

April 19, 2004

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

**Re: First-Time Application of International Financial Reporting Standards  
(File No. S7-15-04)**

Dear Mr. Secretary:

PricewaterhouseCoopers LLP appreciates the opportunity to comment on the Commission's proposed amendments to Form 20-F: *First-Time Application of International Financial Reporting Standards*. We have provided our answers to many of the Commission's detailed questions in the attachment to this letter.

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We commend the Commission for its proposal to amend Form 20-F to provide a one-time accommodation relating to financial statements prepared under International Financial Reporting Standards ("IFRS") for foreign private issuers registered or registering with the SEC.

The European Parliament and the European Council of Ministers has mandated the use of IFRS by all public companies in the European Union for financial years starting from January 1, 2005. It has been estimated that over 7000 European companies will be impacted by the transition in 2005. The transition to IFRS will be complex and time-consuming for many of those companies, and the successful transition will be dependent on the use of company and external resources with the requisite expertise, which are currently limited. The rapid recent updates to IFRS have also caused some concern over the ability of companies to retroactively apply IFRS to a third-year back. The Commission's requirements relating to the management report and related registered public accounting firm report on internal control over financial reporting will also become effective for foreign issuers in 2005, further increasing the pressure on company and external resources. We believe that the combined effect of these factors on foreign private issuers will be significant.

We therefore support the proposed accommodation to permit eligible foreign private issuers to file two years rather than three years of statements of income, changes in shareholders' equity and cash flows prepared in accordance with IFRS. We agree with the Commission's proposed requirement for enhanced disclosures, including three year condensed U.S. GAAP profit and loss information. However, we do not believe that condensed U.S. GAAP balance sheet information should be mandated because there is no proposed accommodation relating to the balance sheet data.

We also support the view that issuers should be permitted, but not be required, to include, incorporate by reference or refer to Previous GAAP financial information, subject to providing the disclosures proposed in the release.

We recommend that the Commission give further consideration to the need for accommodations under its Industry Guides because first-time adopters of IFRS will have difficulty in providing certain information on a consistent IFRS basis for periods earlier than the two years of IFRS financial statements presented. We also recommend that the final rule address whether companies whose home country accounting standards are the same as IFRS, but not titled IFRS, shall be entitled to the proposed accommodation. In this regard, we would support a similar accommodation only in those circumstances when the home country standards are exactly the same as IFRS.

\* \* \*

We appreciate the opportunity to express our views and would be pleased to discuss our comments or answer any questions that the staff may have. Please do not hesitate to contact Wayne Carnall (973-236-7233) or Martin Thiselton-Dyer (973-236-5101) regarding our submission.

Sincerely,

PricewaterhouseCoopers LLP

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

**A. Eligibility Requirements**

*Will the conversion to IFRS for year 2005 make it difficult for issuers to recast year 2003 results accurately? What specific issues will be encountered and how difficult will they be to address? What additional information would first-time adopters need to provide IFRS financial statements for the third-year back that they would not already have in connection with their reconciliation to U.S. GAAP? What other difficulties might the application of IFRS create for first-time adopters? Will first-time adopters in earlier or later years face similar issues? Are the proposed amendments appropriate to address those challenges? If not, what issues are not addressed by the proposed amendments? Should they be addressed, and, if so, how?*

We believe that it will be difficult for some issuers that are adopting IFRS for the first time in 2005 to recast 2003 results accurately. There is almost inevitably an increased level of difficulty in recasting financial information up to three years after the event, as compared to preparing the financial information on a contemporary or more current basis. Staff turnover, system changes and the passage of time will all make the recasting of financial information from one GAAP to another more difficult for each year further back in time. We believe that this difficulty is implicitly acknowledged under Item 17(c)(2)(i) of Form 20-F which permits an issuer to omit the reconciliation of net income to U.S. GAAP for the third year if that information has not previously been filed with the Commission. First-time issuers that are unable to accurately recast the third year have the option of deferring their registration statement. Deferral is not an option for existing registrants that have ongoing reporting obligations under the Exchange Act.

Apart from the general difficulty of recasting historical financial information, there is a combination of additional factors that could cause the conversion to IFRS for year 2005 and the retroactive preparation of financial statements for 2003 to be particularly difficult and burdensome for some companies. These factors include: (i) the conversion en masse to IFRS by a significant number of European companies in 2005 which presents unique concerns for companies and the accounting profession for the preparation of IFRS financial statements, including limited resources; (ii) the compound effect of the effectiveness of requirements relating to the management report and related registered public accounting firm report on internal control over financial reporting required by the SEC, also effective in 2005; and (iii) the significant recent updating of IFRS.

Given the combination of factors summarized above, we believe that the proposed accommodation to allow a first-time adopter of IFRS to omit the earliest of the three financial years of IFRS financial statements is appropriate.

We believe that first-time adopters of IFRS in earlier and later years will not be subject to the same combination effect described above. Accordingly, we do not believe that the underlying rationale for the accommodations proposed by the Commission exist to the same extent outside of the proposed time frame.

***Will any first-time adopters be required by their home country to publish financial statements prepared in accordance with IFRS for the third year back? If so, should we require their inclusion in SEC filings? Why or why not? If a company publishes IFRS financial statements for the third year back but is not required to do so, should we require inclusion of those financial statements in SEC filings?***

We believe that if first-time adopters are required by their home country to publish financial statements prepared in accordance with IFRS for the third year back then the Commission should require the inclusion of those financial statements in SEC filings. There should be no significant incremental effort needed for such companies to include those IFRS financial statements in their SEC filings – the need for the accommodation would not exist in such instances. There should also be no greater concerns over the comparability of that IFRS information to more recent years than already exist in respect of companies that already apply IFRS as their primary GAAP. We also believe that a company that has published IFRS financial statements for the third year back on a voluntary basis should also include those financial statements in SEC filings. Again, there should be no significant incremental costs for such companies to provide such information.

***Is the proposed time frame, which provides the accommodation to companies that switch to IFRS for any financial year beginning no later than January 1, 2007, appropriate? Would this date create eligibility concerns for issuers that have a 52-week financial year? If so, how should we address those concerns?***

We believe that the proposed time frame should mirror the time frame outlined in Articles 4 and 9 of the EU Regulation on the application of international accounting standards. In this regard, the Commission should consider changing the accommodation date to January 2007 – i.e., no reference to a specific date in January. This change will be consistent with Article 4 and address the eligibility concerns of issuers with a 52/53-week financial year.

***Should the proposed accommodation be extended to apply in any other circumstances, such as for issuers that, either voluntarily or pursuant to a home country or other requirement, adopt IFRS for the first time for years after year 2007? Should the accommodation apply for an indefinite period? Are there other circumstances in which the proposed exception to the requirement to present three years of financial statements on a consistent basis should be considered? What are they?***

We do not believe that the proposed accommodation should be extended to apply for years after year 2007. We believe that the combined effect of the Europe-wide adoption of IFRS, the new requirements relating to internal reporting on internal control over financial reporting; and the significant recent updating of IFRS, will make the retroactive preparation of financial statements for the earliest of the three years difficult and burdensome for many companies and provide the rationale for introducing a temporary accommodation to issuers relating to the first time application of IFRS. Subsequent to 2007, this combination effect should have subsided and, accordingly, we presently believe the underlying rationale for the accommodation proposed by the Commission will no longer exist to the same degree.

***Would extending the proposed accommodation to apply to issuers that adopt IFRS for the first time later than year 2007 encourage a broader use of IFRS? Why or why not?***

An extension of the proposed accommodation to apply to issuers that adopt IFRS for the first time later than year 2007 would undoubtedly lower the cost of the transition to IFRS for such issuers, and, therefore, be judged to encourage the broader use of IFRS. However, we believe that any such benefit should be weighed against the best interests of investors, which could be harmed by not providing all of the financial information that would otherwise be required by the Commission. We believe that the cost of providing the third year of IFRS information is likely to be a marginal consideration for any issuer voluntarily adopting IFRS after 2007 and that no extension of the accommodation for years later than 2007 should therefore be provided. By 2007, we believe that the earlier compound effect of the conversion en masse by European companies, the effectiveness of reporting on internal control, and the rapid updating of IFRS will have abated, reducing the need for an accommodation.

***If first-time adopters of IFRS were not able to avail themselves of the proposed accommodation, would they be likely to continue to include in their SEC filings financial statements prepared in accordance with Previous GAAP rather than preparing financial statements prepared in accordance with IFRS for the third financial year? What are the advantages and disadvantages of each approach?***

We believe that first-time adopters of IFRS would make their own individual assessment of the costs and practicalities of continuing to prepare Previous GAAP financial statements for purposes of their SEC filings versus preparing financial statements prepared in accordance with IFRS for the third financial year. However, we see no general obstacles for why an existing issuer and first-time adopter of IFRS would not be able to avail itself of the proposed accommodation.

## **B. Primary Financial Statements**

***Is the proposed amendment to permit two years of IFRS financial statements for foreign private issuers adopting IFRS through year 2007, coupled with the permitted exclusion of***

***financial statements prepared on the basis of Previous GAAP, consistent with the best interests of investors? Will investors receive adequate information on which to base investment decisions if two rather than three years of statements of income, changes in shareholders' equity and cash flows are presented on a consistent basis?***

We consider that the proposed amendment to permit two years of IFRS financial statements, when combined with the additional disclosure of condensed U.S. GAAP financial information for a three-year period, to be consistent with the best interests of investors when balanced against the practical difficulties that first-time adopters of IFRS could have in accurately recasting the earliest of three years of financial statements under IFRS in the period 2005-2007. This assessment reflects the unique issues previously discussed that companies will encounter when adopting IFRS during this period. Also, there already exists precedent for investors having to base investment decisions on two rather than three years of statements of income, changes in shareholders' equity and cash flows in an initial registration statement when an initial registrant opts to prepare its financial information on a full U.S. GAAP basis consistent with Instructions to Item 8.A.2 (3) of Form 20-F.

***Are there other alternatives that should be considered to address the challenges presented by the mandated use of IFRS? What are they?***

We believe that the proposal to allow a foreign private issuer to omit the third year of financial information upon first-time adoption of IFRS adequately addresses the near-term challenges presented by the mandated use of IFRS in 2005. We do not believe that there are other alternatives that need to be considered in this respect, although we have made other suggestions related to the proposed accommodation in our other comments herein.

***Would 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 create a significant burden to first-time adopters of IFRS? What would be the difficulties and costs of preparing that information? Would that level of information be useful to investors? What level of information would be useful to investors and not unduly burdensome to prepare?***

No, 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 should already exist as a result of the existing preparation of the reconciliation between Previous GAAP and IFRS, and U.S. GAAP. We believe that such condensed U.S. GAAP financial information would be useful to investors because it will be the only source for investors of a consistent three-year track record for a company.

However, as the intent of this disclosure is to provide investors with information about trends that would not be apparent from the two-year information, we believe that it should only be required for the income statement. We do not believe it is necessary to provide information with respect to the balance sheet, as there is no accommodation being granted with respect to the balance sheet data.

***If a filing does not contain Previous GAAP financial statements or IFRS financial statements for the third year back, would the proposed requirement for three years of condensed U.S. GAAP information adequately address issues related to the different starting points and reconciling items used in the reconciliations from Previous GAAP to U.S. GAAP and from IFRS to U.S. GAAP?***

We support the proposed requirement for three years of condensed U.S. GAAP income statement information for purposes of providing a three-year track record prepared under a single GAAP. If a filing does not contain Previous GAAP or IFRS financial statements for the third year back, then the absence of reconciliation from Previous GAAP or IFRS to the U.S. GAAP information for the third year is not of concern. The purpose of the reconciliation is to serve as a bridge between financial information presented for the same periods but under different bases of GAAP – such reconciliation is unnecessary absent the provision of Previous GAAP or IFRS financial information for the third year back.

***Do our proposals contain sufficient guidance on the form and content of the condensed U.S. GAAP financial information to be provided? Should we require financial information beyond income statements and balance sheets from companies that would be required to provide condensed U.S. GAAP information? If so, what further information? Should we require that they include notes to the financial information in addition to the required reconciliation?***

We believe that sufficient guidance has been provided in requiring the form and content of the U.S. GAAP financial information to be in a level of detail substantially similar to that required by Article 10 of Regulation S-X. As noted below, we do not believe that companies should be required to provide condensed U.S. GAAP balance sheets because no accommodation is being granted with respect to balance sheet data. We do not believe that notes to the condensed financial information should be required because the cost of providing such information will exceed the benefit derived from it for purposes of understanding trend information. The condensed information should be able to be derived from the information that was historically provided in Commission filings – this would not be true if notes on a U.S. GAAP basis were required to be provided.

***Should foreign private issuers that do not use U.S. GAAP to prepare their primary financial statements in their initial registration statements filed with the SEC be required to present the additional condensed U.S. GAAP financial information in addition to the two-year reconciliation to U.S. GAAP? Why or why not? Would this be unduly burdensome?***

No. 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 a three-year track record of financial information on a consistent basis. 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. We note that the absence of a three-year track record on a U.S. GAAP basis in an initial registration statement is consistent with Instruction to Item 8.A.2. (3) of Form 20-F whereby if the financial statements are prepared in accordance with U.S. GAAP the earliest of the three years may be omitted.

***Should issuers be prohibited from including Previous GAAP financial statements, financial information and textual discussions based thereon in a registration statement, prospectus or annual report prepared in accordance with Form 20-F?***

No, we do not believe that issuers should be prohibited from including Previous GAAP financial statements, financial information and textual discussions based thereon. We agree with the approach adopted by the Commission of specifying the disclosure that should accompany the provision of Previous GAAP information, rather than applying a rule of prohibition when valid and reasonable circumstances might suggest that such Previous GAAP information could be useful to an investor.

***If we were to prohibit issuers from including Previous GAAP financial statements and financial information in a document, should we require, permit or prohibit the issuer to make reference to other SEC filings or other documents that include such financial statements and information?***

As stated above, we do not believe that issuers should be prohibited from including Previous GAAP financial statements and financial information in a document. Should the Commission choose to prohibit the inclusion of such information, we believe that it would still be appropriate to permit but not require issuers to make reference to other SEC filings or other documents that include such Previous GAAP financial statements and information.

***Is it appropriate to permit issuers to include, incorporate or refer to Previous GAAP financial information and, if so, for what periods and to what extent? If issuers elect to include or incorporate Previous GAAP financial information, should we require operating***

***and financial review and prospects disclosure pursuant to Item 5 of Form 20-F related to that information?***

In most instances, we believe that companies, for a variety of reasons, will not want to include information about Previous GAAP in a filing with the Commission. However, there could be limited situations in which a company concludes that such information is useful to investors.

We therefore believe that it is appropriate to permit but not require issuers to include, incorporate by reference or refer to Previous GAAP financial information. Companies preparing financial statements using a GAAP other than U.S. GAAP already present financial information prepared on two different bases. 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 information based on Previous GAAP is not comparable to information prepared in accordance with IFRS, need not confuse and could be useful to investors in certain circumstances. We agree with the Commission's approach to require extensive information to be provided to prevent the Previous GAAP information from being either misleading or confusing to the investor.

It is not clear from the release and proposed rule that if Previous GAAP financial information is included whether the issuer would be required, permitted or precluded from presenting reconciliation from Previous GAAP to U.S. GAAP. To help reduce the potential confusion between Previous GAAP and IFRS, we believe that if Previous GAAP financial information is presented, or incorporated by reference, it should include the reconciliation to U.S. GAAP. The U.S. GAAP reconciliation will help serve as the bridge between Previous GAAP and IFRS – in other words, U.S. GAAP is the constant that can help explain the information under the different basis of presentation. We do not believe that such a requirement would be burdensome because the reconciliation from Previous GAAP to U.S. GAAP should already exist.

***Would Previous GAAP financial statements be useful to investors and should issuers be required to provide them? Should inclusion in previous annual reports filed with us on Form 20-F be sufficient in this regard? Would investors be likely to compare information based on IFRS with information based on Previous GAAP? If we require or permit financial statements and other information based on Previous GAAP, where should that information be located and how should it be formatted?***

We do not believe, as previously indicated, that first-time adopters of IFRS should be required to provide Previous GAAP financial statements. We believe that an issuer should be permitted to provide such information when it concludes that such information could be useful to investors. We believe that investors might choose to compare information based on IFRS with information based on Previous GAAP, particularly in respect of prior periods for which they have reviewed and analyzed the Previous GAAP financial information already filed. For

this reason, we believe that if such information is included in a Commission filing it should be accompanied by reconciliation to U.S. GAAP – i.e., U.S. GAAP is the constant reporting basis for all periods.

We believe that financial statements and other information based on Previous GAAP should be located and formatted consistent with the corresponding IFRS and U.S. GAAP information. For example, Previous GAAP selected financial data should be disclosed in the Item 3.A. section of the filing, under the section-heading “Selected Financial Data”, together with the IFRS and U.S. GAAP selected financial data. Previous GAAP financial statements should be included in the financial pages section of a document, supplemental to the IFRS financial statements.

***Is inclusion of Previous GAAP financial information likely to cause investor confusion regarding the basis of accounting used in preparing financial information? How could any confusion or comparison be minimized? Should we provide more specific guidance on the location or substance of disclosure stating that a filing contains financial information based on Previous GAAP that is not comparable to financial information based on IFRS?***

We believe that investors are already accustomed to evaluating different bases of accounting in the same document. Provided that any Previous GAAP information is appropriately labeled and accompanied by prominent disclosure that information based on Previous GAAP is not comparable to information prepared in accordance with IFRS, then such financial information need not confuse and could be useful to investors in certain circumstances. We do not believe that more specific guidance is necessary in connection with the location or substance of disclosures about the non-comparability of financial information based on Previous GAAP to financial information based on IFRS.

***Should Previous GAAP financial information be presented in a "side-by-side" format with IFRS financial information? What additional disclosure would be necessary, if any? Should it be accompanied by a legend stating that the information is not comparable to financial information based on IFRS? If so, where should the legend be located? Would a "side-by-side" format present difficulties relating to disclosure contained in audit reports relating to the different bases of GAAP used? Similarly, how would the notes to the financial statements be presented in a clear manner if different GAAPs were presented therein?***

No, the SEC should not permit previous GAAP financial information to be presented in a “side-by-side” format with IFRS financial information. We believe that such a presentation could be confusing to investors because we believe that the side-by-side format could suggest a degree of comparability that does not exist.

***If issuers include, incorporate or refer to Previous GAAP financial statements or financial information in a disclosure document, should we require specific legends or other language? Should any Previous GAAP information included be presented in a separate section of the disclosure document?***

We do not believe that it is necessary for specific legends or other language to be prescribed by the Commission. We believe that Previous GAAP information included in a disclosure document should be clearly labeled but organized and presented consistent with comparable IFRS and U.S. GAAP information. For example, we believe that it would be appropriate to include Previous GAAP selected financial data within the section of the document headed “Selected Financial Data”, rather than within an entirely separate Previous GAAP section of the document.

### **C. Selected Financial Data**

***Should five years of selected financial data based on U.S. GAAP be required in a separate section of the document, rather than with the IFRS selected data?***

No, 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.

***Should we require selected financial data based on Previous GAAP? If so, where should it be located? Should we expressly prohibit a "side-by-side" disclosure format for selected financial data based on Previous GAAP and IFRS? Conversely, should we permit or require such a disclosure format? Would inclusion of Previous GAAP selected financial data, whether presented in a "side-by-side" format or otherwise, be likely to cause investor confusion regarding the basis of accounting used? If so, how could any confusion or the likelihood of comparison be minimized?***

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, should cause investor confusion regarding the basis of accounting used. Indeed, investors are already provided with selected financial data prepared under primary GAAP and U.S. GAAP and presented in one location.

#### **D. Operating and Financial Review and Prospects**

***Is there additional information that would be useful to investors that should be included in the disclosure of operating and financial review and prospects? If so, what is it?***

Yes. 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 IFRS financial statements and should discuss any aspects of the differences between Previous GAAP and IFRS not otherwise discussed that the company believes are necessary for an understanding of the reconciliation. As noted above, the reconciliation from Previous GAAP to IFRS has the potential to be confusing – for example, revenue for the same transaction could be recognized in different years between IFRS and Previous GAAP.

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. It is expected that this information would have been previously filed with the Commission.

***Should we require that disclosure of operating and financial review and prospects based on Previous GAAP financial information, if included, refer to the reconciliation to U.S. GAAP? If so, why? How is that information likely to benefit investors? Would requiring that information create undue burdens for issuers?***

Yes. As stated above, we believe that the disclosure of operating and financial review and prospects based on Previous GAAP financial information, if included, should be required to refer to the reconciliation to U.S. GAAP. This is consistent with our belief that if Previous GAAP financial information is presented it needs to include the reconciliation to U.S. GAAP. The U.S. GAAP information is a constant and will help reduce any confusion between Previous GAAP and IFRS.

#### **E. Other Disclosures**

***On behalf of the staff, we request comment on whether amendments would be appropriate to address the information required under Industry Guide 3 or Industry Guide 6 in the context of first-time adopters changing their basis of accounting to IFRS.***

We believe that first-time adopters of IFRS may have difficulty in providing certain information required under Industry Guide 3 and Industry Guide 6 on a consistent IFRS basis for periods earlier than the two years of IFRS financial statements presented by the issuer. 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 impact the determination of loan loss allowances provided and that are required to be disclosed for each of the last five fiscal years under Industry Guide 3, yet such loan loss allowance information would generally only be available for the last two years under IFRS. Similarly, on-balance sheet versus off-balance sheet treatment differences between Previous GAAP and IFRS would impact the presentation of average balance sheets required for each of the last three fiscal years as required under Industry Guide 3, yet such average balance sheet information would also generally only be available for the last two years under IFRS. Loss reserve development information determined under Previous GAAP could be different to that information provided in the IFRS financial statements, yet information determined under IFRS might only be available for two out of the ten years required to be disclosed by Industry Guide 6.

While the staff has accepted alternative treatments or granted limited accommodations on a case-by-case basis in the past, we believe that a specific framework of alternative treatments and accommodations is necessary given the significant number of issuers that will be transitioning to IFRS at one time. We believe that first-time adopters of IFRS should not be required to provide Industry Guide information for periods earlier than the two years of IFRS financial statements presented to the extent that there is a difference in the underlying accounting between Previous GAAP and IFRS for such disclosure items. Issuers should then be required to explain the reasons for not providing such information. To the extent that the basis of preparation under Previous GAAP and IFRS would be the same for those earlier periods then that Industry Guide information should be provided for the applicable periods. In this regard, we believe the rule should specify that the ability to rely on this accommodation is limited to those situations in which there is a difference for the item in question that is presented in the reconciliation between Previous GAAP and IFRS – e.g., allowances for loan loss. Any other accommodation would need to be discussed with the staff on a facts and circumstances basis.

#### **F. Financial Statements and Information for Interim Periods for the Transition Year**

*To comply with these requirements, issuers may be required to maintain financial statements prepared in accordance with both Previous GAAP and IFRS for interim periods of the Transition Year. Would it be unduly burdensome to maintain books and records in accordance with both Previous GAAP and IFRS during this time? What costs and other burdens will this impose on issuers? Are companies that are mandated to switch to IFRS prohibited from continuing to publish financial statements prepared in accordance with Previous GAAP during their Transition Year? If so, who or what prohibits it?*

In general, we do not believe that it would be unduly burdensome to maintain books and records in accordance with both Previous GAAP and IFRS during the Transition Year. Issuers will already have a starting point for their reconciliation from IFRS to Previous GAAP based on the preparation of the opening IFRS balance sheet. Companies will also have a recent base

of knowledge, processes and procedures to determine Previous GAAP information. Furthermore, in certain territories, Previous GAAP is likely to have evolved even closer to IFRS by the time of the Transition year.

***Will foreign issuers be likely to avoid registering securities under the Securities Act and the Exchange Act during the latter months of a Transition Year and early months of the year after in order to avoid being required to include interim financial statements in a disclosure document, and therefore be required to publish interim financial information in accordance with Previous GAAP? How can we reduce any impediment to foreign companies undertaking registered offerings during a Transition Year while ensuring that investors receive clear, sufficient, up-to-date information?***

We believe that there might be some limited circumstances in which a foreign issuer will delay its registration with the Commission to avoid publishing interim financial statements in accordance with Previous GAAP. However, we believe that such situations should be viewed no differently by the Commission, and are in no need of rule-driven accommodation, than other comparable situations when issuers delay filing a registration statement because certain information is not readily available – e.g., providing financial statements under S-X Rule 3-05.

***Are investors likely to be confused with the presentation of interim financial statements using two bases of accounting covering the same periods? If so, what steps could be taken to minimize this confusion?***

We do not believe that investors should necessarily be confused with the presentation of interim financial statements using two bases of accounting covering the same periods as long as the basis of preparation of such information is clearly disclosed.

***As proposed, an issuer must include in its SEC filings both IFRS financial statements and Previous GAAP financial statements for current and prior year interim periods, when both are available. Should we provide issuers with a choice of whether to provide interim financial statements prepared under Previous GAAP or under IFRS, when both are available?***

No, we believe that interim financial statements that are required to be included in an initial registration statement to meet the aging requirements of Item 8.A.5 of Form 20-F should be stated on a basis comparable to the annual financial statements. Accordingly, if required, those interim financial statements should be prepared under Previous GAAP if the annual financial statements also included have been prepared under Previous GAAP. We believe that

issuers should have the choice of including the interim financial statements prepared under IFRS on a supplemental basis.

***When the Transition Year is year 2004 or 2005, in lieu of requiring both Previous GAAP and available IFRS interim financial statements for two years, would it be preferable to require audited financial statements prepared in accordance with IFRS for the last full financial year, with unaudited IFRS financial statements for interim periods in both years? This approach would not be in technical compliance with IFRS 1, which requires that first-time adopters include one year of comparative information under IFRS. Should we permit audit reports that are qualified as to this provision of IFRS 1? Should we make similar accommodations when an issuer's Transition Year is later than year 2005? Why or why not?***

No, we believe that the primary financial statements should be presented on the basis of a single GAAP and that registrants should be prohibited from presenting a “mix-and-match” of financial statements between Previous GAAP (for the earliest annual periods presented) and IFRS (for the most recent annual period and interim periods) to meet the financial statement requirements of Item 8.A of Form 20-F.

***When the Transition Year is year 2004 or 2005, would it be appropriate instead to require three years of audited financial statements prepared in accordance with Previous GAAP and unaudited financial statements prepared in accordance with IFRS for interim periods in two years with the same level of disclosure as in annual financial statements? Would issuers be likely to prepare full IFRS financial statements for interim periods? If not, why not? Should an issuer's first set of IFRS financial statements filed with the SEC be audited if they are for two years of interim periods? Why or why not? How would issuers assess and prepare disclosure of their operating and financial review and prospects? What other specific issues would companies face in presenting financial statements under both Previous GAAP and IFRS? How could those issues be addressed? Should we make similar accommodations when an issuer's Transition Year is later than year 2005?***

No, as stated above we do not believe that the financial statement requirements of Item 8.A. of Form 20-F should be satisfied by a “mix-and-match” of Previous GAAP and IFRS financial statements.

## **DISCLOSURES ABOUT FIRST-TIME ADOPTION OF IFRS**

### **A. Disclosure About Exceptions to IFRS**

*Should first-time adopters be required to provide the additional information proposed under Item 5 of Form 20-F? Will this information be useful for investors, and will it be unduly burdensome for issuers to provide? In either case, commenters should provide supporting information relating to the utility of the information (or lack thereof) and the costs and difficulties associated with disclosing this information.*

Yes, we believe that first-time adopters should be required to provide the additional information proposed under Item 5 of Form 20-F. We believe that such information will help investors to better understand the manner in which the company has adopted IFRS. We believe that this information will complement information already required to be provided in the operating and financial review in connection with management's judgment in the selection and application of critical accounting policies.

*Should issuers be required to disclose more information with respect to the mandatory or elective exceptions? If so, what information would that be, what usefulness would this information have to investors, and what burdens would be imposed on issuers to disclose this information?*

No, we do not believe that issuers should be required to disclose more information with respect to the mandatory or elective exceptions than that already proposed by the Commission. The proposed information requirement is sufficient for investor protection.

*Have we given sufficient guidance with respect to the information to be disclosed under the proposed amendment to Item 5? Should there be greater specificity relating to the required information? Are the proposals regarding the information to be provided in Item 5 and in the notes to the primary financial statements about IFRS exceptions sufficiently clear so as to avoid duplicative disclosure? If not, what further clarification is necessary?*

Yes, we believe that sufficient guidance has been provided with respect to information to be disclosed under the proposed amendment to Item 5. We also believe that the proposals regarding the information to be provided in Item 5 and in the notes to the primary financial statements about IFRS exceptions are sufficiently clear.

### **B. Reconciliation from Previous GAAP**

*Should we specify the form and content of the reconciliation from Previous GAAP to IFRS? For example, should we require that the information included in the reconciliation be similar in form and content to that in the example provided in IG63? Should we require a*

***level of content different from that set out in IG63? If so, what level of information would be appropriate?***

Generally, we believe that the IFRS standards should stand on their own and that the SEC should limit any supplement or modification to those standards to situations where it is necessary for investor protection. Given the unique situation of adopting IFRS for the first time, we believe to help ensure a consistent and sufficient level of disclosure in filings with the Commission that it would be appropriate to require companies to provide the reconciliation in a manner consistent with Item 17 of Form 20-F. We also recommend that the adopting release and the text of the rule specify the following:

- that this rule only applies to companies that have filed financial statements with the Commission under Previous GAAP – i.e., would not apply to a first time filer;
- rule only applies to the financial statements of the issuer – would not apply to financial statements required by rules 3-05, 3-09 and 3-16 as we do not believe the additional disclosure is necessary for these type of financial statements; and
- the disclosure is required regardless if the company utilizes the accommodation of providing only two years of IFRS financial statements.

If the Commission addresses situations in which the accounting standards in a particular country are exactly the same as IFRS – but not called IFRS – as previously discussed, it should address if any additional disclosure will be necessary in those circumstances – i.e., there is no Previous GAAP and all years are presented utilizing the same GAAP.

***Would providing a reconciliation from Previous GAAP to IFRS that is substantially similar in form and content to the example set forth in IG63 as best practice be unduly burdensome to issuers? If so, what specific difficulties would issuers face in providing that level of information? How could they be addressed?***

As noted above, we believe that it would be appropriate to require companies to provide the reconciliation in a manner consistent with Item 17 of Form 20-F. We do not believe that this requirement would be unduly burdensome to issuers and allows sufficient flexibility in formatting the disclosure.

***Would investors find the reconciliation information as proposed more useful in comparing different registrants than information required under IFRS alone? If not, why not? What additional information should be required, if any?***

As noted above, we believe that a requirement to provide the reconciliation in a manner consistent with Item 17 of Form 20-F would help ensure a consistent level of disclosure between companies that investors would find useful.

## GENERAL REQUEST FOR COMMENTS

*We are particularly interested in commenter views on whether all or part of these rules should "sunset" after a particular period of time. Specifically, will General Instruction G be useful or relevant three years after the year 2007 transition to IFRS is complete? If we were to automatically delete the provision, should the time period be longer or shorter?*

We believe that there are some parts of General Instruction G 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 is complete. Other rules, such as those pertaining to information on the Company and Quantitative and Qualitative Disclosures About Market Risk could be considered permanent. Accordingly, we do not believe that all of the rules 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 a future "housekeeping" amendment, perhaps in conjunction with future amendment proposals as circumstances dictate.