

Ms. Elizabeth Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549-1090

4 March 2009

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

### **Commission File No. S7-27-08**

Dear Ms. Murphy:

Ernst & Young LLP is pleased to respond to the request by the Securities and Exchange Commission (the Commission or the SEC) for comment regarding the proposed roadmap (the Proposed Roadmap) for the potential use of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) by US issuers for purposes of their filings with the Commission. The following are general comments with regard to the Proposed Roadmap. Our responses to individual questions in the Proposed Roadmap are included in the Attachment.

We commend the Commission on issuing this Proposed Roadmap and the related rule proposal to provide certain issuers with the option to prepare their financial statements in accordance with IFRS beginning with SEC filings in 2010. We support the objectives of the Proposed Roadmap and the related early adoption rule proposal, and we look forward to further deliberations on this important topic.

With the increasingly global nature of the capital markets, it is generally recognized that both the markets and investors will benefit from financial statements that are prepared in accordance with a single set of high quality global accounting standards. We believe that the existing body of IFRS has proven to be of high quality, is developed through a robust standard-setting process and is thus being used for reporting by foreign private issuers in the US without reconciliation to US GAAP. With more than 110 countries permitting or requiring IFRS or basing their local standards on IFRS, it is clear that if we are to achieve the objective of a single set of high quality global standards that everyone can and will use, it will be through the use of IFRS – not the imposition of any one country's accounting standards on the rest of the world. However, it is also clear that given the size and depth of the US capital market, if the overall objective of a global set of standards is to be achieved, IFRS also must be applied in the US.

The issuance of the Proposed Roadmap is an important step toward realizing the goal of using a single set of high quality accounting standards throughout the world. We previously have called for the SEC

to set a date certain on which US companies would be required to convert to IFRS as the global standard, and we continue to support that position for reasons set forth below.

### **Timing of the SEC's Decision to Require Adoption of IFRS**

We fully support the SEC's issuance of the Proposed Roadmap. The Proposed Roadmap represents the SEC's most significant step in furthering the goal of a single set of high quality global accounting standards. However, we are concerned that if the Commission waits until 2011 (as contemplated in the Proposed Roadmap) to make a final decision about whether to proceed with the rulemaking for mandatory adoption of IFRS, some of the large accelerated filers that would be required to begin presenting their financial statements in accordance with IFRS for years ending on December 31, 2014 might not have adequate time to prepare for conversion. Under the SEC's suggested timetable, a calendar year-end large accelerated filer would have less than a year from the Commission's decision date in 2011 until its required "date of transition to IFRS" (as that term is defined in IFRS 1, *First Time Adoption of International Financial Reporting Standards*), which would be January 1, 2012 (assuming two years of comparative financial information would be required as contemplated in the Proposed Roadmap, on which we have further comments below). Prudent companies will want to have accounting policies, information systems and business processes in place by the required date of transition to IFRS. Doing so will enable parallel reporting during the transition period and, we believe, foster efficiency, promote meaningful accounting policy elections and enhance the overall quality of financial reporting.

To address this issue and to provide issuers with the lead time that is needed to prepare for adoption – particularly with respect to the modification of information technology systems and business processes – we see three possible alternatives:

- ▶ Alternative 1 - In the near term, set a firm, mandatory date on which US issuers will be required to adopt IFRS
- ▶ Alternative 2 - Retain the 2011 decision date as contemplated in the Proposed Roadmap and the dates contemplated in the Proposed Roadmap for mandatory reporting, but require only one year of comparative financial information prepared under IFRS
- ▶ Alternative 3 - Retain the 2011 decision date as contemplated in the Proposed Roadmap, but carefully evaluate the progress made after 2011 by large accelerated filers as they prepare for conversion to IFRS and, if necessary, consider deferring the dates for mandatory reporting, but not beyond one year

Consistent with our previous communication to the Commission, our preference is for the Commission to adopt Alternative 1 - that is, to set in the near term a firm, mandatory date on which US issuers will be required to adopt IFRS. We support the timetable contemplated in the Proposed Roadmap - 2014 for large accelerated filers, 2015 for accelerated filers and 2016 for non-accelerated filers. Setting the mandatory date in the near term would provide issuers and other constituents with the clarity and confidence needed to begin their conversion processes. A timely decision to set a mandatory date for IFRS reporting also would enable issuers to spread their conversion efforts over a longer period of

time, which not only will ease the financial burden,<sup>1</sup> especially in light of the present economic distress, but also likely would lead to a more rational and effective use of funds and human resources.

As discussed more fully below, we believe that substantive progress is already being made on the milestones set out in the Proposed Roadmap, which should enable the Commission to make a firm decision in the near term to move forward with the rulemaking necessary for mandatory adoption. However, we appreciate that the Commission may want to see further progress on those milestones before making its final decision, and may not wish to make the decision during a period of significant economic distress and uncertainty. Accordingly, Alternative 2 would provide more time to consider the state of the milestones and economic conditions, while maintaining the 2014 - 2016 timetable for mandatory adoption. This approach also would provide the same relief on the number of comparative periods to be presented that the SEC provided to foreign private issuers in their first time adoption of IFRS. Eliminating one comparative period would result in significant cost savings for US issuers while, in our view, not adversely affecting users' abilities to understand the financial position, results of operations and trends under IFRS. We see Alternative 2 as a viable path for the Commission to take.

Under Alternative 3, our least preferred alternative, if the Commission retains its planned 2011 decision date for the IFRS mandate and continues to require two periods of comparative financial information, we are concerned that some large accelerated filers will struggle to be ready for the required date of transition to IFRS (January 1, 2012 for a large accelerated filer with a calendar year-end). Resources will be stressed and much of the cost of conversion would be incurred during one year - 2011. Under this alternative, we would encourage the Commission to be mindful of the compressed timetable to adoption, monitor issuer transition challenges and be open to defer the effective date if necessary to provide issuers with sufficient time to prepare for a successful adoption. Should the Commission find a deferral necessary, we would hope that any delay would not exceed one year.

### **Proposal for Early Adoption**

As stated in our comment letter on the *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (the Concept Release), we believe certain US issuers should be given the option to early adopt IFRS if this is in the best interest of the issuer and its stakeholders. Therefore, we support the Commission's proposal to permit early adoption. However, as proposed, it is likely that very few US companies will choose this option because of the uncertainty of a future mandate, the potential for required reversion to US generally accepted accounting principles (US GAAP), and the potential additional requirement to continue to reconcile to US GAAP. In addition, the proposed criteria by which an early adopter would qualify as an "IFRS Issuer" are too restrictive. While a good start, we believe the potential benefits to the issuer (e.g., the ability to use one set of accounting standards for a greater number of entities within a consolidated group) and to investors (e.g., the extent of use of IFRS by the issuer's peers) should be the ultimate determinant of whether a company should be permitted to present its financial statements using IFRS.

---

<sup>1</sup> Note that the financial burden will be mitigated for certain multinational issuers that will benefit from the use of a uniform set of accounting standards across their group companies, when individual companies within the group use IFRS or local standards based on IFRS for statutory reporting.

We believe that more issuers than would meet the proposed eligibility criteria should be permitted to adopt IFRS early if doing so would benefit investors. Considering the importance of the potential knowledge that would be gained from early adoption and to better assess potential transition issues across the issuer community at large, the pool of eligible candidates should be increased. We urge the Commission to expand the eligibility criteria for early use to include, at a minimum, companies:

- ▶ With a substantial number of subsidiaries that are required to publish statutory financial statements in accordance with IFRS
- ▶ With a parent company (or significant investor) that publishes financial statements in accordance with IFRS
- ▶ With listings on foreign exchanges on which many non-US peer companies already prepare financial statements in accordance with IFRS
- ▶ That are not considered foreign private issuers but are incorporated and operate outside of the US

If an early adoption program is to be effectively utilized, companies should be given the option of adopting IFRS without uncertainty about reverting to US GAAP and without the added burden of an ongoing reconciliation requirement from IFRS to US GAAP, which in our view would require significant ongoing costs without commensurate benefits. In fact, we understand from discussions with many issuers that they are unwilling to commit significant resources to IFRS until the mandate is certain and the risk of reversion to US GAAP is removed (or, at least, is not contemplated in any final rules).

The early adoption proposal includes alternative proposals for the presentation of US GAAP information. We believe Proposal A, which is consistent with the requirements of IFRS 1, would sufficiently inform users of the transitional adjustments made by an issuer in adopting IFRS, and we strongly support it. We believe that Proposal B, which would require supplemental US GAAP information for three years on an ongoing basis in addition to the disclosures required by Proposal A, might be useful to some investors. However, it would put a significant burden on companies to continue to maintain two financial reporting systems and has the potential to result in a “US version” of IFRS, as certain companies would strive to minimize differences between their implementation of the two sets of accounting standards, rather than adopting IFRS in a faithful manner without regard to the reconciliation consequences. Accordingly, if the SEC adopts Proposal B, it would discourage issuers from considering early adoption. Conversely, if the SEC adopts Proposal A and removes the prospect of reversion to US GAAP, a US issuer would be able to consider early adoption of IFRS based on the best interests of the issuer and its stakeholders.

After the SEC sets a mandatory timetable for adoption, we also would support permitting any US issuer to transition to IFRS before its mandatory date of adoption, notwithstanding the early adoption criteria.

### **Milestones**

We believe that significant progress has been made on the important prerequisites, as addressed in the milestones, to the decision to mandate the use of IFRS by US issuers. Recent actions establishing

the Monitoring Board and securing global funding have already enhanced the independence of the IASB. Significant strides have been made in the area of education and training, and much more progress will be made when the SEC decides on a mandatory adoption date. We believe IFRS today represents a set of high-quality accounting standards and that the IASB and the Financial Accounting Standards Board (FASB) are making significant advances in improving their accounting standards. Finally, the International Accounting Standards Committee Foundation also has made significant progress in developing its XBRL framework.

We believe that the significance of the progress on these milestones, which is discussed in greater detail below, should be sufficient to support a current decision on mandatory adoption in the near future. Accordingly, as the Commission deliberates this important decision, we offer the following comments for your consideration:

#### ***Accountability and funding of the IASC Foundation***

*A global funding mechanism* - The independence of the IASB has long been an accepted requirement for the broad-based acceptance of its standard setting process. The Trustees (the Trustees) of the International Accounting Standards Committee Foundation (the Foundation) likewise view the independence of the IASB and its standard setting process to be of paramount importance. Recognizing the importance of a stable funding platform for the IASB, the Foundation has been working since it was established in 2000 to secure a global funding mechanism for the IASB, and we are very encouraged by its work and progress. Central to the funding model, according to the Foundation, is the need for broad-based, sustainable long-term financing that is shared by the major economies of the world on a proportionate basis using gross domestic product as a key determining factor of measurement. Beginning in 2008, the Trustees have succeeded in establishing national funding regimes consistent with these principles in a number of countries.

While there is more work to do, we are encouraged that the Trustees are committed to that work, and we observe that the Trustees will have achieved a significant funding milestone when the US converts to IFRS and presumably significant funding will be directed from the US public company assessment to the IASB. Furthermore, we recognize the recent proposal by the European Commission for public funding for the Foundation. In evaluating progress against the milestones, therefore, the SEC should be mindful that the ultimate achievement of the Foundation's global funding goals is likely to take some time and that measurable progress toward, rather than absolute achievement of, the funding goals should be the important consideration in assessing the milestone.

*Oversight of the IASC Foundation* - We also acknowledge the improvement in the governance and accountability of the IASB that is likely to result from the activities of the recently announced Monitoring Board, which will comprise various public authorities. The Monitoring Board is expected to oversee the activities of the Foundation, refer accounting issues to the Foundation or the IASB Chair and approve the appointment of the Trustees. We encourage the Monitoring Board to assist the Foundation in advancing its global funding goals.

### ***Education & Training***

IFRS training currently is conducted around the world, and numerous efforts are underway to enhance and expand this training. Over time, we expect US college and university curricula to integrate IFRS appropriately. As part of these efforts, for example, Ernst & Young recently announced a million-dollar investment in the creation of a new Academic Resource Center designed to arm university accounting faculty with real-time curricula to meet the fast-changing needs of the global financial markets, with the initial focus being IFRS.

US accounting professionals also have already begun training in anticipation of the eventual use of IFRS in the US and will necessarily rely in the future on a combination of on-the-job training, continuing professional education, and periodic updates provided by accounting firms and others, in the same way they currently address new US GAAP standards. We believe the significant similarities in the basic principles of IFRS and US GAAP, as well as continued convergence efforts, should mitigate the demands for additional education and training. Nonetheless, we recognize the significance of the necessary investment in IFRS education and training. However, until the Commission commits to a date certain for mandatory adoption of IFRS, we believe that the investments in both university and professional training curricula that ultimately will be necessary to successfully convert to IFRS will not be made fully. In short, we believe that the decision to require the adoption of IFRS will lead to the necessary investments in education and training.

### ***Improvements in Accounting Standards***

We agree that the Commission should continue to monitor the activities of both the FASB and the IASB in their efforts to improve their existing financial reporting standards. The improvements to accounting standards resulting from the convergence efforts of the IASB and the FASB have advanced the ultimate goal of a single set of high quality global accounting standards and will also ease the transition burden for US companies. Going forward, we believe that the Boards should continue to focus on broader issues, including those areas not currently addressed in their 2008 update to the 2006 Memorandum of Understanding (MoU) (e.g., investment companies, insurance and extractive industries). We therefore strongly support the Boards' efforts and encourage them to focus their resources on continuous improvement and the completion of a more comprehensive single set of global accounting standards. Both Boards should continue to strive to issue the highest quality standards as they pursue their efforts towards convergence.

### ***Improvement in the use of interactive data for IFRS reporting***

We agree with the Commission's expectation that, if the use of interactive data becomes widespread, US issuers should be capable of providing IFRS financial statements to the SEC in an interactive data format at a greater level of detail than is currently available. To date, the Foundation has published a complete list of tags and annual updates to reflect new pronouncements, changes in XBRL technical standards and other improvements. We understand that the SEC staff is actively involved in the improvement and monitoring of the IFRS list of tags for interactive data reporting.

## **SEC Guidance and IFRS**

The SEC has proposed not to comprehensively change its rules and regulations to integrate IFRS. Instead, the Commission has proposed a new definition of “IFRS Issuer” and a new Article 13 to aggregate requirements of such an issuer. We believe these steps will help US issuers that early adopt IFRS to comply with SEC requirements that reference US GAAP. To facilitate issuer compliance with the principles underlying each disclosure requirement, we recommend that the SEC modify its rules and regulations, in connection with its decision with respect to mandatory adoption, to remove references to US GAAP and replace them with generic descriptions that include examples of the disclosures that the rules and regulations are intended to elicit. Separately, we recommend that the SEC perform a comprehensive review of its existing body of guidance on accounting and financial disclosure requirements (e.g., FRRs, ASRs, SABs, Industry Guides) to assess their potential effects on IFRS issuers. Further, in order to reduce the complexity of financial reporting, the SEC should eliminate any guidance that is redundant, no longer cost beneficial, or that does not elicit useful information for investors.

## **Agreement on the IASB Process**

To achieve the objective of a single set of high quality global accounting standards, the SEC and other relevant authorities throughout the world need to provide input on, and then accept, the standard-setting process followed by the IASB. We believe that the current regime of jurisdictional endorsements (and potential carve-outs) must give way to a globally supported process and result. Effective standard-setting embodies the use of due process that provides opportunity for participation from all stakeholders in the financial reporting process: an essential prerequisite to establishing the quality, consistency and legitimacy of accounting standards. Due process enables new standards to be introduced and existing standards to be changed for sound technical reasons and ensures it is done cohesively, with a timely, inclusive and transparent process that serves the interests of all financial reporting stakeholders.

## **Further Guidance on Reasonable Judgments**

Recognizing the increasing importance of sound judgments by preparers of financial statements and independent auditors as standards become less prescriptive, in its August 2008 report the SEC’s Advisory Committee on Improvements to Financial Reporting recommended that the SEC and PCAOB adopt policy statements on the exercise of judgment by preparers and auditors and how these regulators evaluate the reasonableness of their judgments. Such policy statements should enhance investor confidence by fostering a disciplined approach to reasonable and contemporaneously documented judgments made by preparers and auditors acting in good faith and providing transparency into how the SEC and PCAOB evaluate their reasonableness. We believe that the exercise of sound judgment by preparers and auditors and the respect by regulators and others for such judgments are another important consideration in making the adoption of IFRS successful in the US. Good faith efforts by preparers and their auditors to apply the less prescriptive IFRS financial reporting framework will on occasion result in different conclusions being reached based on the circumstances and substance of the transaction. Notwithstanding this potential for diversity, we believe that the less prescriptive IFRS approach has the potential to result in accounting that presents the most faithful representation of the event to users of financial statements. Accordingly, we

encourage the Commission to implement the recommendations of the SEC's Advisory Committee on Improvements to Financial Reporting relating to the use of judgment, which were reiterated in the Commission's recent study on the use of fair value in accounting.

### **Conclusion**

In summary, we strongly believe that the objective of a single set of high quality global accounting standards is in the interests of global capital markets and investors, that such standards will be IFRS and not US GAAP and that timely use in the US, the world's largest market, will enhance its global preeminence and accelerate the achievement of that objective. A commitment by the SEC to making the switch as of a date certain would provide impetus for associated changes to the financial reporting, tax, regulatory, education and legal systems, and we encourage the Commission to make that commitment in a timely manner.

\* \* \* \* \*

We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

*Ernst & Young LLP*

We have organized our comments to respond to the specific issues on which the Commission seeks public comment. We have grouped our responses to address together those questions that we believe have similar underlying themes.

***The comments below address issues raised by the SEC in question 1***

We agree with the Commission that using a single set of high quality, globally accepted accounting standards would benefit the global capital markets, investors and other users of financial statements. A single set of high quality global accounting standards would facilitate efficient capital allocation decisions by simplifying comparisons among global investment opportunities. It also could result in a higher level of investor understanding and confidence, and thus reduce the overall cost of capital.

Today, more than 110 countries either require or permit IFRS as their accounting standards or base their own local standards on IFRS. And more countries are expected to adopt IFRS in the coming years. For this reason, IFRS has the potential to be the single set of globally accepted accounting standards. As the world's largest capital market, the use of IFRS by US issuers will enhance greatly the preeminence of IFRS around the world.

***The comments below address issues raised by the SEC in questions 2 and 13***

We agree that the milestones described in the Proposed Roadmap are some of the critical steps for the successful adoption of IFRS by US issuers. We question, however, whether the milestones are a necessary prerequisite to formalizing the mandatory dates for use of IFRS by US issuers because, as outlined in our cover letter, substantial progress has already been made on many of the milestones and we are confident that further progress will be made before mandatory adoption. We believe that formalizing the mandatory dates sooner would serve as an impetus for the respective constituents to commence the training and other preparatory work necessary to promote the successful adoption of IFRS.

As we have learned from the adoption of IFRS by companies in the European Union and the preparation underway by Canadian companies for adoption in 2011 with a 2010 transition date, entities are unlikely to commit significant resources before a firm date is set and agreed to. This sentiment also has been strongly expressed to us by many of the US issuers with which we work. Without this commitment, the SEC is unlikely to see the desired progress on the milestones. Therefore, we urge the SEC, in connection with finalizing the rules in this Proposed Roadmap, to formalize the mandatory dates for adoption of IFRS by US issuers.

As explained in our cover letter, while we believe that substantive progress has been made on the milestones, we appreciate that the Commission may want to see further progress before making a final decision. If the milestones are retained as a prerequisite to setting a mandatory date of adoption, we believe that the SEC should clarify the specific underlying objectives and provide tangible and transparent criteria against which to measure progress. In addition, the SEC should publish periodic reports of progress towards the targets, encourage issuers to be forthcoming with specific transition challenges and work with the IASB and FASB in identifying those issues that need additional guidance or clarity.

***The comments below address issues raised by the SEC in question 3***

We believe the mandatory use of IFRS by large accelerated filers beginning with filings for fiscal years ending after December 15, 2014 is reasonable provided the decision is made in the near term or provided that, if the decision is made in 2011 as contemplated in the Proposed Roadmap, that only one comparative period is required to be presented. Affected constituents need time to prepare for a successful conversion to IFRS. Conversion is much more than an accounting exercise. Although accounting driven, this change will affect many aspects of a company outside of the finance function, including information technology, human resources and investor relations, to name but a few. If the SEC's decision is not made until 2011, and if relief is not provided with respect to the number of comparative periods required, some large accelerated issuers that would be required to start applying IFRS in financial statements for periods beginning in 2012 may not have sufficient time to put in place the necessary systems, processes and controls for preparing financial statements using IFRS by the required date of transition (January 1, 2012 for a large accelerated filer with a calendar year-end). Because of the differing judgments and estimates required under the IFRS framework, issuers that will begin to apply IFRS in 2012 financial statements filed in 2015 must be ready to apply IFRS to their transactions in 2012 and cannot wait until later years and simply adjust US GAAP information to IFRS retrospectively. The transition experience in other parts of the world, in particular the European Union and Canada, should be instructive with respect to the significant advance planning required for a successful transition to IFRS.

***The comments below address issues raised by the SEC in question 4***

We believe the proposed date for mandated use of IFRS by US issuers starting in 2014 is reasonable in the scenarios explained in our cover letter. See also our response to question 3 above.

We also believe the proposed staged transition based on issuer size is reasonable in a capital market the size of the US, as it should mitigate the potential negative effects of increased demands on auditors and third-party service providers that will be involved in the conversion process. It also should provide an opportunity to identify issues and related solutions before smaller companies adopt IFRS. However, to increase comparability, we agree that the period between stages should be limited to one year.

After the SEC sets a mandatory timetable for adoption, we would support extending the early adoption option to any issuer to convert to IFRS earlier than its mandated adoption date, notwithstanding the early adoption criteria. Similarly, companies that prepare financial statements in connection with an initial public offering should be encouraged to adopt IFRS early.

Notwithstanding our overall support for the proposed staged transition, we are concerned about the date by which issuers must determine the timing of their conversion to IFRS. As discussed above, we believe that an issuer that will be required to apply IFRS in its financial statements for the three years ended in 2014 must implement systems and controls to apply IFRS in 2012. However, because an issuer will not know its mandatory adoption date with certainty until the second quarter of 2014 – because it will not know with certainty its status as a large accelerated, accelerated or non-accelerated filer – it could be reluctant to commit the resources to begin applying IFRS in 2012. Consider an example in which a calendar year-end company that meets the definition of an accelerated filer before

2014 grows to meet the definition of a large accelerated filer in 2014. Under the proposal, the company would be required to assess its filing status at the end of its second quarter in 2014, which would trigger an obligation to issue IFRS financial statements for its 2014 fiscal year (including comparative financial statements for 2012 and 2013). In this scenario, the issuer would only have six months to prepare its IFRS financial statements for the first time. We recommend that the SEC establish an earlier date (preferably in 2011) for purposes of determining an issuer's IFRS first reporting date.

***The comments below address issues raised by the SEC in questions 5, 9, 10, 11 and 14***

We agree that the Commission should continue to monitor the activities of both the FASB and the IASB in their efforts to improve their existing financial reporting standards. The improvements to accounting standards resulting from the convergence efforts of the IASB and the FASB have advanced the ultimate goal of a single set of global accounting standards. We believe that a decision by the Commission to establish the mandatory date for adoption or allow certain US issuers to use IFRS should further encourage both the FASB and the IASB to focus their agenda on fundamental and critical areas of improvements necessary for a successful adoption and to minimize transition issues. The 2008 update to the 2006 Memorandum of Understanding (MoU) between the FASB and the IASB and the related work program include projects to address many of these areas of improvements. In addition, although not addressed in the MoU, the IASB and the FASB also should complete their joint project to improve their conceptual frameworks and the IASB should provide guidance on the application of IFRS to entities in certain industries (e.g., investment companies, insurance and extractive industries) not currently addressed by IFRS.

In the meantime, the Boards should continue to issue converged standards, and those standards should be exactly the same. Doing so will better prepare US companies as they transition to IFRS. Currently, the Boards are issuing "converged" standards that, in some cases, are not totally converged (e.g., IFRS 3 *Business Combinations* (as revised 2008) and FASB Statement No. 141(R) *Business Combinations*). Further convergence should also lead to easier conversion to IFRS, as the more similar are US GAAP and IFRS, the fewer changes US issuers will need to make to their accounting systems and systems of internal control at adoption. Closer to the mandated date, a moratorium should be imposed on new standards such that they are not required to be adopted between the date of transition to IFRS (i.e., the beginning of the earliest period for which comparative IFRS financial statements are presented) and the first IFRS reporting date (i.e., the latest period presented in the first IFRS financial statements) to facilitate measuring and communicating the effects of adoption prior to the first reporting date.

Despite the convergence initiatives and the improvements resulting from the MoU, we do not believe that the formalization of the mandatory dates for adoption of IFRS by US issuers should be contingent on further convergence efforts, but solely on whether IFRS is a high quality set of accounting standards that has the potential to be globally accepted. IFRS is issued through a robust due process that is transparent to the public. The standards are issued by a board – the IASB – comprised of seasoned professionals with technical expertise, as well as international business and markets experience. The IASB members are appointed by and are subject to the oversight of the Trustees of the IASC Foundation. The Foundation also appoints members of the Standards Advisory Council, which provides the IASB advice on agenda decisions and its work plan. The Foundation also appoints

members of the International Financial Reporting Interpretations Committee that is charged with the responsibility to provide timely guidance on interpretations of IFRS, as well as newly identified issues, in order to promote rigorous and uniform application of the standards. For these reasons, among others, we believe that IFRS represents a set of high quality accounting standards that are used in many capital markets around the world today, including in the US by foreign private issuers.

***The comments below address issues raised by the SEC in question 6***

We believe that IFRS ultimately should be used by all public entities in the US. However, we recommend that reporting by investment companies, registered broker dealers and other regulated entities be adequately considered and resolved before those companies are required to adopt IFRS in the US.

***The comments below address issues raised by the SEC in question 7***

We agree with the description of the matters that would affect market participants that are contained in the Proposed Roadmap and we are not aware of any additional matters that the SEC should consider.

***The comments below address issues raised by the SEC in question 8***

Audit firms with the resources to invest in the necessary training and infrastructure will be able to provide high quality audit services to US issuers that prepare their financial statements in accordance with IFRS, regardless of whether the adoption of IFRS is voluntary or mandatory. Once the Commission formalizes the mandatory adoption dates by all US issuers, an expanded number of audit firms will be able and willing to re-direct their resources to support IFRS issuers. This investment will facilitate the consistent and faithful application of IFRS globally, as audit firms leverage the experience of their international networks in applying IFRS.

To help level the playing field, the SEC should allow smaller companies with significant foreign operations the option to early adopt IFRS in order to broaden the representation of companies and audit firms that will participate in the early adoption process. Moreover, we believe formalizing the mandatory adoption dates will be necessary before smaller companies and their auditors commit the requisite resources to learning IFRS. However, we acknowledge the possibility that, much like some firms choose not to audit public companies, an issuer's decision to early adopt IFRS could lead its audit firm to terminate their relationship because, for example, the audit firm decides not to improve its IFRS expertise within the time necessary to conduct an audit of financial statements prepared in accordance with IFRS.

***The comments below address issues raised by the SEC in question 12***

As discussed in more detail in our cover letter, the IASC Foundation has been working since its inception to secure a global funding platform for the IASB, which they recognize as essential to its independence. Beginning in 2008, the Foundation has succeeded in establishing national funding regimes in many countries and, recently, the European Commission proposed public funding for the Foundation. We observed that the Foundation will have achieved a significant funding milestone when

the US converts to IFRS and significant funding is directed from the US public company assessment to the IASB. In evaluating progress against this milestone, therefore, the SEC should be mindful that the ultimate achievement of the Foundation's global funding goals is likely to take some time and that measurable progress toward, rather than absolute achievement of, the funding goals should be the important consideration in assessing the milestone.

***The comments below address issues raised by the SEC in question 15***

We agree with the Commission that when IFRS is silent and management develops and applies an accounting policy, disclosure of such accounting policy would be appropriate and should be required to the extent it elicits information that is important to an understanding of the financial statements. We note that this is consistent with the requirements of IAS 1 *Presentation of Financial Statements* (IAS 1), in paragraph 117, which states that "[a]n entity shall disclose in the summary of significant accounting policies: (a) the measurement basis (or bases) used in preparing the financial statements, and (b) the other accounting policies used that are relevant to an understanding of the financial statements" and in paragraph 121, which states that "[a]n accounting policy may be significant because of the nature of the entity's operations even if amounts for current and prior periods are not material. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRS but the entity selects and applies in accordance with IAS 8." However, because the disclosure is already required by IAS 1, we do not believe a separate SEC disclosure requirement is necessary.

***The comments below address issues raised by the SEC in questions 16 through 23 and 25 through 26***

As stated in our Concept Release comment letter, we support the proposal to provide certain domestic registrants the option to early adopt IFRS if this is in the best interest of the issuer and its stakeholders. Therefore, we support the Commission's proposal to permit early adoption. Additional issuers also should be permitted to transition to IFRS if it would be beneficial for the company and its stakeholders to do so earlier than would be permitted under the Proposed Roadmap.

As proposed, however, it is likely that few US companies would early adopt IFRS because of the uncertainty of the mandate, the potential for reversion to US GAAP, and the potential additional requirements to continue to reconcile to US GAAP. In fact, we understand from discussions with issuers with whom we work that they are unwilling to commit significant resources to IFRS until its mandatory adoption is certain and the risk of reversion to US GAAP is removed (or, at least, is not contemplated in any final rules). Removing the uncertainty about reversion to US GAAP would provide companies the necessary impetus to consider seriously the potential benefits of early adoption and commence the training and other preparations necessary for a successful transition.

The proposed criteria by which an early adopter would qualify as an "IFRS Issuer" represent a good start. However, we reiterate our belief that the potential benefits to the company and its stakeholders should be the ultimate determinant of whether the SEC should permit a company to present its financial statements using IFRS before a mandatory adoption date.

Companies should only early-adopt IFRS after careful planning and preparation, and only after concluding that adoption would result in high quality financial reporting. The SEC should require a registrant to be forthcoming and transparent in disclosing its decision to early adopt. Thus, we support the “pre-clearance” process described in the Proposed Roadmap, including the proposed no-objection letter and related disclosures stating the issuer’s intent, reasons for early adoption of IFRS and its board’s approval of the adoption decision.

The acceptance of IFRS can be assessed from the feedback by analysts that cover early adopters and from reports of other users on the usefulness of IFRS financial statements. Therefore, if enough companies decide to early adopt, its success would be readily apparent in the coverage given to the issuers by analysts and other marketplace participants in their ratings and assessments of related securities. However, if only a limited number of companies decide to early adopt, there would not be enough information to determine the effectiveness and market results of the early use of IFRS.

Considering the importance of the potential knowledge that would be gained from the result of this early use option and to better assess potential transition issues across the complete issuer community, the pool of eligible candidates should be increased. We urge the Commission to expand the eligibility criteria for early use to include, at a minimum, companies:

- ▶ With substantial numbers of subsidiaries that are required to publish statutory financial statements in accordance with IFRS
- ▶ With a parent company (or significant investor) that publishes statutory financial statements in accordance with IFRS
- ▶ With listings on foreign exchanges where many non-US peer companies already prepare financial statements in accordance with IFRS
- ▶ That are not considered foreign private issuers but are incorporated and operated outside of the US

After the SEC sets a mandatory timetable for adoption, we also would support permitting any US issuer to transition to IFRS before its mandatory date of adoption, notwithstanding the early adoption criteria.

***The comments below address issues raised by the SEC in question 24***

The option to report using IFRS would provide an impetus for analysts, investors and other marketplace participants to improve their understanding of IFRS and advance the SEC’s goal of promoting the use of one set of global financial reporting standards. Many investors and analysts already are experienced with IFRS, particularly those who focus on industries in which major foreign companies report using IFRS. While the co-existence of two sets of reporting standards might seem suboptimal, two dominant sets of standards already exist in the US marketplace, because many foreign private issuers already report using IFRS. Consequently, certain marketplace participants already are compelled to use IFRS information in making investment decisions. We believe the early use option ultimately will improve comparability of financial reporting for investors.

We also observe that many investors make decisions about opportunities available to them throughout the world. And, because IFRS and US GAAP are the dominant standards in the global capital markets, these investors already are required to compare investment opportunities on the basis of these two sets of standards.

***The comments below address issues raised by the SEC in question 27***

Early adopters should be allowed to continue to use IFRS even if the Commission decides not to mandate its use by all US issuers, because those companies have determined that IFRS is the appropriate financial reporting language for them and its use is in the best interests of the issuer and its stakeholders. Also, as previously discussed, we believe that the uncertainty about reversion to US GAAP would likely result in very few issuers, if any, early adopting IFRS.

***The comments below address issues raised by the SEC in question 28***

As previously stated, we believe that for the transition to IFRS to be the most effective, it must be used by all public entities in the US. Accordingly, we recommend that reporting by investment companies, registered broker dealers and other regulated entities be adequately considered and resolved in connection with the mandated use of IFRS in the US. However, we understand there are reporting issues unique to these companies that might justify their exclusion from the early use option. Further, even if the early adoption option was made available to investment companies, changing from US GAAP that allows reporting investments at fair value would likely dissuade most, if not all, from choosing the option. Once these issues are resolved, the Commission should make the early use option available to these companies.

We do not believe any additional classes of issuers should be excluded from the early use option.

***The comments below address issues raised by the SEC in question 29***

We do not believe the Commission should limit the first filing of IFRS financial statements to an annual report on Form 10-K, because many issuers will find it desirable to commence reporting quarterly IFRS information in the same year that they intend to report annual financial statements on IFRS. Financial reporting during interim periods is integral to and informs the marketplace about the expectations of annual performance of the issuer. Therefore, reporting interim and annual information on two different bases of accounting diminishes the relevance of the interim data.

Companies should be allowed to follow one of two alternatives in reporting interim IFRS information in the year of adoption: the alternative suggested by the SEC in question 33 below and the alternative requirements of IFRS 1 applicable to interim reporting in the first IFRS reporting period. IFRS 1 anticipates and provides a solution for bridging the reduced disclosures required in interim reports, which are based on the assumption that users have access to the most recent annual financial statements presented on the same basis of accounting. Accordingly, it provides in paragraph 46 that "... if a first-time adopter did not, in its most recent annual financial statements under previous GAAP, disclose information material to the understanding of the current interim period, its interim period report shall disclose that information or include a cross-reference to another published document that includes it." We envisage that under the IFRS 1 approach issuers would either include the expanded

disclosure<sup>1</sup> in their Form 10-Q for the first quarter of the fiscal year of transition or provide the same information in a Form 8-K, with appropriate reference in their quarterly reports. The disclosure would be incremental to the reconciliations from previous GAAP that are required by IFRS 1.

Alternatively, a company that desires to commence reporting quarterly information in its first IFRS reporting period should be allowed to use the option proposed by the Commission in question 33, which would require the company to file a Form 10-K/A at the beginning of its first IFRS reporting period to include the IFRS statements for the last two fiscal years. See also our response to question 33 below.

We believe the proposed date to begin permitting the early adoption of IFRS is appropriate, because it is up to the issuer's management and directors to determine its readiness to use IFRS. Issuers should be allowed to transition to IFRS as early as their facts and circumstances warrant.

We urge the Commission to extend to US issuers the accommodation afforded to foreign private issuers, which allowed presentation of two years of IFRS financial statements in their first IFRS reporting period. Moreover, this approach should make early adoption a more attractive alternative, as it would reduce the time required to maintain dual accounting systems or construct IFRS financial statements for prior periods.

***The comments below address issues raised by the SEC in question 30***

Issuers will require sufficient time to anticipate and collect the necessary data required for application of IFRS (e.g., contemporaneous hedge documentation and additional disclosure requirements). Accordingly, the requirement to include three-years of financial statements in the year of adoption would be challenging for many companies. Therefore, the Commission should consider extending the same accommodation to early adopters that it provided to foreign private issuers in their first-time adoption of IFRS, by allowing them to present one-year of comparative IFRS financial statements in the year of adoption.

***The comments below address issues raised by the SEC in question 31***

We are not aware of any specific difficulties that US issuers anticipate in applying the requirements of IFRS 1. However, we are mindful that many challenges are likely to arise as issuers prepare for initial adoption. The adoption experience of companies in the European Union suggests that issues unique to US issuers likely will arise that are not contemplated presently in IFRS 1. We note the recent issuance by the IASB of an exposure draft to amend IFRS 1, which addresses certain transition issues that were identified by Canadian oil & gas and rate regulated entities. US issuers also will find the proposed amendment helpful if it is finalized before their transition to IFRS.

---

<sup>1</sup> While left to the discretion of issuer's management, we would envision the incremental disclosure to include a summary of significant accounting policies, estimates and judgments applied in the preparation of the IFRS financial statements and related supplemental analyses.

***The comments below address issues raised by the SEC in question 32***

As previously stated, companies should only early-adopt IFRS after careful planning and preparation to be certain it will result in high quality financial reporting and only after management and the board of directors have determined that it is in the best interest of the company and its stakeholders. We would expect that the desire of the company to be included in the S&P 500, or other major indices, would be a consideration in this decision. However, the SEC mandate could drive changes in indices to include IFRS reporting companies in order for those indices to continue to be relevant.

***The comments below address issues raised by the SEC in question 33***

As discussed in our comment to question 29 above, we believe the alternative described in question 33 would be useful for a US issuer that desires to present interim information using IFRS during the first reporting period in which it plans to report annual IFRS financial statements without also presenting annual US GAAP financial statements for the same period. However, in order to mitigate the possibility that the issuer would be required to restate those financial statements for newly issued IFRS pursuant to paragraph 7 of IFRS 1,<sup>2</sup> the entity would be better served to designate fiscal 2011 in the example in question 33 as its first IFRS reporting period with a transition date of 1 January 2010. Therefore, should the entity adopt a new accounting standard or effect a change in its accounting policies during its fiscal year ending in 2012, the accounting change would not be within the scope of IFRS 1 and would not necessarily require a restatement of those comparative period financial statements. As another potential benefit, this alternative would relieve the US issuer of the burden of compiling and presenting selected quarterly IFRS data for the first time in the 2012 Form 10-K in the above example. Without this alternative, the entity also would be required to include in its 2012 Form 10-K a reconciliation of the summary quarterly IFRS financial data to those previously reported in its interim reports using US GAAP.

We support the alternative described in question 33 for the reasons described above. However, the alternative approach does not relieve the issuer of any of the additional burdens of presenting three years of IFRS financial statements in the first year that it presents IFRS financial statements.

In addition to the SEC making available the alternative described in question 33 for early adopters, as well as the option of following the requirements of IFRS 1 as discussed in our comments addressing question 29, we also recommend that the same alternatives be made available for those issuers subject to the mandatory adoption described in the Proposed Roadmap.

***The comments below address issues raised by the SEC in questions 34 through 38 and 42***

With respect to the two alternative proposals for the US GAAP reconciliation, we strongly support Proposal A, which is consistent with the disclosure requirements of IFRS 1, because it would sufficiently inform users of the transitional adjustments made by an issuer in adopting IFRS. Proposal

---

<sup>2</sup> Paragraph 7 of IFRS 1 requires an entity to use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements.

B, which would require ongoing reconciliations all periods presented, might be useful to some investors. However, it would impose a significant burden on companies to continue to incur the costs to maintain two separate financial reporting systems. Proposal B also could result in a “US version” of IFRS, as certain companies would strive to minimize differences between their implementation of IFRS and US GAAP, rather than adopting IFRS in a faithful manner without regard to the reconciliation consequences. If the SEC requires Proposal B, the costs of maintaining two separate financial reporting systems beyond the transition year are likely to discourage issuers from considering early adoption.

Proposal B also could result in unintended consequences for US investors, analysts and other marketplace participants, because it could serve as a disincentive for them to take the steps necessary for an effective understanding and use of IFRS financial statements. While the Proposed Roadmap suggests that the reconciliation might facilitate the education of US users about IFRS, we believe an ongoing reconciliation requirement would have limited benefits and would not be justified in light of the costs of preparing the reconciliations.

***The comments below address issues raised by the SEC in question 39***

If the Commission insists on the reconciliation described in Proposal B, we do not believe it should be presented as a part of the IFRS financial statements, nor do we believe the information should be audited. Otherwise, the manner of submission should address the underlying objectives while minimizing the cost of compliance.

***The comments below address issues raised by the SEC in question 40***

As previously stated, we believe the reconciliation described in Proposal A sufficiently informs users of the transitional adjustments made upon adoption of IFRS and is consistent with the requirements of IFRS 1. Therefore, no further guidance is required for issuers to comply with this requirement.

If the Commission decides to retain any incremental reconciliation, such as that described in Proposal B, additional guidance on form and content would be needed. In this scenario, a reconciliation similar to that required by Item 17 of Form 20-F should be sufficient to satisfy the SEC's stated objectives.

***The comments below address issues raised by the SEC in question 41***

If the reconciliation presented by an issuer using Proposal A were to comply with IFRS 1, the reconciliation would include sufficient detail to enable users to understand the related adjustments. Therefore, a discussion of the reconciliation in MD&A would not elicit additional valuable information for users, particularly as the IFRS financial statements would provide the basis for MD&A. Similarly, if the SEC adopts Proposal B, we do believe that the SEC should require additional discussions in MD&A about the differences between IFRS and US GAAP. Moreover, we note that foreign private issuers that reconcile to US GAAP are only required to refer, in their MD&A, to the reconciliation in the financial statements, once they have included sufficient detail to enable users to understand the related adjustments.

***The comments below address issues raised by the SEC in question 43***

Once an issuer qualifies to use the early adoption option and has obtained a no-objection letter from the SEC staff, it should be allowed the flexibility to use the option when convenient for the issuer and its stakeholders. We do not believe there are any compelling reasons to limit the period of availability of the option to adopt IFRS early.

***The comments below address issues raised by the SEC in question 44***

As previously stated, the reconciliation requirement in Proposal B would require a company to maintain two separate financial reporting systems and related controls for a longer period of time than otherwise would be necessary. While Proposal B might facilitate an issuer's reversion to US GAAP (which, as discussed previously, we believe the SEC should reject), in that event the company still likely would need to reconstruct information for certain disclosures not required under IFRS. For example, FASB Statement 157, *Fair Value Measurements*, requires an issuer to provide a reconciliation of beginning and ending balances for fair value measurements determined using significant unobservable input (Level 3). This disclosure is not required by IFRS, and an issuer would need to compile the necessary information to make the disclosure under US GAAP again.

***The comments below address issues raised by the SEC in question 45***

As previously stated, the lack of a clear mandate and the uncertainty about reversion to US GAAP will discourage many US issuers from considering early adoption. However, should a US issuer decide to early adopt, even if the SEC adopts Proposal A, the issuer likely would be inclined to maintain parallel systems of financial reporting under both US GAAP and IFRS, unless the SEC dispels concerns about the possible reversion to US GAAP.

***The comments below address issues raised by the SEC in questions 46 and 47***

The proposed definition of "IFRS issuer" and reasons for the distinction between "IFRS issuer" and foreign private issuer are sufficiently clear.

***The comments below address issues raised by the SEC in questions 48, 50, 52 through 54, 62 and 65***

There are areas of SEC guidance in Regulation S-X and Regulation S-K for which the applicability to US issuers adopting IFRS could be unclear. We encourage the Commission to provide clarification in those areas, including:

- ▶ We agree that the creation of a new definition of "IFRS Issuer" and a new Article 13 to aggregate requirements of such an issuer will help US early adopters of IFRS to comply with SEC requirements that reference US GAAP. In addition, the proposed approach to addressing general caption data, segment data and schedule information outside the financial statement is sufficient. To facilitate issuer compliance with the principles underlying each disclosure requirement, we recommend that the SEC to modify its rules and regulations, in connection with its decision with respect to mandatory adoption, to remove references to US GAAP and replace them with generic

descriptions that include examples of the disclosures that the rules and regulations are intended to elicit.

- ▶ Current SEC rules forbid the presentation of a non-GAAP measure within the financial statements “unless the financial measure is required or expressly permitted by the standard setter that is responsible for establishing the GAAP used in such financial statements.” In our experience, IFRS neither requires nor expressly permits any non-GAAP financial measures to be presented in IFRS financial statements. Nevertheless, many foreign private issuers using IFRS present non-GAAP financial measures (e.g., by presenting certain sub-totals) within their financial statements. The Commission should revisit its rules and practices regarding the presentation of non-GAAP financial measures within IFRS financial statements, to clarify their applicability to US issuers filing IFRS financial statements.
- ▶ In connection with the mandate, the SEC also should perform a comprehensive review of its existing body of guidance on accounting and financial disclosure requirements (e.g., FRRs, ASRs, SABs, Industry Guides) to assess their potential effects on IFRS issuers. Further, in order to reduce the complexity of financial reporting, the SEC should eliminate any guidance that is redundant, no longer cost beneficial, or that does not elicit useful information for investors.

***The comments below address issues raised by the SEC in question 49***

We are unaware of any reasons why an issuer would be unable to assert compliance with IFRS as issued by the IASB and obtain the necessary opinion from its independent auditors.

***The comments below address issues raised by the SEC in questions 51 and 63***

An issuer that applies a method of accounting for oil and gas assets that is permitted under IFRS other than the successful-efforts method and that results in inconsistencies between the reserves disclosure required by Industry Guide 2, FAS 69 and the financial statements should be required to provide sufficient disclosure of the method and why its use better elicits the requisite information about the issuer’s reserves.

Although the disclosures required by IFRS generally are sufficient, we agree that issuers in the oil and gas sector of the extractive industry that use IFRS should be required to continue to comply with the disclosure requirements of Statement of Financial Accounting Standards No. 69, *Disclosures about Oil and Gas Producing Activities*, because we understand that the information is useful to investors and analysts that follow companies in the industry. We believe, however, that any incremental required disclosures should be provided outside of the IFRS financial statements and should continue to be unaudited. If the SEC decides that disclosure of the information required by FAS 69 would be useful to users of IFRS financial statements, the proposed Rule 13-03(d) of Regulation S-X should be modified to clarify that entities with significant oil and gas operations should provide the information pursuant to Item 302(b) of Regulation S-K.

***The comments below address issues raised by the SEC in question 55***

Once an issuer has presented three years of IFRS financial statements, we believe that there is no need for it to continue to publish US GAAP information for previous annual or interim periods. Including previously published US GAAP information in Commission filings that include three years of IFRS financial statements might be confusing.

However, we recognize that a significantly shorter earnings trend would be depicted if the SEC were to allow US issuers to present two years of financial statements in the first annual period that they adopt IFRS. Additional selected US GAAP financial data for the three previous years might be informative of the trend of earnings and could mitigate the loss of trend information presented with only two years of IFRS statements.

***The comments below address issues raised by the SEC in question 56***

IFRS 7 Financial Instruments: Disclosures (IFRS 7) requires disclosure in the notes to the annual financial statements of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. There is no corresponding disclosure requirement in US GAAP, although the Commission requires similar discussion, but outside the financial statements, under Item 305 of Regulation S-K. Those disclosures are subject to statutory safe harbor protections.

Given the subjective nature of forward looking information, and the fact that the IFRS 7 disclosures are very similar to the disclosures currently required under Item 305 of Regulation S-K that are subject to safe harbor protection, we encourage the SEC to either utilize its rule making authority to extend the statutory safe harbor protections to the forward looking information required in the notes to financial statements under IFRS 7 or persuade the IASB to allow forward looking disclosures to be presented outside of the financial statements without cross-reference.

***The comments below address issues raised by the SEC in questions 57 and 58***

We believe that the proposed disclosure in Form 10-K is sufficient in prominence and content to indicate to investors that the issuer has changed its basis of financial reporting from that used in previous filings. We do not believe that the Commission should amend Form 8-K to require “forward-looking” disclosure relating to an issuer’s consideration of whether it will file, or a decision to file, IFRS financial statement in the future.

***The comments below address issues raised by the SEC in question 59***

IFRS issuers may find reference to SEC guidance (e.g., FRRs, ASRs, SABs, Industry Guides) useful in the application of IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8). US issuers using IFRS might be even more likely than foreign private issuers to consider SEC literature in applying provisions of IAS 8 in determining the accounting for transactions in areas in which IFRS guidance may be unclear or silent. Accordingly, the Commission should be mindful of the potential indirect effects of its guidance on all issuers that use IFRS, particularly as it considers adopting any new guidance.

Although SEC Staff Accounting Bulletins generally would not apply to an IFRS filer, foreign private issuers have looked to the guidance in Staff Accounting Bulletin 99, *Materiality* in assessing the materiality of misstatements. We would expect that US issuers using IFRS would continue to do so.

***The comments below address issues raised by the SEC in question 60***

The proposed changes appear to be adequate

***The comments below address issues raised by the SEC in question 61***

We believe the basis of presentation of financial statements for purposes of Rule 3-05, 3-09 and 3-14 should depend on the characteristics of either the issuer that is making the filing or the entity whose financial statements are being provided (i.e., if the issuer is an “IFRS issuer” or the entity is organized in the US and would qualify as an “IFRS issuer” if its securities were listed on an exchange, IFRS financial statements would be acceptable).

***The comments below address issues raised by the SEC in questions 64 and 65***

The proposed amendments appear to be adequate. However, with respect to the proposed new instruction (d) to Item 2.05 of Form 8-K, we believe that a reference to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, would be more appropriate with respect to costs incurred for exit or disposal activities than the proposed reference to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. We note that the accounting for these activities generally is covered by paragraphs 70 through 83 of IAS 37.

***The comments below address issues raised by the SEC in question 66***

Please see our cover letter for general comments about the use of IFRS by US issuers.

***The comments below address issues raised by the SEC in questions 67 through 70***

We have no reasons to disagree with the assessment of the costs and benefits or the economic impact of the changes as discussed in the Proposed Roadmap. We believe that the proposed changes to allow eligible US issuers to use IFRS rather than US GAAP to prepare their financial statement in filings with the Commission will:

- ▶ Increase comparability among US issuers, foreign private issuers and their peers around the globe and
- ▶ Enhance capital formation for eligible US issuers by allowing them greater access to global capital raising opportunities

In addition, if the SEC were to allow issuers to present only one comparative period of financial statements in the year of adoption, the cost of transition to IFRS would be reduced, perhaps substantially.