – all goals that have increased in importance in light of the current financial crisis. However, no set of accounting standards will be considered truly global until they are permitted or required for companies domiciled in the United States, and therefore IBM commends the Commission for its efforts in this regard.

IBM also supports the timeline in the Roadmap for mandatory use of International Financial Reporting Standards ("IFRS") for large filers and supports the optional use of IFRS for U.S. domestic companies prior to that mandate. However, as discussed below, the company does not support restrictions on the option if the intent of the Commission is to have all U.S. listed companies use IFRS in the near future. Removing the restrictions proposed for optional use of IFRS will allow companies ready to adopt IFRS to do so in a manner that reduces their overall cost of conversion and disruption in operations.

It is not our intent to provide responses to all the questions set out by the Commission in the proposed rule. We will focus our comments on specific matters of importance to the company on this subject.

II. The Role of IFRS in the U.S. Capital Markets

IBM agrees with the Commission that adoption of IFRS for companies domiciled in the United States will reduce the disparity in accounting and disclosure practices in the world's major capital markets. The current financial crisis has highlighted the fact that the world's economy is globally integrated and arbitrage opportunities in the area of financial reporting do not serve the interests of protecting investors, or facilitating efficient capital markets. IBM supports IFRS as a set of high quality accounting standards and supports the International Accounting Standards Board (the "IASB") as an organization well positioned to accomplish the objective of developing and maintaining a single set of global accounting standards.

III. A Proposed Roadmap to IFRS Reporting by U.S. Issuers

The Commission has set out seven milestones toward the mandatory adoption of IFRS for publicly listed entities domiciled in the United States starting in 2014. The first of these milestones relates to the improvement in accounting standards. IBM is concerned that the magnitude of changes considered by the IASB and the Financial Accounting Standards Board (the "FASB") to satisfy the Commission's milestone may negatively impact the success of a U.S. conversion to IFRS. Specifically, the main components of the FASB/IASB Memorandum of Understanding (the "MoU") have such broad applicability that changes to these standards concurrent with the adoption of IFRS could lead to confusion by companies and key stakeholders at a time when such uncertainty could have amplified effects. For example, an investor will be required to determine (and companies will need to communicate) whether a new or changed balance is the result of the conversion to IFRS, adoption of a new accounting policy, change in accounting method or all of the above. While we believe convergence between U.S. GAAP and IFRS should continue for topics where similar economic events are accounted for differently, we encourage the FASB and IASB to limit any comprehensive changes to substantially converged standards until a sufficient period of time after broad application of IFRS in the United States.

The Commission has listed a second milestone related to improving the accountability and funding of the International Accounting Standards Committee Foundation (the "IASCF"). The company is encouraged by the creation of the IASCF monitoring board and the ongoing improvements made to the funding mechanism of the IASB. We believe the addition of the United States to the list of countries using IFRS would further enhance the long-term viability and independence of the IASB and support the inclusion of the Commission on the IASCF monitoring board.

IBM has been active in promoting and delivering IFRS education at universities and based on our discussions to date, believe an appropriate level of education will be in place within the SEC's proposed timeline. Furthermore, we note significant progress and awareness of IFRS in the broader finance community. As a result, IBM believes sufficient progress has been made toward the Commission's milestones to support the SEC's proposed time table for mandatory conversion.

We note that the Commission has proposed a final decision on mandatory adoption not be made before 2011. We are concerned that postponing a decision—especially given the likely requirement for 2012 information in a company's first mandatory IFRS filing—may cause companies to delay necessary preparation beyond an acceptable timeframe. This postponement could negatively impact internal controls, planning and costs of conversion and may also discourage companies from adopting IFRS early due to the risk the

Commission may decide not to mandate IFRS. Therefore, we strongly encourage the Commission to decide as soon as possible on a final Roadmap and not defer its decision until 2011.

IV. Proposal for the Limited Early Use of IFRS Where This Would Enhance Comparability for U.S. Investors

IV. (A) Eligibility Requirements

IBM supports a structured transition from U.S. GAAP to IFRS in the United States that includes a time period in which companies may choose to adopt IFRS prior to a mandate. This approach reduces the strain on companies and public accounting firms and will assist U.S. investors, regulators and educators in better understanding IFRS prior to wider adoption. In addition, we believe this option should not be limited, but made available to all companies for the following reasons:

- The broad industry classifications noted in the Roadmap generally do not create industry groupings consistent with the views of investors. For example, according to Standard Industrial Classification (“SIC”) codes, IBM is classified in an industry with industrial, agricultural and construction equipment manufacturers;
- Current industry classifications do not portray corporations that participate in multiple industries appropriately and therefore can not be associated with one “characterization”;
- Companies, such as IBM, that compete in global markets will continue to face accounting differences with foreign competitors (many of which are not large international companies) that may impact the pricing of transactions. Furthermore, multinational companies such as IBM face different competitors in different industry sectors around the world; and
- Many companies are currently applying IFRS for joint ventures and statutory reporting and would benefit from removing the U.S. GAAP books from current work efforts.

Alternatively, the Commission might consider allowing the optional use of IFRS for U.S. publicly traded companies whose size and extent of international operations suggest IFRS could be applied appropriately. This experience will provide investors and regulators with valuable information to update models prior to a wider application of IFRS.

IV. (C) Transition

The Company agrees that a first set of IFRS financial statements should only be presented in a Form 10-K filing. This approach avoids concerns over whether the previous Form 10-K would be considered stale if subsequent Form 10-Qs are issued under a different basis of accounting. However, we support a temporary accommodation to limit the financial information required in the first year of adoption to one comparative period in light of the fact that the requirements in IFRS 1, *First-Time Adoption of IFRS*, are based on one comparative period. For example, adding a third year creates unnecessary exposure to changes in IFRS and will create potential misalignment with subsidiaries adopting IFRS with the same reporting date. The current proposal leads to a jurisdictional variant that should be prevented

to ensure consistency of IFRS around the world. Furthermore, this accommodation would be consistent with the relief provided to foreign issuers who file on Form 20-F.

Alternatively, we support the Commission's proposal in Question 33 allowing companies to file two years of IFRS financial statements in its first annual report through a Form 10-K/A filing. We note, however, that applying this option may impact a company's "first IFRS reporting period" (as defined in IFRS 1), and therefore could negatively impact comparability of conversion adjustments. Therefore, our preference would be to require the presentation and disclosure requirements in IFRS only.

IV. (D) Alternative Proposals for U.S. GAAP Information

IBM opposes presenting an ongoing reconciliation between IFRS and U.S. GAAP for companies that choose to adopt IFRS prior to the mandatory date (Proposal B). Such a requirement would largely eliminate any benefit from converting to IFRS—especially the additional time, cost and workload created by "adding a GAAP" and puts U.S. companies at a disadvantage to their foreign competitors. Furthermore, we believe IFRS 1 currently requires sufficient disclosure to assist users in understanding the impacts of transition and therefore the Company supports Proposal A. IBM also strongly opposes any reconciliation in interim reports as noted in Question 42 due to practical concerns.

IV. (D) (2) Market-Risk and the Safe Harbor Provisions

IBM supports a reassessment of the safe harbor provisions for forward looking statements since IFRS 7, *Financial Instruments: Disclosures*, requires sensitivity analyses based on forward-looking information to be presented in the audited financial statements. This is a departure for issuers who were able to rely on Item 305 of Regulation S-K, which required a similar analysis, but was not included in the audited financial statements. Furthermore, the statutory safe harbors provided under Section 27A of the Securities Act and Section 21E of the Exchange Act expressly excluded from liability forward-looking statements that appear in a financial statement. We would appreciate the continuation of these safe harbors for forward looking information disclosed in audited financial statements. We note that amending the safe harbors to eliminate the exclusion for forward-looking information "included in a financial statement prepared in accordance with generally accepted accounting principles" would accomplish this objective.

Thank you for the opportunity to comment on the Roadmap. If you have any questions, please contact me at (914) 766-3190, or Aaron Anderson at (914) 766-3610.

Sincerely,



Gregg L. Nelson
Vice President, Accounting Policy & Financial Reporting
IBM Corporation