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March 13, 2009

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

**File Reference: File Number S7-27-08**

Dear Ms. Harmon:

United Technologies Corporation (UTC) welcomes the opportunity to share its views on the Securities and Exchange Commission's (the "Commission") proposed roadmap for the adoption of International Financial Reporting Standards ("IFRS") by U.S. registrants. UTC is a \$55 billion global provider of high technology products and services to the building systems and aerospace industries with over 4,000 locations in more than 180 countries. We have been actively involved with numerous roundtable discussions and industry groups, and the International Financial Reporting Interpretations Committee. It is with this background and perspective that we offer our comments and observations on the Commission's proposed roadmap to IFRS.

We commend the Commission for its foresight and leadership in driving the adoption of a single set of high-quality, globally accepted accounting standards. The current world-wide financial crisis has shown how intertwined the global markets have become and emphasizes the importance of a single global accounting standard, which would improve access to global capital markets and enhance comparability of companies worldwide. Global companies would also benefit from a unified accounting framework for both consolidated and local statutory reporting purposes. Through the efforts of the International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board (FASB) to converge IFRS and U.S. generally accepted accounting principles (US-GAAP), IFRS as issued by the IASB has the most potential to become that high-quality set of globally accepted accounting standards.

While we believe that U.S. companies would benefit by reporting under a single set of high-quality globally accepted accounting standards, there are several issues which should be thoroughly considered before IFRS is mandated. For these reasons, and as further explained in our attached responses to the specific questions raised in the roadmap, we recommend the Commission consider the following:

1. We encourage the Commission to focus their immediate attention on helping our government restore confidence and stability in the U.S. financial markets, at the expense of the IFRS initiative.

2. Convergence efforts between the IASB and FASB should be further emphasized and expanded to reduce the significant differences between IFRS and US-GAAP (i.e. revenue recognition, employee benefits, and financial statement presentation) prior to any mandated adoption of IFRS. Elimination of the major differences between the two sets of standards would greatly reduce the complexity and costs of conversion to IFRS. The Commission should closely monitor the progress of the convergence project. If the FASB and the IASB are unable to complete the significant aspects of the convergence project by 2011, then a transition to IFRS beginning soon thereafter will add significant cost and complexity to the adoption of IFRS.
3. We suggest the Commission consider adding a milestone to monitor the willingness and ability of other U.S. Government agencies to begin accepting IFRS reporting. Currently agencies such as the Internal Revenue Service, US Department of Labor, the Bureau of Economic Analysis and any government agencies which require reporting under Cost Accounting Standards or Federal Acquisition Regulations rely on US-GAAP as their basis for reporting. If the Commission was to require reporting in IFRS, and such a change was not coordinated with other U.S. Government agencies, then U.S. companies would need to continue to maintain US-GAAP books for purposes of reporting to other agencies, while also preparing IFRS financial statements. Dual-reporting under two bases of GAAP would be extremely costly and could lead to confusion as well as unexpected errors in reporting.
4. We suggest that the Commission require only one year of comparative financial statements in U.S. issuers' first IFRS filing. The nature of the differences between IFRS and US-GAAP are not such that a top-side adjustment may be made to convert from US-GAAP to IFRS. Rather, the IFRS results will need to be built in parallel beside the US-GAAP results. IFRS requires just one year comparative period, while the proposed roadmap would require two years of comparative financial statements. We acknowledge the value of multi-year comparative statements but feel that should be balanced with the level of effort required to prepare the results in parallel for an extended period of time. Maintaining dual reporting presents U.S. issuers with a significant burden since all of the processes, controls, and checks must occur twice for each transaction. Indeed, it is likely that the Sarbanes Oxley control testing requirements could nearly double during the period of parallel reporting.
5. We recommend that the Commission modify its roadmap to allow for enough time between the announcement of an IFRS reporting mandate and the required IFRS transition date opening balance sheet. U.S. companies are unlikely to begin expending significant conversion cost and effort until the Commission reaches a definitive date-certain decision. We understand that many U.S. companies will need approximately three years to ensure a cost-effective transition to IFRS.

We would be happy to further discuss our views on the roadmap with the members or staff of the Commission.

Very truly yours,

A handwritten signature in blue ink that reads "Margaret M. Smyth". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail on the 'y'.

Margaret M. Smyth  
Vice President, Controller

## ATTACHMENT

- 1. Do commenters agree that U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of a single set of globally accepted accounting standards? Why or why not? What are commenters' views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?**

We agree that all stakeholders would greatly benefit from the development and use of a single set of high-quality globally accepted accounting standards. A single set of globally accepted accounting standards would facilitate international investing and financing and provide users with stronger tools with which to make capital allocation decisions. UTC has over 4,000 locations in over 180 countries. Use of a single set of high-quality globally accepted accounting standards would enable our finance departments to operate under a single global accounting framework, for both consolidated and statutory local reporting purposes.

We believe that IFRS as issued by the IASB has the greatest potential to become that single set of globally accepted accounting standards, which is suitable for use in the United States. However, its implementation within the United States should begin only after the significant IASB and FASB convergence efforts are substantially completed. The increasing acceptance and use of IFRS in major capital markets throughout the world over the past several years, and its anticipated use in other countries in the near future, indicate that IFRS has the most potential to become the set of accounting standards that best provides a common platform on which companies can report and investors can compare financial information globally.

- 2. Do commenters agree that the milestones and considerations described in Section III.A. of this release ("Milestones to be Achieved Leading to the Use of IFRS by U.S. Issuers") comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission? Are any of the proposed milestones not relevant to the Commission's evaluation? Are there any other milestones that the Commission should consider?**

The milestones and considerations identified by the Commission in its roadmap provide an effective means by which IFRS readiness in the U.S. may be measured. In addition, we suggest the Commission consider adding milestones to monitor the willingness and ability of other government agencies to begin accepting IFRS reporting. Currently agencies such as the Internal Revenue Service ("IRS"), US Department of Labor ("DoL"), the Bureau of Economic Analysis ("BEA") and any government agencies which require reporting under Cost Accounting Standards ("CAS") or Federal Acquisition Regulations ("FAR") rely on US-GAAP as their basis for reporting. If the Commission were to require reporting in IFRS, and such a change were not coordinated with other U.S. Government agencies, then U.S. companies would need to continue to maintain US-GAAP books, while also preparing IFRS financial statements. Dual-reporting under two bases of GAAP would be costly and would increase the risk of misstatement since each transaction must be coded and accounted for twice. Financial reporting costs for all U.S. companies would increase significantly upon the adoption of IFRS if these agencies continue to require US-GAAP based reporting.

Another important milestone is the improvement of accounting standards through the IASB and FASB (collectively the "Boards") convergence projects. A major cost of conversion to IFRS may be eliminated if the convergence project is substantially completed prior to any mandated adoption of IFRS. The Boards have committed to resolving several significant areas of difference by 2011 as part of their convergence efforts. We believe their convergence project timeline to be ambitious. If the Boards are unable to complete a significant portion of the convergence project by 2011, then a transition to IFRS soon thereafter will add significant cost and complexity to the adoption of IFRS.

- 3. Do commenters agree with the timing presented by the milestones? Why or why not? In particular, do commenters agree that the Commission should make a determination in 2011 whether to require use of IFRS by U.S. issuers? Should the Commission make a determination earlier or later than 2011? Are there any other timing considerations that the Commission should take into account?**

U.S. companies would benefit from a methodical transition to IFRS which ensures that the infrastructure for adopting IFRS is established prior to any mandate. U.S. companies will need several years to prepare and plan before creating their initial IFRS opening balance sheet. Without ample time to plan on a stable

platform, U.S. companies will incur significant costs to transition as well as expose themselves to financial reporting misstatement risks.

The nature of the milestones is such that more information is needed before the Commission should make a determination on a mandated adoption of IFRS. In particular, the substantial completion of the Boards' convergence project will create the stable platform necessary for a methodical transition to IFRS. Accordingly, we agree that deferring a decision will allow the Commission to better assess the feasibility, costs and benefits of mandatory reporting in IFRS. However, U.S. companies are unlikely to begin expending significant conversion cost and effort until the Commission reaches a definitive date-certain decision. We understand that many U.S. companies will need approximately three years to ensure a methodical transition to IFRS, which will include the time needed to develop IFRS critical accounting policies and estimates, train employees on these policies, and make the necessary internal reporting process and system changes to accommodate the more disclosure-intensive requirements of IFRS. Accordingly, we recommend that the Commission modify its roadmap to allow for enough time between the announcement of an IFRS reporting mandate and the required IFRS transition date opening balance sheet.

4. **What are commenters' views on the mandated use of IFRS by U.S. issuers beginning in 2014, on an either staged-transition or non-staged transition basis? Should the date for mandated use be earlier or later? If the Commission requires the use of IFRS, should it do so on a staged or sequenced basis? If a staged or sequenced basis would be appropriate, what are commenters' views on the types of U.S. issuers that should first be subject to a requirement to file IFRS financial statements and those that should come later in time? Should any sequenced transition be based on the existing definitions of large accelerated filer and accelerated filer? Should the time period between stages be longer than one year, such as two or three years?**

A change in the basis of accounting from US-GAAP to IFRS will have implications which reach well beyond the financial reporting requirements to the Commission. As noted in our response to question 2, we support the inclusion of an additional milestone to the roadmap to assess the readiness of other government agencies to begin accepting IFRS reporting. So, any phase-in of IFRS reporting would also need to be coordinated and agreed with other government agencies. Unfortunately, many other government agencies do not have equivalent definitions of large accelerated filer and accelerated filer. It is for this reason that we are not in favor of a phased transition. Instead, we believe that IFRS reporting should begin as of a common date for all filers.

5. **What do commenters believe would be the effect on convergence if the Commission were to follow the proposed Roadmap or allow certain U.S. issuers to use IFRS as proposed?**

The Boards have committed to resolving several significant areas of difference as part of their convergence efforts. The Boards have established a convergence timeline which is timed to coincide with the 2011 milestones evaluation. However, we believe the convergence project timeline to be ambitious and at risk of missing the deadline, or subject to scope reductions.

The Commission's proposed roadmap has had a positive impact on the Boards' convergence projects. The Boards are focused and motivated to expeditiously complete convergence to facilitate a U.S. transition to IFRS. Nevertheless, the Boards' convergence project would benefit from a slightly less ambitious timeline. Allowing the Boards more time to complete a thoughtful and thorough convergence of key accounting standards will benefit all filers and users of financial information. Accordingly, we suggest that the Commission's evaluation of convergence should be timed to allow the realistic completion of the Boards' convergence effort.

6. **Is it appropriate to exclude investment companies and other regulated entities filing or furnishing reports with the Commission from the scope of this Roadmap? Should any Roadmap to move to IFRS include these entities within its scope? Should these considerations be a part of the Roadmap? Are there other classes of issuers that should be excluded from present consideration and be addressed separately?**

No basis to comment.

7. **Do commenters agree that these matters would affect market participants in the United States as described above? What other matters may affect market participants? Are there other market participants that would be affected by the use by U.S. issuers of IFRS in their Commission filings? If so, who are they and how would they be affected?**

No basis to comment.

8. **Would a requirement that U.S. issuers file financial statements prepared in accordance with IFRS have any effect on audit quality, the availability of audit services, or concentration of market share among certain audit firms (such as firms with existing international networks)? Would such a requirement affect the competitive position of some audit firms? If the competitiveness of some firms would be adversely affected, would these effects be disproportionately felt by firms other than the largest firms?**

It has been our observation that the larger audit firms utilized by most U.S. issuers are on the forefront of IFRS, including training their employees and their clients. The majority of these firms also have resources who are familiar with a change in a basis of accounting from their experience in the European and other regional conversions. As such, we have no reason to think that the change to IFRS would affect audit quality, the availability of audit services, or market share amongst the audit firms.

9. **What are commenters' views on the IASB's and FASB's joint work plan? Does the work plan serve to promote a single set of high-quality globally accepted accounting standards? Why or why not?**

We support Boards' joint work plan and believe the successful convergence of IFRS and US-GAAP is imperative for developing a single set of high-quality globally accepted accounting standards. As IFRS and US-GAAP both have positive and negative aspects, converging the two by taking the best from both will create high-quality standards that benefit from the input of the IASB and FASB, as well as of all the constituents that report under both these standards. Convergence will also facilitate an easier shift to IFRS by U.S. companies, since it will reduce areas of difference and the cost and complexity of IFRS adoption.

10. **How will the Commission's expectation of progress on the IASB's and FASB's joint work plan impact U.S. investors, U.S. issuers, and U.S. markets? What steps should be taken to promote further progress by the two standard setters?**

To promote further progress by the two standard setters, we suggest the Commission should request that the convergence projects become top priority of the FASB, with all the key resources of the organization working towards their successful completion within established deadlines. The FASB should limit changes to US-GAAP to critical and time sensitive matters, which cannot wait for change through convergence.

11. **The current phase of the IASB's and FASB's joint work plan is scheduled to end in 2011. How should the Commission measure the IASB's and FASB's progress on a going-forward basis? What factors should the Commission evaluate in assessing the IASB's and the FASB's work under the joint work plan?**

The principle goal of convergence should be the reduction and elimination of significant differences between the two bases of accounting, even if this means extending the convergence project to a reasonable date beyond 2011. The schedule established by the Boards is ambitious. The Commission could best help the convergence effort by establishing a date-certain IFRS mandate that allows for the completion of the project on a reasonable timeline and which also allows U.S. companies to begin preparing their financial results after the convergence project has been significantly completed.

12. **What are investors', U.S. issuers', and other market participants' views on the resolution of the IASB governance and funding issues identified in this release?**

We agree with the milestone surrounding accountability and funding of the IASC Foundation as outlined in the Roadmap. The IASB deliberations and resulting standards must not be swayed by the political influence of any country, region or interest and its independence must be ensured before the U.S. companies begin reporting in IFRS. We believe that the newly established Monitoring Board, which oversees the IASC Foundation, is an excellent step in helping insulate the IASC Foundation and the IASB against political

influences. Establishing a sufficient and sustainable funding mechanism is crucial to preserving IASC Foundation and IASB independence.

- 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?**

The Commission should consider establishing an additional milestone to monitor the willingness and ability of other government agencies to permit IFRS-based reporting. Many of these other government agencies currently require US-GAAP based reporting. Please see our response to question number 2.

Also, the Commission may consider creating a voluntary compliance program, similar to that which it established for XBRL reporting. Participants in this program could be offered liability protection in order to encourage companies to early adopt IFRS reporting. In this way, the Commission can "road test" the readiness of companies to transition to IFRS before mandating it for all public registrants.

- 14. Are there any other significant issues the Commission should evaluate in assessing whether IFRS is sufficiently comprehensive?**

Our suggestions are included in our responses to questions 2 and 3.

- 15. Where a standard is absent under IFRS and management must develop and apply an accounting policy (such as described in IAS 8, for example) should the Commission require issuers to provide supplemental disclosures of the accounting policies they have elected and applied, to the extent such disclosures have not been included in the financial statements?**

The benefit of a strong set of global accounting standards is the comparability and consistency offered across international borders; all companies who comply with such global accounting standards are bound by the same governing rules and financial statement disclosure requirements. The benefits of comparability and consistency will be reduced if various international regulatory bodies begin imposing additional country-specific IFRS requirements on their respective constituents. Accordingly, we do not believe the Commission should impose disclosure requirements beyond those required by IFRS.

- 16. Do commenters agree that certain U.S. issuers should have the alternative to report using IFRS prior to 2011? What circumstances should the Commission evaluate in order to assess the effects of early adoption on comparability of industry financial reporting to investors?**

We do not object to certain eligible U.S. issuers having the option to report using IFRS prior to 2011, if they so choose, as currently proposed in the Roadmap.

- 17. Do commenters agree with the proposed criteria by which the comparability of an industry's financial reporting would be assessed? If not, what should the criteria be?**

We do not object to the specific eligibility criteria currently proposed in the Roadmap.

- 18. Which eligible U.S. issuers have the incentive to avail themselves of the proposed amendments, if adopted? Are there reasons for which an issuer that is in a position to file IFRS financial statements under the proposed amendments would elect not to do so? If so, what are they?**

The Roadmap includes several requirements that serve as disincentives against the early use of IFRS. These disincentives include a lack of a definitive future IFRS filing mandate, the requirement to convert back to US-GAAP in the event that IFRS is not mandated in the future, and requirements to reconcile from IFRS back to US-GAAP. Moreover, most U.S. companies will want to wait to adopt IFRS until the significant convergence projects are completed. For these reasons, we expect most U.S. companies that have the option to report under IFRS prior to 2011 will not elect to do so.

- 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 do not object to the specific eligibility criteria currently proposed in the Roadmap, and do not believe that any significant competitive disadvantages will result between U.S. issuers reporting under IFRS vs. US-GAAP.

- 20. Would the use of different industry classification schemes as proposed be unclear or create confusion in determining whether an issuer is IFRS eligible? Should we require that all issuers use a single industry classification scheme? Why or why not?**

No. As U.S. issuers would need to obtain a letter of no objection from the Commission staff, the final determination of the eligibility of the issuer rests with the Commission. The details of the industry classification used to determine whether the U.S. issuer is IFRS eligible and the additional factors presented should be reviewed and approved during this process, with some subjectivity allowed.

- 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?**

We do not object to the specific eligibility criteria currently proposed in the Roadmap.

- 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 do not object to the specific eligibility criteria currently proposed in the Roadmap.

- 23. Do commenters have any suggestions about the procedural aspects of the proposed eligibility requirements, e.g., the procedure for 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 the 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 alternative suggestions that should be considered? Should the Commission publish standards or criteria 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 do not object to the procedural aspects of the proposed eligibility requirements. The Commission should have the final authority in determining whether a U.S. issuer can early adopt IFRS.

- 24. Currently, some public companies in the U.S. public capital market report in accordance with IFRS and others in accordance with U.S. GAAP. Today, however, this ability to report using IFRS exists only for foreign companies. What consequences, opportunities or challenges would be created, and for whom, of extending the option to use IFRS to a limited number of U.S. companies based on the criterion of improving the comparability of financial reporting for investors?**

Extending the option to use IFRS to a limited number of U.S. issuers based on the criterion of improving the comparability of financial reporting for investors would provide additional opportunities to compare the U.S. issuer on consistent terms with the majority of their competitors (as it would need to be deemed an "IFRS

industry"). Currently, as foreign companies are allowed to file with the Commission in accordance with IFRS as issued by the IASB, comparability is already an issue, although one that was created when foreign filers no longer needed to reconcile to US-GAAP.

A difficulty of allowing such a move for eligible U.S. issuers would only arise if the Commission encountered significant issues with IFRS or the IASB that caused the U.S. to abandon the possibility of using IFRS, and again requiring all issuers, both domestic and foreign, to report under US-GAAP. However, we feel that based on the changing global environment and the movement towards IFRS, this is unlikely to occur.

- 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?**

At this time, we believe enhanced comparability is the only criteria to use, and we do not object to the specific eligibility criteria currently proposed in the Roadmap.

- 26. Do commenters agree that the proposed required disclosures are appropriate? If not, what disclosures should be provided?**

We acknowledge the importance of ensuring consistency and comparability across companies and industries. However, a requirement to reconcile from IFRS back to US-GAAP for an extended period of time will be a disincentive to companies against the early use of IFRS. IFRS 1, *First-time Adoption of International Financial Reporting Standards*, (IFRS 1) requires a reconciliation of the balance sheet as of the transition date. However, IFRS 1 does not require ongoing reconciliation to the previous GAAP. A requirement for ongoing reconciliation will, in effect, require those companies who opt for the early use of IFRS to prepare their results under both IFRS and US-GAAP, to allow for the reconciliation.

- 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?**

U.S. issuers who take advantage of the opportunity to early use IFRS should not be required to revert back to US-GAAP even if the Commission ultimately decides against an IFRS filing mandate. The Commission has established strict criteria which only allows a small subset of U.S. issuers the opportunity to early use IFRS. This criteria is based on ensuring comparability within industries in which IFRS is already commonly used. Accordingly, continuing to allow these companies to file in IFRS should not create significant issues of comparability. Furthermore, a requirement to revert back to US-GAAP will virtually eliminate any interest in the early use of IFRS, since U.S. issuers will be unwilling to expend significant investment if continued use of IFRS is uncertain.

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

No basis to comment.

- 29. Should we limit the first filing available to an annual report on Form 10-K, as proposed? If not, why not? Is the proposed transition date of fiscal years ending on or after December 15, 2009 appropriate? Should it be earlier or later, and why? What factors should be considered in setting the date?**

We agree that the first filing under IFRS should be an annual report on Form 10-K. IFRS 1 requires issuers to explain how the transition from previous GAAP to IFRS is reported in its balance sheet. If an entity presents interim reporting for part of the period covered by its first IFRS financial statements, the entity is required to prepare the reconciliation for each interim balance sheet presented. (See IFRS 1.45 and 1.46)

We feel that the cost of preparing the required reconciliation disclosures for interim financial statements in the year of adoption outweigh any potential benefits.

- 30. Are there any considerations that may make it difficult for an eligible U.S. issuer to file IFRS financial statements? Are there considerations about filing IFRS financial statements that would weigh differently for an eligible U.S. issuer than they would for a foreign private issuer that files IFRS financial statements?**

There are several factors that should be considered in evaluating the impact of IFRS on U.S. issuers. As noted above, most U.S. issuers are required to file financial information with other U.S. government agencies such as the IRS, DoL and BEA. If the Commission were to require reporting in IFRS, and such a change were not coordinated with other U.S. Government agencies, then U.S. companies would need to continue to maintain US-GAAP books, while also preparing IFRS financial statements.

- 31. What difficulties, if any, do U.S. issuers anticipate in applying the requirements of IFRS 1 on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?**

Several challenges are presented in the application of IFRS 1 including:

- a. Dual-reporting certain periods under IFRS and US-GAAP;
- b. Application of consistent accounting policies for all presented periods in an area of significant accounting change;
- c. Computing and capitalizing historical development intangible assets on the opening balance sheet;

IFRS requires one prior year's financial results to be presented in IFRS as a comparative period. The nature of the differences between IFRS and US-GAAP is not such that a top-side adjustment may be made to convert from US-GAAP to IFRS. Rather, the IFRS results will need to be built, in parallel beside the US-GAAP results. IFRS requires just one year comparative period, versus the two year comparative requirement in the proposed roadmap. We acknowledge the value of multi-year comparative statements but feel that should be balanced with the level of effort required to prepare the results in parallel for an extended period of time. Maintaining dual reporting presents U.S. issuers with a significant burden since all of the processes, controls, and checks must occur twice for each transaction. Indeed, it is likely that the Sarbanes Oxley control testing requirements could nearly double during the period of parallel reporting. Furthermore, many issuers' information systems may require upgrade or replacement, since they do not support the necessary parallel reporting. Accordingly, we support a one-year comparative reporting requirement, rather than the two year parallel reporting requirement proposed in the roadmap. Accordingly, we suggest that the Commission should reduce the comparative period requirement to one year. The reduction would both bring the requirement in line with IFRS and also reduce the significant cost of running in parallel for two to three years, as well as the chance of unexpected errors occurring.

IFRS 1 also requires the same accounting policies to be applied throughout all periods presented, based on IFRS as effective at the end of the first IFRS reporting period. If during the time of transition to IFRS, significant changes resulted from the convergence project, preparers would encounter significant difficulty in adjusting all periods to comply. An agreed "pencils-down" period by the IASB would be necessary to eliminate this issue by avoiding any new guidance that has significant implications from becoming effective during the U.S. transition period.

We have also noted that IFRS 1 does not include an exemption from computing and capitalizing historical development costs in prior years that would have been capitalized if IFRS had always been utilized. Therefore, U.S. issuers would be required to compute and retroactively apply IAS 38 and its impacts on the beginning IFRS balance sheet. Retroactive calculation of development intangible assets will be highly subjective and difficult to estimate for companies involved in significant amounts of research and development.

- 32. What would affect a company's willingness to use IFRS if it were eligible to do so? For example, some market indices, such as the S&P 500, currently only include issuers that report in U.S. GAAP. Are there other investment instruments or indices that would affect companies that would be eligible to**

use IFRS under the proposed criteria? Would the ability to be included in the S&P 500, or other instrument or index affect whether an eligible U.S. issuer decides to use IFRS? Would these indices be prepared to accept IFRS, and, if so, how long would it take for them to change their criteria? Would more issuers be likely to use IFRS after they do? Should these considerations influence our decision on whether or when to permit or require U.S. issuers to use IFRS in their Commission filings?

The disincentives for eligible U.S. issuers that early convert include the added requirement to continue to disclose what results would have been if the issuer was still under US-GAAP, the lack of determination by the Commission on whether IFRS will be mandated or not until 2011 and possibly having to convert back to US-GAAP, the ongoing conversion projects between IFRS and US-GAAP, the lack of IFRS knowledge within the capital markets, tax and governmental accounting implications and the possible increased scrutiny the issuer could be subjected to by the Commission and other regulatory agencies.

The exclusion of issuers that report in IFRS from the S&P 500 and other market indices is also an additional disincentive. The S&P 500, as well as other market measures, will adopt and adjust to IFRS if the Commission institutes an IFRS reporting mandate.

33. To facilitate the transition to IFRS, should we add an instruction to Form 10-K and Form 10-Q under which an issuer could file two years, rather than three years, of IFRS financial statements in its first annual report containing IFRS financial statements as long as it also filed in that annual report three years of U.S. GAAP financial statements? Under such an approach, an issuer could, during its third year after beginning its IFRS accounting, choose to file a Form 10-K/A with IFRS financial statements covering the previous two fiscal years. For the current (third) fiscal year, the issuer could then file quarterly reports on Form 10-Q using IFRS financial statements. For example, a calendar-year issuer that began its IFRS accounting for the 2010 fiscal year would use U.S. GAAP to prepare its Forms 10-Q and Forms 10-K for the 2010 and 2011 fiscal years. In 2012, that issuer would have the option of filing a Form 10-K or a Form 10-K/A with IFRS financial statements for 2010 and 2011, which would allow it to use IFRS in its quarterly reports during 2012, or continuing to use U.S. GAAP. In either case, the Form 10-K covering the 2012 fiscal year would include three years of IFRS financial statements.

Yes. The requirement of only two years of IFRS financial statements in the first annual and quarterly report containing IFRS financial statements would significantly reduce the burden and cost placed on U.S. issuers during the transition period, and provide additional time for the transition process after the determination by the Commission is made.

If the Commission requires three years of IFRS financial statements for the first annual and quarterly reporting, it would result in a United States specific requirement for IFRS reporting that is more onerous than the requirements of IFRS. This should not be the overall intention if we are truly moving towards a single set of globally accepted accounting principles.

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 the supplemental information provided 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?

We support Proposal A as it is consistent with the requirements of IFRS 1.

35. What role does keeping a set of books in accordance with U.S. GAAP play in the transition of U.S. issuers to IFRS? What impact will keeping U.S. GAAP books have on U.S. investors, U.S. issuers, and market participants?

The requirement to maintain both IFRS and US-GAAP books exists for all U.S. issuers that transition to IFRS as the requirement to restate prior periods in IFRS requires maintenance of the two sets of records. Maintaining this dual reporting presents U.S. issuers with a significant burden since all of the processes, controls, and checks must occur twice for each transaction. Please see our response to question 31 for further detail.

- 36. How valuable is reconciliation to U.S. investors, U.S. issuers, and market participants? How valuable is reconciliation to global market participants? Are there some financial statements (such as the statement of comprehensive income) which should not be required to be reconciled to U.S. GAAP?**

Reconciliation to US-GAAP under Proposal B could be valuable to U.S. investors, other U.S. issuers and market participants; however dual reporting in both IFRS and US-GAAP would obviate any benefits of the early use of IFRS realized by the eligible U.S. issuer.

- 37. Under either Proposal, would investors find the U.S. GAAP information helpful in their education about IFRS or in being able to continue to make financial statement comparisons with U.S. (and non-U.S.) issuers that continue to prepare U.S. GAAP financial statements? Would one alternative be more helpful to U.S. investors, regulators, or others in understanding information prepared under IFRS or to continue to make comparisons with issuers who prepare U.S. GAAP financial statements?**

Providing US-GAAP information under Proposal B could be helpful to U.S. investors in their education about IFRS and in making financial statement comparisons with other U.S. issuers that continue to prepare US-GAAP financial statements; however dual reporting in both IFRS and US-GAAP would obviate any benefits of the early use of IFRS realized by the eligible U.S. issuer. In addition, as foreign private filers are no longer required to reconcile their filings to US-GAAP, we do not believe that U.S. filers that are eligible and elect to early adopt IFRS should be required to do so.

- 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?**

U.S. issuers who take advantage of the opportunity to early use IFRS should not be required to revert back to US-GAAP even if the Commission ultimately decides against an IFRS filing mandate. See our response to question 27.

- 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 of 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 supplemental U.S. GAAP information appear as a note to the financial statements? Is the proposed role of the auditor appropriate?**

We do not favor Proposal B. However, should this information be required, investors will demand audited financial data.

- 40. Under either Proposal, should we provide more guidance as to the form and content of the information called for? Under either Proposal, should we require that additional information be provided, such as a "full reconciliation" as is required under Item 18 of Form 20-F? Is there an intermediate position between the reconciliation under Proposal B and the reconciliation under Item 18 of Form 20-F?**

The requirements in IFRS 1 are sufficient.

- 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?**

We believe that Management's Discussion and Analysis of Financial Condition and Results of Operations should contain a discussion of the reconciliation and differences between IFRS and US-GAAP in the initial years of adoption until no historical US-GAAP financial statement information is included in a regulatory filing.

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

No. We do not favor Proposal B.

43. **Should the option to report under IFRS, whether under Proposal A or Proposal B, automatically terminate as of a date certain? If so, should that date be a set period of time? For example, should it be three years following the effective date of an adopting release? Should it be a longer or shorter time period? Should it be measured from another date (e.g., the first permissible compliance date or the date of the first letter of no objection issued)? What considerations should be part of our decision as to the date or duration?**

No. U.S. issuers who take advantage of the opportunity to early use IFRS should not be required to revert back to US-GAAP even if the Commission ultimately decides against an IFRS filing mandate. See our response to question 27.

44. **Under Proposal B, does providing U.S. GAAP information require issuers electing to file IFRS financial statements to maintain sufficient information, records and controls in order to revert back to U.S. GAAP? If not, what additional information, records or controls must be maintained?**

Yes. However, we do not favor Proposal B.

45. **Under Proposal A, what additional information, records or controls would be necessary for U.S. issuers electing to file IFRS financial statements to maintain so that they could revert back to U.S. GAAP?**

Any requirements to maintain additional information, records or controls to revert back to US-GAAP is a significant disincentive to any companies who may have wished to take advantage of the early use of IFRS.

46. **Are the criteria for issuers eligible to file financial statements in accordance with IFRS as issued by the IASB clear from the proposed definition of "IFRS issuer?" If not, in what way is the definition unclear, and what revisions would be necessary to eliminate any lack of clarity?**

Yes, the criteria for issuers eligible to file financial statements in accordance with IFRS is clear from the proposed definition of IFRS issuer.

47. **Is there any ambiguity in the proposed amendments regarding the reasons for the distinction between "IFRS issuer" and foreign private issuer, and the application of the rules to each? If so, what is the nature of the ambiguity and what would be necessary to provide clarity?**

No, the differences between an "IFRS issuer" as defined and a foreign private issuer is clear, and such differentiation is required due to different disclosure and reporting requirements currently mandated by the Commission for each.

48. **Is the application of Regulation S-X and Regulation S-K to financial statements prepared in accordance with IFRS as issued by the IASB clear from the proposed amendments, or are there other items within those regulations that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as issued by the IASB? If so, how would the application of Regulation S-X and Regulation S-K be unclear if there were no changes to those other than those proposed? What changes would be suggested in order to make them clear?**

We believe the proposed amendments are clear.

49. **Is there any reason why an issuer would be unable to assert compliance with IFRS as issued by the IASB and obtain the necessary opinion from its independent auditor?**

No, given that an issuer is provided with sufficient time and has sufficient resources to effectively and efficiently transition from US-GAAP to IFRS as issued by the IASB. Furthermore, it has been our observation that the large audit firms utilized by the majority of U.S. issuers are on the forefront of IFRS training and appear to be ready to meet an IFRS filing mandate.

- 50. Is the application of Articles 1 through 12 of Regulation S-X to IFRS financial statements clear from the proposed Rule 13-02? If not, what further clarification is necessary? Are there other rules contained in Articles 1 through 12 that do not, or may not, apply to financial statements prepared in accordance with IFRS as issued by the IASB and that are not addressed in proposed Rule 13-02? If so, what are they and how should they be addressed?**

We believe that the application of Articles 1 through 12 of Regulation S-X to IFRS financial statements is clear from the proposed Rule 13-02.

- 51. A U.S. issuer engaged in oil and gas producing activities that has followed the successful efforts method and carries forward that practice under IFRS will have consistent reserves disclosure under FAS 19, FAS 69 and Industry Guide 2. If that issuer were to apply another method of accounting permitted under IFRS, it may lead to inconsistencies between Industry Guide disclosure, FAS 69 disclosure, and the financial statements. Would such potential inconsistencies create ambiguity for users of that information or otherwise be a cause for concern? If so, what would be an appropriate means of addressing the inconsistencies?**

No basis to comment.

- 52. With regard to specific references to U.S. GAAP in our regulations, should we amend the references to U.S. GAAP pronouncements to also reference appropriate IFRS guidance, and, if so, what should the references refer to? Would issuers be able to apply the proposed broad approach to U.S. GAAP pronouncements and would this approach elicit appropriate information for investors? Should we retain the U.S. GAAP references for definitional purposes?**

While a broad approach to replacing US-GAAP pronouncement references is sufficient for the early use of IFRS, we suggest that all required references to appropriate literature be updated in the rules and regulations prior to enactment of any final rule requiring U.S. issuers to file in IFRS.

- 53. With regard to general references to U.S. GAAP, is our proposed approach appropriate and sufficiently clear? If not, how should these matters be addressed differently and why?**

We believe that the proposed approach in the Roadmap is appropriate and sufficiently clear at this time.

- 54. Is our proposed approach sufficiently clear on how to address general caption data, segment data and schedule information outside the financial statements? If not, what changes should we make? Are there other places in our regulations that need to be addressed?**

We believe that the proposed approach in the Roadmap is sufficiently clear at this time.

- 55. Will three years of selected financial data based on IFRS be sufficient for investors, or should IFRS issuers be required to disclose in their selected financial data previously published information based on U.S. GAAP with respect to previous financial years or interim periods?**

We believe that including only two years of selected financial data based on IFRS for only the year of transition will provide investors with sufficient information to assess the issuer and compare it with its domestic and foreign competitors. The selected financial data provided in subsequent years after initial adoption could then be increased until a total of five years of selected financial data based on IFRS is presented, consistent with current Commission requirements under US-GAAP. Our proposed approach is consistent with that applied and allowed for foreign private issuers in their adoption of IFRS.

This disclosure is consistent with the suggestions we have presented previously, where we believe that reducing the requirement for IFRS financial statements from three years to two years (consistent with the current requirement in IFRS) for only the year of transition, would effectively provide sufficient time and reduce the cost related to the conversion borne by the issuers, while still providing investors with sufficient information to assess the issuer and compare it with its domestic and foreign competitors.

We do not object to publishing additional previously published information based on US-GAAP.

- 56. Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?**

Yes, we believe that the forward-looking statements included within a disclosure in a footnote to the financial statements in accordance with IFRS 7 should include an appropriate safe harbor provision or other relief or statement that is appropriate under the circumstances.

- 57. Is the proposed disclosure in Form 10-K 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? If not, what further disclosure should be provided, and where? Should we require that an issuer disclose the criteria under which it is eligible to file IFRS financial statements? Should issuers be required to reference the letter of no objection in their first IFRS filing?**

We agree with the proposed disclosure in Form 10-K as outlined in the Roadmap and would not object to a requirement to disclose the criteria under which it is eligible to file IFRS financial statements or to reference the letter of no objection in the first IFRS filing.

- 58. Should we amend Form 8-K to require "forward-looking" disclosure relating to an issuer's consideration of whether it will file IFRS financial statements in the future? If so, what type of information should be disclosed, and at what point in time prior to the issuer actually filing IFRS financial statements? Would a requirement to make such forward-looking disclosure have any impact on an issuer's decision to adopt IFRS? If so, what would the effect be?**

We do not believe that any formal requirements, such as an amendment to Form 8-K, should be made requiring "forward-looking" disclosures relating to an issuer's consideration of whether it will file IFRS financial statements in the future. Such disclosures should be left to the discretion of the IFRS issuers, which would provide them with the ability to assess their conversion progress and provide information to investors that is appropriate under the circumstances for each issuer.

- 59. Are there issues on which further guidance for IFRS issuers would be necessary and appropriate?**

Not at this time.

- 60. Is the application of the proposed rules to the preparation of financial statements and financial information described in Sections V.D and V.E above sufficiently clear? If not, what areas need to be clarified? Are any further changes needed for issuers that prepare their financial statements using IFRS as issued by the IASB?**

We believe that the information described in Sections V.D and V.E are sufficiently clear, except as discussed elsewhere within this letter.

- 61. Under the proposed rules, an IFRS issuer or foreign private issuer may file financial statements of an entity under Rule 3-05, 3-09 or 3-14 prepared in accordance with IFRS as issued by the IASB even though the entity does not meet the definition of "IFRS issuer." Should we also accept financial statements required under Rule 3-05, 3-09 or 3-14 prepared in accordance with IFRS as issued by the IASB without regard to the status of the issuer as an IFRS issuer or foreign private issuer? Should our acceptance depend on characteristics of the entity whose financial statements are being provided, such as that the entity already prepares IFRS financial statements or the entity principally operates outside the United States?**

We agree that in situations where an IFRS issuer or foreign private issuer are required to file separate financial statements for an acquired "significant" business under Rule 3-05, a "significant" investee under Rule 3-09, or a "significant" acquired property under Rule 3-14 (as defined within Regulation S-X), that such separate filing may be done in accordance with IFRS as issued by the IASB, regardless of whether the individual acquired business, investee, or acquired property meet the definition of an "IFRS issuer" or foreign private issuer by themselves. As the IFRS issuer or foreign private issuer would be required to record the results of these entities under IFRS for consolidated reporting purposes, the ability to also file this way in those instances where separate financial reporting is required under Rule 3-05, 3-09 or 3-14 should

also be allowed to avoid the unnecessary time and expense to report such separate financial statements under US-GAAP. This would especially be relevant in instances where these entities were already reporting in accordance with IFRS as issued by the IASB. In addition, an IFRS issuer or foreign private issuer has the internal knowledge-base and experience of reporting in accordance with IFRS as issued by the IASB to ensure such option would be properly applied to the separate financial statements of the significant entity.

We also recommend that Rules 3-05, 3-09 and 3-14 be modified to allow either US-GAAP filing or reconciliation from IFRS to US-GAAP by issuers who are not an IFRS issuer or foreign private issuer but who have a "significant" acquired business, "significant" investee, or "significant" acquired property. As the issuer would be required to record the results of these entities under US-GAAP for consolidated reporting purposes, US-GAAP reporting for the entity would not require significant time or expense in most instances. Furthermore, in situations where the issuer itself has not converted to IFRS, they may not have the internal knowledge-base and experience to ensure proper application of IFRS for the separate financial reporting required under Rule 3-05, 3-09 or 3-14. In those situations where US-GAAP reporting is not practicable or cost effective for the entity, we suggest that the entity be permitted to present a reconciliation from IFRS to US-GAAP.

- 62. Are there other rules in Regulation S-X that should be specifically amended to accommodate our proposal? If so, how would the application of those rules be unclear if there were no changes to those rules, and what changes would be suggested in order to make them clear?**

We did not identify any additional rules in Regulation S-X that should be specifically amended to accommodate the proposal within the Roadmap, except as discussed elsewhere within this letter.

- 63. Should an IFRS issuer be required to continue to comply with the disclosure requirements of FAS 69? What alternatives may be available to elicit the same or substantially the same disclosure? Proposed Rule 13-03(d) of Regulation S-X is modeled on an instruction relating to FAS 69 in Item 18 of Form 20-F. Does this proposed rule need to be modified in any way to more clearly require filers to provide information required by FAS 69?**

No basis to comment.

- 64. Is the guidance in this proposal sufficient to avoid any ambiguity about the use of IFRS financial statements in exempt offerings? If not, what additional clarification is needed? Is any revision to forms or rules necessary?**

We believe that the guidance in the proposal is sufficient to avoid any ambiguity about the use of IFRS financial statements in exempt offerings.

- 65. Are there other rules or forms under the Securities Act or the Exchange Act that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as issued by the IASB? If so, how would the rules or forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?**

We believe that the roadmap should also include the rule changes necessary to allow U.S. issuers to file IFRS financial statements using XBRL. XBRL filing rules should be modified to allow the use of appropriate IFRS taxonomies by U.S. issuers. All other changes proposed are sufficient, except as discussed elsewhere within this letter.

- 66. Are there other considerations in addition to those discussed in this release that the Commission should consider as part of the proposed amendments to permit the limited use of IFRS or its future decision regarding the use of IFRS by U.S. issuers?**

We believe that no other considerations are necessary, except as discussed elsewhere within this letter.