

April 19, 2004

Mr. Jonathan G. Katz
Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, DC 20549-0609

File No.: S7-15-04
Proposed Rule: First-Time Application of International Financial Reporting Standards
Release Nos. 33-8397 and 34-49403; International Series Release No. 1274

Dear Mr. Katz:

The Center for Public Company Audit Firms (the “Center”) of the American Institute of Certified Public Accountants (“AICPA”) respectfully submits the following written comments on the Securities and Exchange Commission’s (the “SEC” or the “Commission”) proposed rule *First-time Application of International Financial Reporting Standards* (the “Release” or “Proposed Rule”).

The AICPA is the largest professional association of certified public accountants in the United States, with more than 330,000 members in business, industry, public practice, government and education. There are approximately 1,000 firms that are members of the Center. All of the Center’s member firms are U.S. domiciled accounting firms.

We commend the Commission’s efforts to address the conversion en masse to International Financial Reporting Standards (“IFRS”) by a significant number of companies beginning in 2005. This movement toward IFRS presents unique concerns for companies and the accounting profession for the preparation of IFRS financial statements. The compound effect of the requirements relating to the management report and related registered public accounting firm report on internal control over financial reporting, also effective in 2005; and the significant revisions to IFRS may cause the retroactive preparation of IFRS financial statements for 2003 to be too difficult and burdensome for some companies.

Overall, we support the issuance of the Proposed Rule. Our comments on certain specific aspects of the Release are presented below.

DISCUSSION OF THE PROPOSED ACCOMMODATION TO PERMIT OMISSION OF IFRS FINANCIAL STATEMENTS FOR THE THIRD FINANCIAL YEAR

A. Eligibility Requirements

We agree with the Commission's rationale for introducing a temporary accommodation to foreign private issuers relating to the first-time application of IFRS. We note that under proposed General Instruction G, companies are only eligible for the proposed accommodation if:

- The annual report relates to a financial year that begins no later than January 1, 2007;
- Prior to the company's publication of audited financial statements for that financial year, the company had not published audited financial statements prepared in accordance with IFRS for any earlier financial year; and
- The audited financial statements for the company's financial year to which the annual report relates are prepared in accordance with IFRS.

Sunset date

We note that there may be circumstances beyond the "sunset date" in which the proposed accommodation may be appropriate. In Europe, for example, Member States may allow, in certain cases, companies to defer use of IFRS until financial periods beginning in or after January 2007. We note that under the Release, a company may have a financial period beginning in 2007 although after January 1, that would not be eligible for the proposed accommodation. Therefore, the Commission may wish to consider whether the "sunset date" should be aligned with the scope of the requirements in Europe to adopt IFRS.

First-time adopters of IFRS

In order to be eligible for the proposed accommodation, a company must not have published audited financial statements prepared in accordance with IFRS for any earlier financial year. We note that under IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1"), a company must not have presented its most recent previous financial statements in accordance with IFRS, *inter alia*, in order to be considered a "first-time adopter". Consequently, a company that prepared IFRS financial statements several years ago and subsequently complied with only local GAAP would not be eligible for the proposed accommodation yet may be considered a first-time adopter. The Commission should consider revising its eligibility requirements for this situation.

We note that there may be cases where a company would have available for the earliest of the three years presented, IFRS compliant financial statements. In these cases, we believe that such information should be presented in the company's Form 20-F.

B. Primary Financial Statements

We do not believe that the presentation of three years of condensed U.S. GAAP financial information in a level of detail consistent with interim financial statements prepared under Article 10 of Regulation S-X would create a significant burden to first-time adopters of IFRS. The information that would be necessary to prepare the condensed U.S. GAAP financial information generally should exist as a result of the preparation of the U.S. GAAP reconciliation.

Given the circumstances surrounding the first-time application of IFRS, we believe that condensed U.S. GAAP income statements would be useful to investors as it will be the only source of three-year trend information prepared on a consistent basis. However, we do not believe providing condensed U.S. GAAP balance sheets would add significantly to the information investors already have. Consequently, we do not believe such condensed balance sheet information should be required.

Applicability to foreign private issuers not using IFRS

We believe that foreign private issuers that do not use U.S. GAAP to prepare their primary financial statements should not be required to present condensed U.S. GAAP financial information in their initial registration statements filed with the SEC. The purpose of providing the additional U.S. GAAP condensed financial information in documents other than an initial registration statement is to provide investors with three-year financial information on a consistent basis. In the case of a company adopting IFRS for the first-time, that three-year record would not otherwise be available. While we believe that a requirement to provide two-year condensed U.S. GAAP financial information in an initial registration statement would not be unduly burdensome, such a requirement would not significantly add to the level of information already provided to the investor.

Previous GAAP financial statements

We do not believe that foreign private issuers should be prohibited from including Previous GAAP financial statements, or financial information and textual discussions based thereon. Rather, we believe that it is appropriate to permit, but not require, foreign private issuers to include, incorporate by reference or refer to Previous GAAP financial information. Companies preparing financial statements on a basis other than U.S. GAAP already present financial information prepared on two different bases of accounting (i.e., local GAAP and U.S. GAAP). As a result, investors are already accustomed to evaluating different bases of accounting in the same document.

Accordingly, Previous GAAP information provided on a supplemental basis, appropriately labeled and accompanied by prominent disclosure that such information is based on Previous GAAP and is not comparable to information prepared in accordance with IFRS, would not necessarily confuse investors, and may be useful in certain circumstances.

C. Selected Financial Data

We believe that five years of selected financial data based on U.S. GAAP should be required in the same section of the document as the IFRS selected data. This presentation would be consistent with existing requirements to include primary GAAP and U.S. GAAP selected financial data in one location.

We do not believe that selected financial data based on Previous GAAP should be required unless Previous GAAP financial information is otherwise included, incorporated by reference or referred to elsewhere in the document. If Previous GAAP selected financial data is provided, then it should be located in the same section of the document as the IFRS and U.S. GAAP selected data and should include, at a minimum, the line items specified in Item 3.A of Form 20-F.

We believe that a “side-by-side” format of presentation should be prohibited. We do not believe that the inclusion of Previous GAAP selected financial information in one location, appropriately separated and labeled, would cause investor confusion regarding the basis of accounting used.

D. Operating and Financial Review and Prospects

We believe that the operating and financial review and prospects should refer to the reconciliation between Previous GAAP financial information and IFRS that will be included in the company's IFRS financial statements and should discuss any aspects of the differences between Previous GAAP and IFRS that the company believes are necessary for an understanding of the reconciliation.

In addition, we believe when Previous GAAP financial information is included, incorporated by reference or referred to, then the operating and financial review and prospects disclosure relating to the previous GAAP financial information should refer to the reconciliation between Previous GAAP and U.S. GAAP, and should discuss any aspects of the differences between Previous GAAP and U.S. GAAP that the company believes are necessary for an understanding of the financial statements as a whole. This information generally would have been included in a previous filing with the Commission.

E. Other Disclosures

We believe that first-time adopters of IFRS would have difficulty in providing certain information required under Industry Guide 3 and/or Industry Guide 6 on a consistent IFRS basis for periods earlier than the two years of IFRS financial statements presented. Some of the information required to be disclosed pursuant to these industry guides will be affected by the change in GAAP. For example, differences between Previous GAAP and IFRS could reasonably be expected to impact the following items:

- Loan loss allowances provided for each of the last five years under Industry Guide 3;
- Average balance sheets under Industry Guide 3 (in particular items considered to be “on-balance sheet” versus “off-balance sheet”); and
- Loss reserve development information under Industry Guide 6.

We believe that first-time adopters of IFRS should not be required to provide Industry Guide information on an IFRS basis for periods earlier than the two years of IFRS financial statements presented.

DISCLOSURES ABOUT FIRST-TIME ADOPTION OF IFRS

A. Disclosure about Exceptions to IFRS

We generally support the qualitative disclosures proposed with respect to the mandatory or elective exceptions under IFRS 1. However, it is not clear to what extent quantitative disclosures are required, particularly with regard to the discussion proposed in Item 5 regarding the “significance” of the exceptions used. We note that companies may have difficulty quantifying the impact of certain exceptions used, in particular, those related to business combinations and financial instruments.

B. Reconciliation from Previous GAAP

We note that paragraph 40 of IFRS 1 requires that companies provide “...sufficient detail to enable users to understand the material adjustments to the balance sheet and income statement...” We believe that the implementation guidance in IG63 provides an appropriate level of information for investors to understand the material adjustments to the balance sheet and income statement.

GENERAL REQUEST FOR COMMENTS

We believe that there are some parts of the Proposed Rule that will continue to be relevant three years after the year 2007 transition to IFRS is complete. For example, the rules pertaining to the presentation of selected financial data will continue to have effect up to five years after the year 2007 transition to IFRS. Other rules, such as those pertaining to information on the Company and *Quantitative and Qualitative Disclosures about Market Risk* may extend well beyond the year 2007 transition.

Accordingly, we do not believe that all aspects of the Proposed Rule should “sunset” after a particular period of time. Furthermore, given that any sunset provisions would need to be specifically provided for on a rule-by-rule basis, we believe that it would be more appropriate to consider the deletion of specific provisions, as applicable, in future “housekeeping” amendment(s).

* * * * *

The AICPA appreciates the opportunity to comment on the Release. We would be pleased to discuss these comments with you at your convenience.

Sincerely,

Robert J. Kueppers
Chair
Center for Public Company Audit Firms

Jay P. Hartig
Chair
SEC Regulations Committee

cc: Chairman William H. Donaldson
Commissioner Cynthia A Glassman
Commissioner Harvey J. Goldschmid
Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Alan L. Beller
Donald T. Nicolaisen