

March 5, 2009

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

By e-mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: Roadmap for the Potential Use of Financial Statements Prepared in Accordance  
with International Financial Reporting Standards by U.S. Issuers  
(Release Nos. 33-8982; 33-9005; 34-59350; File No. S7-27-08)**

Dear Ms. Murphy:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned release. The NYSSCPA thanks the SEC for the opportunity to comment.

The NYSSCPA's IFRS Roadmap Task Force deliberated the release and drafted the attached comments. If you would like additional discussion with us, please contact Rita M. Piazza, the Chair of the SEC Practice Committee, at (212) 710-1744, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Sharon Sabba Fierstein  
President

Attachment

**COMMENTS ON SEC RELEASE Nos. 33-8982; 33-9005; 34-59350  
File No. S7-27-08**

**ROADMAP FOR THE POTENTIAL USE OF FINANCIAL STATEMENTS  
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARDS BY U.S. ISSUERS**

**March 5, 2009**

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**Robert A. Dyson**, Financial Accounting Standards Committee  
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Ernest J. Markezin

## **New York State Society of Certified Public Accountants**

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

**(Release Nos. 33-8982; 33-9005; 34-59350; File No. S7-27-08)**

#### **General Comments**

We support the goal of establishing a single set of high-quality global accounting standards in order to enhance the comparability of financial information and the efficiency and effectiveness of capital formation and allocation. However, the proposal by the Securities and Exchange Commission (“SEC” or the “Commission”) to allow or require public companies in the U.S. to replace U.S. Generally Accepted Accounting Principles (“U.S. GAAP”) with International Financial Reporting Standards (“IFRS”) as their primary basis of accounting should be based on the quality of the accounting standards and not just on the desire to conform accounting standards worldwide.

The SEC Roadmap does not present, in sufficient detail, the methodology and criteria expected to be applied to the milestones in assessing the adequacy of IFRS in meeting the needs of preparers, users, and auditors. Before requiring the adoption of IFRS, the SEC should establish clear criteria on which decision makers, preferably a committee consisting of a cross-section of representatives from the preparer, user, and auditor communities, will assess the quality of IFRS. In addition, the SEC has appropriately identified the need for effective training and education on IFRS for the various stakeholders. While we agree with the Commission’s objectives in allowing early use of IFRS, we believe that the eligibility criteria should be changed to allow a more representative sample of U.S. companies to early adopt IFRS.

The current economic crisis is unprecedented in its global reach, and its depth and duration are hard to predict at the moment. Companies, investors, and other participants in the U.S. capital markets have to face the continued dearth of capital at an economically feasible price. It would be reasonable to conclude that the monetary and human capital costs of the transition to IFRS could be burdensome to entities with limited resources and prohibitive for some smaller entities, even over a period of many years. For instance, the cost of training, an important element of any change, is expected to be significant for auditors, academia, and issuers and users of financial statements. Accordingly, due consideration should be given to the ability of market participants to institute a change as costly and pervasive as the adoption of IFRS.

An alternative approach that may address this concern would be to delay the mandatory conversion to IFRS and, instead, vigorously continue the convergence efforts of the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”). Regardless of the approach, the Commission must include substantial convergence progress as an explicit milestone in support of its decision

processes in 2011. Continuance of the convergence efforts will help produce the best quality global accounting standards and will help minimize convergence costs for U.S. entities when IFRS adoption becomes mandatory.

The principal value of convergence with or ultimate adoption of IFRS is the increase of comparability. Comparability is not a value unto itself, but rather it adds value by lowering the cost to investors in making investment decisions. Such costs of comparison would also be lowered significantly if the differences between U.S. GAAP and IFRS consisted of only a few issues. The value of comparability would be advanced considerably, with less cost in terms of relevance and reliability.

### **Quality of Standards**

In assessing the quality of IFRS, the Commission should consider whether IFRS meets or exceeds the standards of quality established by the FASB Concepts Statements, which present the objectives and concepts of financial reporting in the U.S. Although a final decision need not be bound by all aspects of the FASB Concepts Statements, departures from those statements should be carefully considered and accepted only when IFRS principles are superior or, at least, comparable. Thus, the SEC should show that IFRS is consistent with FASB Concepts Statement No. ("CON") 1, *Objectives of Financial Reporting by Business Enterprises*, whose paragraph 29 states that "management's primary role in external financial reporting is that of communicating information for use by others." According to paragraph 34, "[f]inancial reporting should provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit, and similar decisions." Any assessment of IFRS should specifically address these objectives.

According to CON 2, *Qualitative Characteristics of Accounting Information*, comparability and consistency are important qualitative characteristics of financial information. As discussed below, we believe the SEC needs to address comparability and consistency issues prior to requiring the application of IFRS to financial statements filed with the Commission. In addition, in assessing the quality of IFRS, the SEC should consider the results of its December 2008 study on fair value accounting, given that IFRS requires or allows fair value measurement for many balance sheet items.

We agree that the SEC should also assess whether the current decision-making process of the IASB is conducive to setting future high quality standards. One area of concern is the influence of various national regulators, users, and others who promote the interests of their specific constituencies, as opposed to the needs of the worldwide community. For example, in its recent actions, the IASB permitted retroactive reclassification of financial assets out of held-for-trading category, which allowed companies to "cherry pick" assets with significant losses and reverse those losses out of net income. A *CFO.com* article dated November 14, 2008, "Revised Fair Value Rule is Weaker: Moody's" reported that the IASB rushed through changes to IAS 39 and IFRS 7 because "the European Commission was bearing down on the organization and threatening to pass legislation." The Chairman of the IASB asserted that "the IASB faced a standard-setting dilemma that he would never encounter again." The dissenting IASB

board members stated that they "do not believe that amendments to standards should be made without any due process." Questions about the IASB's ability to weather political pressures raise serious doubts about its ability to issue high quality standards.

We believe that we may be able to put faith in assurances of no future political interference only if certain IASB governance matters are resolved, such as fiscal independence and operational freedom. The SEC Roadmap addresses forming a Monitoring Group and other governance matters in Section III.A.2 (pages 24-27). The proposed Monitoring Group appears to consist of various national regulatory agencies and may not necessarily consider the needs of users, preparers, and auditors. We believe that the SEC should carefully evaluate the effectiveness of such a monitoring group in 2011. We are concerned that legislative bodies may mandate changes to IFRS causing a divergence from the goal of one global accounting standard, thereby undermining one of its principle values.

### **Comparability**

The Roadmap presents two benefits from adopting IFRS: improved comparability with non-U.S. reporting entities and providing management with greater judgment in preparing its financial information. While desirable, these attributes appear inherently contradictory. In Section II.A.2 (page 17), the Roadmap asserts:

"Promoting a single set of globally accepted accounting standards will benefit investors as more and more companies prepare their financial statements applying a single set of high-quality accounting standards. With a single set of accounting standards, investors can more easily compare information and will be in a better position to make informed investment decisions. This benefit is dependent upon use of a single set of high-quality standards globally and financial reporting that is, in fact, consistently applied across companies, industries and countries."

However, in Section VIII.A.1 (page 128), the Roadmap asserts:

"IFRS also is not as prescriptive as U.S. GAAP in certain areas and in certain areas permits a greater amount of allowable options than currently in U.S. GAAP. This relatively lesser amount of guidance and greater optionality may increase issuers' ability to account for transactions or events in accordance with their underlying economics but may also result in the application of greater judgment in applying the standards."

The comparability of financial statements prepared in conformity with IFRS may be overstated. IFRS does not seem to be consistently applied from country to country, as the number of allowable options is conducive for the regulatory agencies in each country to interpret IFRS pursuant to their respective needs and business environments. In order to properly assess the comparability benefits of IFRS, the SEC should compile and summarize these variations in IFRS across jurisdictions. Comparability across jurisdictions is further reduced by the tendency of preparers' and auditors', because of

their habits of mind, to apply IFRS in a manner that is as similar to their current or former national GAAP as possible.

When using principles based standards, reasonable people may arrive at materially different results after applying their judgments to a given set of facts and circumstances. We note that a significant amount of U.S. GAAP literature relates to prescriptive guidance issued by the FASB, the Emerging Issues Task Force, and other interpretive bodies in order to reduce variability in practice. The reduction of specific guidance, including bright lines, would seem to create more variability in financial reporting than what is currently allowable under U.S. GAAP.

A number of legal matters may cause the U.S. to develop its own national version of IFRS, which would further reduce comparability. For example:

- The SEC has the legal authority to set accounting standards for registrants. Congress reiterated the importance of this authority in recent economic recovery legislation. In the past, the SEC has asserted this authority by issuing its own regulations and guidance such as Financial Reporting Releases and Staff Accounting Bulletins (“SAB”). The SEC may also effectively create a U.S. version of IFRS through Accounting and Auditing Enforcement Releases (“AAER”), reviewer decisions, and speeches.
- Preparer and auditor concerns over the legal ramifications of being “second-guessed” are real. In a September 10, 2008 speech, Charles D. Niemeyer, a member of the Public Company Accounting Oversight Board (“PCAOB”), noted that the proliferation of calls for more detailed accounting guidance in U.S. GAAP came as a result of a 1969 case, where the Second Circuit of the U.S. Court of Appeals upheld the conviction of three auditors in a major fraud, despite their compliance with then existing accounting principles. Mr. Niemeyer noted this ruling has been recently upheld in other cases. Concerns over being second guessed could only be alleviated through changes in U.S. law. The existing U.S. legal system will continue to create added pressures on the SEC to create more detailed guidance.
- Changes in Federal and state regulatory regimes may not be accomplished in time to adopt IFRS, necessitating a dual accounting system for financial institutions, insurance companies, public utilities, or other regulated entities where the regulators have prescribed accounting standards which have been considered acceptable for the regulated industries.
- The Internal Revenue Code requires conformity in the method of accounting for inventory for both tax and GAAP purposes. IFRS does not permit the last-in-first-out method, which is permitted in the United States provided that it is used for both U.S. GAAP and tax purposes.

One issue not addressed by the Roadmap is the effect of adopting IFRS on nonpublic and not-for-profit entities. Consideration of these entities involves the future of setting accounting standards in the United States and raises the following questions:

- Should the U.S. maintain a separate organization to set accounting standards for nonpublic and not-for-profit entities or adopt the proposed IASB rules for small and medium sized entities (“IFRS for Private Entities”)?
- What will the governing structure, including funding, be if the U.S. maintains a separate accounting standard setting organization?
- If the IASB’s proposed IFRS for Private Entities are adopted, who will assess the quality of such standards?
- Would the IASB allocate sufficient resources so IFRS for Private Entities standard-setting activities can function effectively?
- What would be the effect of a separate IFRS for Private Entities be on public companies? For example, companies going public after being private for several years may have to restate their IFRS for Private Entities financial statements into full IFRS financial statements. Also, income and expense of the equity-method investees will have to be determined based on the same accounting principles as those applied in the investor’s consolidated financial statements. If the equity-method investee applies IFRS for Private Entities in its separate financial statements, then the investor may have to make adjustments to determine the investee’s net income based on full IFRS. Financial statements of nonpublic guarantors may also have to be presented in accordance with full IFRS.

Although its accounting-setting authority is limited to financial statements filed by public companies, the SEC cannot ignore the impact on nonpublic and not-for-profit organizations of any decision to require public companies to apply IFRS. Full IFRS and the proposed IFRS for Private Entities represent a big GAAP/little GAAP system. The accounting profession in the United States has consistently rejected big GAAP/little GAAP over the years. Any decision in 2011 to adopt IFRS must adequately address this concern.

### **Limited Early Use of IFRS**

We support the Commission’s proposal to allow voluntary early adoption of IFRS by a limited number of U.S. issuers starting with the 2009 fiscal year. We agree that voluntary early adoption of IFRS will be a critical milestone in educating the U.S. financial community about IFRS, in easing the transition for auditors and other service providers, and in providing the Commission with valuable information for its decision in 2011. However, we believe that the eligibility criteria should be changed to allow a more representative sample of U.S. companies to early adopt IFRS. We also support limiting early adoption of IFRS to industries where doing so will increase comparability among

competitors. However, we believe that the methodology for determining “IFRS industries,” as proposed in the Roadmap, yields anomalous results and should be amended.

The Roadmap proposes limiting optional early use of IFRS to the top twenty companies in industries deemed to be “IFRS Industries”. The Roadmap states: “If [a] U.S. issuer were among the 20 largest companies globally in a particular industry and IFRS is used as the basis of financial reporting more often than any other basis of financial reporting among the 20 largest listed companies worldwide in that industry, then the U.S. issuer would be eligible to elect to use IFRS in its filings with the Commission.” We agree with limiting early adoption to “IFRS Industries.” We believe, however, that the voluntary early use of IFRS should be extended to companies not included in the top twenty.

The Roadmap suggests that the proposal to limit early use of IFRS to the twenty largest companies in a given industry is grounded in an assumption that larger companies will be more likely to have sufficient expertise and resources to carry out the adoption. We disagree; we believe that a company’s size does not necessarily determine the level of burden imposed by the adoption process or the company’s willingness to undertake it.

In fact, IFRS adoption experience in Europe has shown that smaller entities may need less time to complete the IFRS transition, while large companies with numerous subsidiaries in different countries may take as long as five years. Also, smaller U.S. registrants with significant, if not predominant, foreign operations, may prefer to use IFRS. For example, some U.S. issuers are wholly-owned foreign operations that have been reverse-merged into U.S. domestic public shells. It would be much easier for them to use IFRS rather than U.S. GAAP and, as such, they would be good candidates for early adoption.

We are concerned that there may not be sufficiently broad knowledge of IFRS in the U.S. to allow many companies to early adopt IFRS. Unduly limiting early adoption based on market capitalization may further restrict the number of U.S. companies using IFRS by 2011. It is important for the Commission to glean insight from a sufficiently large and diverse sample of IFRS users in the U.S. Accordingly, we believe it is essential that early adopters of IFRS in the U.S. comprise a broader, more representative sample of U.S. public companies, a step beyond the Commission’s current definition.

We support limiting IFRS adoption to those industries where doing so will increase comparability. However, we note that the definition of “IFRS Industry,” as currently drafted, yields anomalous results. The examples given in the Roadmap (pages 55-56) show that an industry where 20% of the twenty largest companies use IFRS would be considered an IFRS industry, while another industry where 35% of the twenty largest companies use IFRS, would not. We believe that the definition should be based on the percentage of companies in an industry using IFRS. An industry would be considered an “IFRS Industry” if a certain minimum percentage (e.g., 35%) of its largest twenty companies use IFRS. The minimum percentage should be set with the objective of

encouraging comparability, while rendering a sufficiently large and diverse sample of IFRS users in the U.S. by 2011.

### **Disclosures Required in IFRS Financial Statements**

We support Proposal B presented in the Roadmap, which would require early IFRS adopters to reconcile their financial statements to U.S. GAAP for all periods presented. Although this may deter some eligible companies from adopting IFRS early, we believe this potential drawback is outweighed by the benefits of these disclosure requirements. Most importantly, IFRS to U.S. GAAP reconciliations over a meaningful period of time will provide the Commission with important data to be considered as part of its decision process in 2011. The Commission should evaluate information such as the effects of IFRS adoption on earnings, consistency of accounting policies selected by companies in the same industry, and the extent of adjustments required to reconcile from U.S. GAAP to IFRS. Furthermore, the reconciliations will be helpful in educating U.S. financial statement preparers and the investing community about differences between IFRS and U.S. GAAP. Another essential benefit of Proposal B is maintaining comparability among U.S. issuers while two different accounting frameworks are being used in the U.S.

As pointed out in the Roadmap, the reconciliation requirement would compel early IFRS users to maintain their U.S. GAAP records and related controls. Doing so will be very important, in the event that the Commission decides not to proceed with mandating IFRS adoption for all U.S. issuers.

Absent the reconciliation requirements imposed by Proposal B, there will not be sufficient market mechanisms to encourage early IFRS adopters to provide similar information voluntarily or to maintain adequate U.S. GAAP records and internal controls. Accordingly, we believe following Proposal B is the best choice.

### **Education and Training**

The Roadmap correctly states that investors will realize the primary benefits of a single set of high-quality globally accepted accounting standards only if they fully understand the basis of the reported results. The Roadmap also identifies the various stakeholders who would need effective training and education on IFRS. They include students and university professors, investors, personnel of issuers, issuers' governing bodies, auditors, rating agencies, investment and research analysts, actuaries, valuation experts, lawyers, and personnel of regulators.

To date, the need to learn IFRS has primarily been limited to those stakeholders who interact with companies that issue IFRS-compliant financial statements. These IFRS-conversant stakeholders are likely a very small percentage of the total U.S. population of stakeholders. Training and education of these IFRS-conversant stakeholders occurred over a number of years through sponsored formal training programs or on-the-job training. However, this organic or informal approach to IFRS education and training will probably not be adequate to support the adoption of IFRS in the U.S. within the timeline detailed in the Roadmap.

For instance, U.S. companies that are proposed to be eligible for early adoption and opt to do so by the 2009 fiscal year are expected to be large companies and would likely require the rapid education of the various aforementioned stakeholders. Accordingly, even for stakeholders of large public companies, a more formal approach to training would be required to occur in calendar 2009. While the costs of a formal training program undertaken by all stakeholders have not been quantified, it will surely require a significant investment per stakeholder. This raises the issue of educating and training the personnel of smaller issuers and smaller audit firms and every other stakeholder who would have to prepare for the adoption of IFRS in 2015.

The current economic crisis will probably significantly reduce the ability of many small companies, auditors, and other participants with limited financial means to incur the significant costs associated with a change to IFRS. Solely relying on private investment to affect the significant structural changes required for the successful adoption of IFRS could result in a patchwork of IFRS knowledge throughout the U.S. with some groups of stakeholders who are better educated on and, therefore, better prepared to deal with IFRS than others.

We expect that the big and medium sized accounting firms and other profit seeking entities will step up to offer various IFRS training programs for professionals. In order to opine on IFRS financial statements, existing CPAs would likely be required by the various state boards of accountancy to earn mandatory CPE credit in IFRS. With regard to university education in the U.S., market forces will help to ensure that IFRS is included in the respective curricula of the various universities once the adoption of IFRS in the U.S. becomes a certainty. Given that U.S. GAAP could continue to be applied (by private companies and certain other entities not covered by the Roadmap) even after the adoption of IFRS, the IFRS curriculum would need to be added to the existing U.S. GAAP curriculum. However, we do not believe that these professional and university programs will be substantially in place by 2011, although we do expect significant growth in the number of such activities over the next two years. We do believe the establishment of a date (after the 2011 assessment) for the adoption of IFRS will be the most potent driver for the establishment of comprehensive professional and university programs.

### **Matters on Which Specific Comments Were Requested**

We have the following responses where matters on which specific comments were requested. Each question to which we are responding is reprinted below, followed by our response:

- 13. What steps should the Commission and others take in order to determine whether U.S. investors, U.S. issuers, and other market participants are ready to transition to IFRS? How should the Commission measure the progress of U.S. investors, U.S. issuers, and other market participants in this area? What specific factors should the Commission consider?**

In assessing the level of readiness of U.S. investors, issuers, and other market participants for the transition to IFRS, the Commission should consider, among other things, the growth in IFRS education and training programs in the U.S., as well as implementation and audit issues unique to the application of IFRS in the U.S. We suggest the following methods that the Commission could employ to assess the extent of progress achieved:

- Analyze data relating to the growth in IFRS training and education in the U.S. Data sources could include continuing professional education records (relating to IFRS) from the various state licensing boards, the number of and growth in fee-based IFRS training programs, the number of university programs with comprehensive courses on IFRS, growth in the number of U.S.-based accountants with certifications in IFRS (such as the Diploma in International Financial Reporting), etc.
- Conduct periodic surveys of companies and other institutions that are affected by the transition to IFRS to gauge progress on the adoption of IFRS, implementation issues and the costs of transition.
- Issue inquiry letters in which the issuer responds to comments raised by Commission staff. With respect to IFRS filings, it would be useful for the Commission to monitor and disseminate results of SEC inquiry letters (and other matters) related to IFRS filers during this transition period.
- Conduct or participate in periodic roundtable discussions with various groups of stakeholders on topics relating to the adoption of IFRS. Encourage bodies such as the FASB, the American Institute of Certified Public Accountants, and Financial Executives International to take lead roles in organizing and running these roundtables.
- Encourage the PCAOB to devote some attention to IFRS filings in the course of its inspections of Registered Firms (auditors) and to provide to the Commission input relevant to the application of IFRS in the U.S.

**19. Is limiting the proposal to the largest 20 competitors by market capitalization an appropriate criterion? Should it be higher or lower? Should additional U.S. issuers be eligible to elect to report in IFRS if some minimum threshold of U.S. issuers (based on the actual number or market capitalization of U.S. issuers choosing to report in IFRS) elects to report in IFRS under the eligibility requirements proposed? To the extent additional U.S. issuers are not permitted to report in IFRS even if such a minimum threshold is met, are such non-eligible U.S. issuers placed at a competitive disadvantage vis-à-vis U.S. issuers reporting in IFRS?**

We don't believe eligibility criteria should be based on market capitalization. We believe that the option to use IFRS should be extended beyond the top twenty companies in a qualifying industry. Potentially, all filers in "IFRS Industries" should be allowed to use IFRS. If restrictions are imposed, they should be based on significance of the issuer's foreign operations rather than on market capitalization.

- 21. What impact will the Commission's determination to allow an industry to qualify as an "IFRS industry" without majority IFRS use have on the Commission's objective of promoting comparability for U.S. investors? How will this impact U.S. investors, U.S. issuers, and U.S. markets? Is the use of IFRS more than any other set of financial reporting standards the right criterion? Should it be higher or lower?**

As discussed above, the eligibility test proposed in the Roadmap yields anomalous results, with some "IFRS Industries" encompassing a lower percentage of IFRS users than non-"IFRS Industries". We believe that the "IFRS Industry" should be defined based on the percentage of the top twenty companies using IFRS.

- 22. Should the Commission permit additional industries to qualify as IFRS industries, and thus additional U.S. issuers to become early adopters, as more countries outside the U.S. adopt IFRS? Alternatively, should the group of potential industries and early adopters be limited to those that qualify at the time the Commission determines to permit early adoption?**

We believe that eligibility criteria should be assessed on an ongoing basis, rather than at a specific point in time. If a previously disqualified industry later becomes qualified, then qualifying users in that industry should be allowed to early adopt IFRS.

- 23. Do commenters have any suggestions about the procedural aspects of the proposed eligibility requirements, e.g., the procedure of obtaining a letter of no objection from the Commission staff or the minimum contents of the required submission? Is such a procedure necessary? Do commenters agree that such a procedure would assist both issuers and investors? Should the procedural aspects of the proposed eligibility requirements be less formal? Should the procedure be similar to that in a no action letter process regarding shareholder proposals under Rule 14a-8 of the Exchange Act? Should the letter of no objection be advisory only? Should obtaining a letter of no objection be optional? Is the method for calculating eligibility clear and appropriate or are there other alternative suggestions that should be considered? Should the Commission publish standards or criterion to guide the staff's determination? What do commenters believe the respective role of the Commission and its staff should be in making these eligibility determinations? Should the Commission post on its Web site all submissions and responses, including those for which the staff does not issue a no-objection letter?**

We believe that the proposed procedure is necessary and that the formality of obtaining a letter of no-objection is appropriate. Given the significance of such a change in accounting standards to investors, each request should be carefully considered and monitored concerning the reason and timing of the change to IFRS. The letter should neither be optional nor advisory.

As discussed above, we recommend some changes to the method of calculating eligibility. While we agree that early adoption of IFRS should be limited to industries where comparability would be enhanced, we recommend that “IFRS Industry” be defined based on the percentage of the top twenty companies using IFRS. We also believe that the option to early adopt should be extended beyond the top twenty companies in each “IFRS industry.”

The Commission should publish standards or criteria to guide staff and financial statement preparers. The Commission may want to retain some discretion in whether to approve early adoption of IFRS by a particular company, rather than simply applying “bright line tests.” The Commission and its staff should consider whether a candidate for a no objection letter would be a representative issuer whose IFRS filing would provide comparability to others using those standards, as well as whether the issuer is likely to be successful in its application of IFRS.

It may not be appropriate for the Commission to publish all submissions and responses. However, it may want to publish the list of companies who have been issued no objection letters, as well as selected statistics, such as total number of applicants and common reasons for rejection. Finally, it would be useful for the Commission to publish a list of industries that have been already determined to be “IFRS Industries” based on recent submissions. Companies in those industries should be able to request a letter of no objection from the staff without presenting additional analysis showing that their industry is an “IFRS Industry.”

- 25. Do commenters agree that the criterion of enhanced comparability is the correct one? Are there other criteria that should be used? For example, should issuers be eligible based on their size or their global activities? If a size criterion were used to include the largest U.S. issuers, what should the cut-off be? Should there be a criterion based on the absence of past violations of the federal securities laws or based on shareholder approval?**

We believe that early adoption eligibility criteria should be based, at least in part, on the objective of enhancing comparability among competing companies. As discussed above, we do not believe that companies should be prevented from early adopting IFRS based on their market capitalization. However, the size of global activities may be an appropriate criterion.

- 27. What are commenters’ views on the accounting principles that should be used by those U.S. issuers that elect to file IFRS financial statements if the Commission decides not to mandate or permit other U.S. issuers to file IFRS financial statements in 2011? Should the Commission require these issuers to revert back to U.S. GAAP in that situation?**

We believe that in 2011 the Commission should undertake a rigorous and objective evaluation of the appropriate extent of use (or lack thereof) of IFRS in the United States. It should consider the suitability of IFRS for issuers of varying sizes in

varying industries, including the voluntary early adopters. Based on its evaluation of milestones set out in the Roadmap, if the Commission decides that use of IFRS is undesirable for *any* U.S. issuers, it should require *all* then existing IFRS users to revert back to U.S. GAAP in their next annual filings.

**28. Is it appropriate to exclude investment companies, employee stock purchase, savings and similar plans and small reporting companies? Are there other classes of issuers or certain industries that should be excluded?**

We believe that the transition to IFRS should include all entities that are registered with the Commission including investment companies, employee stock purchase, savings and similar plans, and small reporting companies. However, the transition date for the adoption of IFRS would vary by the size of the entity with larger entities adopting IFRS before smaller ones. The final regulations would have to be very specific with regard to the various transition dates for all registered entities and provide detailed guidance on size tests. Smaller companies would benefit from the lessons learned (by companies, auditors, regulators, and standard setters) through the implementation of IFRS by larger companies and possibly reduce their costs of transitioning to IFRS. The transition date for investment companies and employee stock purchase, savings, and similar plans could also be scheduled for a later date, due to the relative complexities of those entities.

**34. What are commenters' views on Proposals A and B relating to U.S. GAAP reconciling information? Which Proposal would be most useful for investors? Is there a need for supplemental information by Proposal B? Would the requirement under Proposal B have an effect on whether eligible U.S. companies elect to file IFRS financial statements? To what extent might market discipline (i.e., investor demand for reconciliation information) encourage early adopters to reconcile to U.S. GAAP even in the absence of a reconciliation requirement?**

As discussed in the general section above, we believe that Proposal B is appropriate, because it will provide educational benefit for the Commission, preparers, and the investing public, maintain comparability among U.S. issuers, and encourage early IFRS adopters to maintain U.S. GAAP records and controls. We believe that in the absence of the required U.S. GAAP reconciliation for all periods presented, there will not be sufficient market mechanisms to encourage IFRS users to present such information voluntarily or to adequately maintain their U.S. GAAP records and controls.

**38. Should we be concerned about the ability of U.S. issuers that elect the early use of IFRS to revert to U.S. GAAP? Would either Proposal be preferred to facilitate such a reversion, should that be appropriate or required as described above?**

As discussed above, we believe that Proposal B would encourage early IFRS adopters to maintain their U.S. GAAP records and controls and would facilitate a smooth reversion to U.S. GAAP, if necessary.

- 39. Under Proposal B, should the proposed U.S. GAAP financial information be audited? Is the proposed role of the auditor appropriate? Should the proposed U.S. GAAP financial information be filed as an exhibit to the Form 10-K annual report, instead as part of the body of the report? Is the proposed treatment of the information appropriate? For example, should the information be deemed “furnished” and not “filed” for purposes of Section 18 of the Exchange Act? Should we require that the supplemental U.S. GAAP information be contained in the annual report that is prepared pursuant to Exchange Act Rule 14a-3(b)? Should the U.S. GAAP information appear as a note to the financial statements? Is the proposed role of the auditor appropriate?**

The U.S. GAAP financial statement information should be audited. It should not be filed as an exhibit. It should be deemed as “filed” rather than “furnished.”

Supplemental GAAP information should appear as a note to the financial statements. In addition, details in the note should describe reasons for the differences and amounts related to those differences.

- 41. Under either Proposal, should we require that the issuer’s “Management’s Discussion and Analysis of Financial Condition and Results of Operations” prepared under Item 303 of Regulation S-K contain a discussion of the reconciliation and the differences between IFRS as issued by the IASB and U.S. GAAP?**

Yes, we believe that discussion of reconciling differences between IFRS and U.S. GAAP in the issuer’s Management’s Discussion and Analysis will be helpful to a reader and should be required.

- 42. Should we require supplemental U.S. GAAP information, such as that in Proposal B, for all quarterly periods covered by IFRS financial statements?**

The information required by Proposal B should be provided for all quarterly periods covered by IFRS.