

November 13 2007

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

File Reference: **File Number S7-20-07**

Dear Ms. Morris:

United Technologies Corporation (UTC) welcomes the opportunity to share its views on the Securities and Exchange Commission's (the Commission) "*Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards*" (IFRS). UTC is a \$55 billion global provider of high technology products and services to the building systems and aerospace industries. We operate in 186 countries around the world. Over 60% of our revenues are derived from our foreign operations. Consequently, we have already encountered some of the implications associated with filing under both IFRS and U.S. generally accepted accounting principles (US GAAP).

While we have not yet performed a detailed assessment of IFRS' potential impact to UTC, it is our belief that a single set of high-quality generally accepted accounting standards will help achieve greater global comparability of publicly traded securities, while removing potential barriers in the world-wide competition for capital. With its principles-based framework, IFRS appears easier to implement and adhere to, especially for a global corporation such as ours operating in many countries and many languages. Assuming local governmental authorities begin to allow IFRS to serve as the basis for tax provision calculations and statutory financial statements, then a single set of high quality standards will also be extremely cost effective. Global companies will then have to prepare only one set of financial statements and can centralize many of the compliance related activities.

Based upon these understandings, UTC supports the option of allowing U.S. issuers the ability to prepare their financial statements using IFRS. We suggest that the Commission establish a reasonable period of time under which it assesses the potential issues, effects and benefits on the U.S. capital markets of allowing U.S. issuers to submit financial statements prepared under IFRS prior to the Commission extending such requirements to all domestic registrants. Notwithstanding the need for an assessment period, we would also suggest that should the Commission indefinitely allow the submission of financial statements prepared under either IFRS or US GAAP, then there will be even further onus placed upon marketplace participants to address comparability issues, to remain abreast of two sets of accounting standards and to further contend with an already complex financial environment. This latter approach seems to be counter to some of the broad objectives expressed by the Commission, including those being addressed by the Advisory Committee on Improvements to Financial Reporting. Therefore, UTC believes

there should ultimately be a single set of generally accepted accounting standards established through whichever means the marketplace finds most appropriate. While the convergence project of the FASB and the IASB is well intentioned, the need for one set of global accounting standards is now even more critical in the rapidly evolving global economy.

Regarding the more specific questions raised by the Commission in the Concepts Release, our observations are attached. Further to these specific questions, there are certain other implications that must be addressed before companies can adequately and completely assess the potential impacts of filing under IFRS, including, but not limited to, the following:

- The implications to U.S. tax filings, which are largely based upon amounts derived under US GAAP. Without comparable changes to the tax code to allow IFRS as the basis for tax calculations and submissions, companies will be forced to maintain their accounts under both IFRS and US GAAP, resulting in additional cost and complexity. Further, even with acceptance of IFRS for tax purposes, there are certain fundamental differences between IFRS and the current tax code for the treatment of items such as the LIFO (Last-in, First-out) method of inventory accounting that could have significant implications for U.S. issuers. LIFO is permitted under US GAAP but not under IFRS, and the current tax rules require companies to conform their financial accounting with their tax accounting for inventory when applying the LIFO method.
- Acceptance by the various ratings agencies to avoid the necessity of providing financial statement information under both US GAAP and IFRS, in addition to precluding any potential adverse ratings impact that could be generated from changes to the financial statements brought about by the adoption of IFRS.
- Similar to above, the acceptance by financial institutions of financial statements and financial ratios for contract compliance (e.g., debt covenants) that are calculated under IFRS.
- Clarification of certain aspects of current Commission regulations that are not required for IFRS filings. For example, when transitioning to IFRS, will companies be required to:
 - Restate the summary financial information contained in the five year table
 - Include three years of historical financial statements, despite the fact that IFRS requires only two years of statements.

In addition to the above, we recommend, if possible, that the Commission discuss with the IASB establishing a moratorium on issuing new IFRS standards for a period of time, similar to what the IASB currently has in place. This would afford U.S. companies and other market participants the opportunity to adequately assess the implications of adopting IFRS in a stable environment.

We commend the Commission for their foresight and initiative and would be pleased to meet with you to discuss any of the comments we have provided.

Margaret M. Smyth
Vice President, Controller
United Technologies Corporation
One Financial Plaza
Hartford, CT 06101
860-728-6236
Margaret.smyth@utc.com

ATTACHMENT

1. ***Do investors, U.S. issuers, and market participants believe the Commission should allow U.S. issuers to prepare financial statements in accordance with IFRS as published by the IASB?*** As stated above, we believe the Commission should allow U.S. issuers to prepare financial statements in accordance with IFRS for reasons that are more fully explained in the responses to the questions that follow.
2. ***What would be the effects on the U.S. public capital market of some U.S. issuers reporting in accordance with IFRS and others in accordance with U.S. GAAP?*** As noted in the Concept Release, capital markets continue to expand across national borders with the result of ever increasing amounts of U.S. issuer's debt and equity securities being held by foreign investors. While the ability to attract foreign investment depends upon the stability and liquidity of the U.S. capital markets, it also relies upon the ease and familiarity of accessing those markets. It follows therefore, that to the extent foreign investors or registrants do not have to contend with the unfamiliar accounting, complexity and added cost of US GAAP, they are more likely to support the U.S. capital markets. However, it may be suspect to assume that the adoption of a different set of accounting principles is a change significant enough to facilitate capital formation or lower the cost of capital. Further, with an option existing, there could be a natural bifurcation of financial reporting wherein the larger, more global companies submit IFRS financial statements while the smaller domestic oriented companies remain on US GAAP. As discussed below, this will necessitate additional effort and cost in the marketplace as financial institutions, academia, public accountants and investors will all have to remain informed on both IFRS and US GAAP.
3. ***What would be the effects on the U.S. public capital market of not affording the opportunity for U.S. issuers to report in accordance with either IFRS or U.S. GAAP?*** As noted above, capital markets have effectively become global markets. To the extent the U.S. market continues to operate under accounting conventions that are different than those used in most other major capital markets, it stands to reason that the competitiveness of the U.S. markets will be adversely impacted. This will be further exacerbated by the relative nature of US GAAP, which is far more prescriptive and complex with its rules-based framework, relative to the principles-based IFRS conventions used in other capital markets. More importantly, U.S. issuers may be placed at a competitive disadvantage if the Commission permits foreign registrants the ability to file in either IFRS or US GAAP but limits U.S. registrants to US GAAP.
4. ***To what degree would investors and other market participants desire to and be able to understand and use financial statements of U.S. issuers prepared in accordance with IFRS? Would the desire and ability of an investor to understand and use such financial statements vary with factors such as the size and nature of the investor, the value of the investment, the market capitalization***

of the U.S. issuer, the industry to which it belongs, the trading volume of its securities, or any other factors? With the recent globalization of capital markets, many investors are already acclimated to financial information prepared under both IFRS and US GAAP, particularly the larger analytical and investing institutions. Further, a consistent set of global accounting standards would seem likely to facilitate their existing processes, which require cross-country reconciliations between US GAAP and IFRS in order to obtain comparability and which, therefore, necessitates familiarity with both sets of accounting standards. The requirement for this familiarity likely depends upon the global nature of the investments being assessed, the market capitalization and potentially the industry to which the investment candidates belong. Although other investors may not require, nor desire, to have financial statements of U.S. issuers prepared under IFRS, we do not believe it will preclude them from adapting, over time, to the use of such statements. Essentially it is no different than current requirements to adapt to the ongoing changes issued relative to US GAAP, except on a grander scale.

5. ***What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements? Would the incentives differ by industry segment, geographic location of operations, where capital is raised, other demographic factors, or the aspect of the Commission's filing requirements to which the U.S. issuer is subject?*** For entities with global operations such as UTC, the incentives lie principally in the elimination of the redundant efforts and related costs necessitated by the maintenance of several accounting methodologies (i.e., US GAAP, IFRS and local GAAP for tax purposes) in various locations throughout the world. While the books and records of UTC are compiled under US GAAP, statutory reporting requirements in some countries require us to also report locally under IFRS and file our tax returns based upon local GAAP. There is also a longer term incentive to move to IFRS due to its principles based nature as compared to the excessive complexity and rules based nature of US GAAP. A principles based set of standards translates easier across multiple languages and cultures, enabling easier compliance. In the last few years, several of the largest U.S. public companies, with very sophisticated financial functions, have had to restate their financial statements because of apparent misinterpretations of accounting principles brought about by the inherent complexity of US GAAP.
6. ***What immediate, short-term or long-term barriers would a U.S. issuer encounter in seeking to prepare IFRS financial statements? For example, would the U.S. issuer's other regulatory or contractual financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?*** A Commission mandate or option to move to IFRS without comparable actions by other regulatory bodies would adversely impact the adoption of IFRS. While certain benefits could be obtained relative to worldwide reporting requirements, as previously noted, these would be effectively lost in having to continue to also prepare US GAAP statements on an ongoing basis in order to meet regulatory or contractual external reporting requirements. Ongoing processes that require

companies to maintain two or three sets of books and records in order to meet all their reporting requirements will lead to significant resistance from the preparer community. As noted previously, the U.S. tax code requires the application of US GAAP while ratings agencies and financial institutions utilize US GAAP derived metrics in their analyses and determination of contractual requirements. An inability to utilize IFRS in these, and similar situations, would burden companies and other market participants with the requirement to understand, generate, analyze and consume two or three sets of financial information. Further, there would be practical differences between IFRS and US GAAP that would require regulatory guidance, such as how LIFO would be treated for tax purposes when it is not an acceptable inventory accounting methodology under IFRS. Lastly, a complete move to IFRS will necessitate various reporting and system changes which, depending upon the timing, extent and availability of internal resources, could impose a significant barrier to short-term adoption by companies.

- 7. *Are there additional market forces that would provide incentives for market participants to want U.S. issuers to prepare IFRS financial statements?*** Please see previous comments for those incentives that we believe exist.
- 8. *Are there issues unique to whether investment companies should be given the choice of preparing financial statements in accordance with IFRS? What would the consequences be to investors and other market participants of providing investment companies with that choice?*** We do not have a basis for opinion on the applicability to investment companies.
- 9. *Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of the FASB? If so, why? If not, why not? What effect might there be on the development of US GAAP?*** It appears, from the surface, that the role of the FASB would be substantially diminished and that their near term focus would need to accelerate the convergence efforts with the IASB. Longer term, a model that continues to allow reporting in both IFRS and US GAAP seems inefficient and potentially confusing to the investing and analyst communities. If an option is initially provided to utilize IFRS for external reporting, it should be followed in time by efforts or rules that require a full migration to IFRS and elimination of US GAAP. Under this scenario, the ongoing role of the FASB becomes uncertain and is perhaps reduced to that of a representative and advocate to the IASB or the standard setter for private company and not-for-profit GAAP.
- 10. *What are investors', issuers' and other market participants' opinions on the effectiveness of the processes of the IASB and the FASB for convergence? Are investors and other market participants satisfied with the convergence progress to date, and the robustness of the ongoing process for convergence?***
Convergence efforts to date are welcome and are helping to provide a natural migration to a single set of standards in the absence of mandates or rules providing for the use of IFRS. Notwithstanding the forgoing, the currently

incomplete nature of convergence still requires separate efforts on matters such as statutory reporting in IFRS. As the two standards have not yet converged, and US GAAP and IFRS are not considered interchangeable for reporting requirements, the current efforts have resulted in little tangible benefit to U.S. issuers. Longer term, it would still be questionable if full convergence would truly be of benefit if both IFRS and US GAAP are maintained as acceptable accounting conventions. If full convergence were to occur, why would the maintenance of two methods be required? More likely, the convergence process would address most issues but would still depart in some areas which would then continue to require companies, analysts and investors to remain abreast of the rules and changes in both methodologies. Much would depend upon the ultimate definition of “convergence” and the level of global acceptance of this definition.

- 11. *How would the convergence work of the IASB and the FASB be affected, if at all, if the Commission were to accept IFRS financial statements from U.S. issuers? If the Commission were to accept IFRS financial statements from U.S. issuers, would market participants still have an incentive to support convergence work?*** As noted above, it is our opinion that the implications to the current convergence efforts of allowing U.S. issuers to submit IFRS financial statements depends largely on the longer term expectations of the Commission. If both US GAAP and IFRS are expected to remain viable reporting methodologies longer term, then current convergence efforts should be continued to try to minimize, if possible, the differences between the two accounting conventions. If the intent would be to follow the elective choice with a mandate to move to reporting under IFRS, then there would appear to be little benefit to continuing to work on convergence efforts.
- 12. *If IFRS financial statements were to be accepted from U.S. issuers and subsequently the IASB and the FASB were to reach substantially different conclusions to the convergence projects, what actions, if any, would the Commission need to take?*** In support of the previous observations made, this type of potentially realistic situation points to the type of issues associated with maintaining two acceptable reporting methodologies. For investors, analysts and others using company financial information, they will need to remain educated on the conclusions reached by the IASB and the FASB if they are going to be in a position to follow the companies that would report under each and make the necessary comparisons for analytical purposes. Such divergences would also further solidify the ongoing existence of US GAAP and therefore mitigate some of the benefits that have been previously discussed. Should such a situation arise where the IASB and FASB reach a different conclusion on convergence, we would assume the Commission would need to take a stance on whether the IASB position is acceptable for those filing under IFRS and, conversely, that the FASB position is acceptable for those filing under US GAAP. This would add more complexity to an already complex external reporting environment.

- 13. Do investors, issuers and other market participants believe giving U.S. issuers the choice to prepare financial statements in accordance with IFRS as published by the IASB furthers the development of a single set of globally accepted accounting standards? Why or why not, and if so, how?** Yes – an option allowing U.S. issuers to prepare financial statements in IFRS is a step towards further development of a single set of global standards. As US GAAP is the largest and most influential set of standards outside of IFRS, any movement away from US GAAP can only help foster the development of IFRS as the only set of globally recognized standards. However, to reiterate a point previously made, if the only measure taken is to allow U.S. issuers to submit in IFRS and not mandate a transition requiring all U.S. filers to use IFRS, then the impact to developing a single set of global standards will be greatly diminished. Costs of conversion, lack of global operations, resource limitations and a lack of perceived benefits may hinder many U.S. companies from adopting IFRS. Under this scenario, a single set of globally accepted accounting standards is unlikely to emerge.
- 14. Are investors, U.S. issuers and other market participants confident that IFRS have been, and will continue to be, issued through a robust process by a stand-alone standard setter, resulting in high quality accounting standards? Why or why not?** In general, the standard setting process to date has appeared generally robust. However, the IASB is not structured like the FASB and does not have the history behind it that the FASB possesses. Consequently, the privately funded nature of the IASB and the lack of governmental oversight could present problems as the role and influence of IFRS increases. Nationalistic preferences, funding contributions and similar factors could influence the development and positions taken in future standards promulgated by the IASB. The Trustees of the International Accounting Standards Committee Foundation, the oversight board of the IASB, have recognized some of these issues and have recently announced proposals to enhance the organization's governance arrangements and reinforce the organization's public accountability. We support these proposals as a move in the appropriate direction. However, we also believe that the funding of the IASB should become even more independent, similar to that which exists for the FASB, in order to maintain the integrity of the standard setting process. This mechanism should also contemplate the significantly larger organization that will likely be required to administer an ever increasing volume of issues, input and requests that will arise as more and more countries adopt IFRS and recognize the IASB as the global standard setting body.
- 15. Would it make a difference to investors, U.S. issuers and other market participants whether the Commission officially recognized the accounting principles established by the IASB?** Yes, we believe its imperative for the Commission to officially recognize the accounting principles established by the IASB. Both the preparers and users of financial information need assurance that the use of IFRS will not subsequently be questioned, disallowed (in whole or in part) or otherwise invalidated through Commission review. Further, recognition

by the Commission provides some level of implied or actual assurance that the standards and the standard setting process of the IASB are receiving some level of oversight/review by the Commission.

- 16. *What are investors', U.S. issuers' and other market participants' views on how the nature of our relationship with the IASB, a relationship that is different and less direct than our oversight role with the FASB, affects the Commission's responsibilities under the U.S. securities laws?*** Under the current processes and structures, the nature of the Commission's relationship with the IASB would certainly be different than that with the FASB. However, that should not have a bearing on the Commission's responsibilities under U.S. securities laws. What may have to emerge is a different relationship and/or process as regards the standard setting of the IASB and potential oversight in the U.S. by the Commission. In some respects, although the Commission has a direct oversight role, it has deferred the standard setting process to the FASB which would be not unlike the process that would exist with the IASB. However, the interpretations of those standards and their applicability to U.S. securities filings would still need to be overseen by the Commission. At a minimum, some level of intermediary intervention/oversight by the Commission will be necessary to ensure compliance with the independence and oversight provisions of Sarbanes Oxley.
- 17. *In what ways might the Commission be able to assist in improving investors' ability to understand and use financial statements prepared in accordance with IFRS?*** We do not believe this is a role or responsibility that the Commission should assume. There are numerous pronouncements, interpretations, opinions and other forms of US GAAP disseminated on a regular basis for which the average investor is expected to familiarize himself/herself with. While the Commission may release Staff Accounting Bulletins or speeches that provide its perspectives on various issues, they do not currently provide any form of formal guidance despite the fact there are certain matters (such as derivatives accounting) that are highly complex. There is a certain presumption that investors have the obligation to obtain the education on matters they need to make informed investing decisions and that it is not up to the markets to provide that education for them.
- 18. *What are the incentives and barriers to adapting the training curricula for experienced professionals to address both IFRS and US GAAP? Separate from ongoing training, how long might it take for a transition to occur? How much would it cost?*** There should be no barriers to developing the necessary training. As with new accounting pronouncements, other initiatives (e.g., XBRL), tax code changes and other matters, the professional community moves to educate itself and its customers. Although no barriers, this effort is likely to be significant due to the lack of practical applications in the U.S., the need to develop the relevant training materials, and then the natural adjustments that will be brought about through the experience gained in adopting. While it is difficult to know with any

degree of specificity, we estimate that it would take at least two years to effect a complete transition.

- 19. *What are the incentives and barriers relevant to the college and university education system's ability to prepare its students for a U.S. public capital market in which U.S. issuers might report under IFRS? What are the incentives and barriers relevant to changing the content of the Uniform CPA Examination? How should the Commission address these incentives and barriers, if at all?*** It is our belief that colleges and universities have not been focused on incorporating IFRS into their curriculums and that efforts to do so will likely trail those of the business community. Nonetheless, colleges and universities are constantly in a position of having to refresh their curriculum in order to stay current with changes in US GAAP, the tax code, market developments and so forth. While curriculum updates may take much longer than adoption in the marketplace, the movement to IFRS is just another change in this process. Similarly, the Uniform CPA Examination is also making such adjustments in order to ensure their potential members are being tested on the most current and relevant materials. The Commission should not, and does not, have a responsibility to address the educational requirements within the marketplace.
- 20. *What issues would be encountered by U.S. issuers and auditors in the application of IFRS in practice within the context of the U.S. financial reporting environment?*** As noted in the Commission's Concept Release, there are areas of the current US GAAP that are industry specific and which have evolved considerably over time. To the extent that such areas are not included in IFRS, or are considerably less involved, it could place companies in a position of operating between US GAAP and IFRS. This may not only complicate the analysis and use of data reported externally, but it may also place the auditors in a difficult position of trying to opine on data that is not exclusively IFRS. Regarding issuers, there will be an initial effort required to train personnel across the financial reporting organizations; to modify/change or upgrade systems; and to change financial policies and practices. Based upon the experience of other global corporations who have already converted to IFRS, UTC estimates this will be a multi-year, several million dollar endeavor for us. Further concerns from issuers and/or auditors may arise in relation to the second-guessing of judgments made under IFRS, especially in connection with any legal matters. One of the forces that have helped to drive the prescriptive nature of US GAAP is the desire for bright line rules that protect issuers and their auditors from such legal second-guessing when appropriate accounting decisions are made. Issuers and auditors will need to know that informed, supported, appropriate judgments made under IFRS' principles-based framework will not be summarily subjected to legal questioning simply because a bright-line rule no longer exists.
- 21. *How do differences between IFRS and U.S. GAAP bear on whether U.S. issuers, including investment companies, should be given the choice of preparing***

financial statements in accordance with IFRS? Such differences should not be a consideration as this could lead to the apparent, or actual, selection of a methodology for no other reason than to maximize a company's reported financial results or manage earnings.

22. *What do issuers believe the cost of converting from U.S. GAAP to IFRS would be? How would one conclude that the benefits of converting justify those costs?*

The cost and effort will obviously vary depending upon the size and complexity of the underlying organization. For a large multi-national corporation such as UTC, we estimate the cost of conversion to be several million dollars and to take at least two years to fully effect. For corporations such as ours, the benefits for this outlay come through reduced future costs in locations where some form (such as statutory reporting) of IFRS statements are required. With IFRS uniformly adopted across the corporation, companies like UTC can centralize the preparation of statutory accounts, thereby reducing overall compliance costs. Also, centralization of processes and systems, and the use of one global accounting methodology, should enhance our internal controls environment.

23. *through 26. relate to the auditor's function and role.*

27. *Do you think that the information sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities regulators' ability to identify and address inconsistent and inaccurate applications of IFRS?* To have an effective and single source of GAAP, it would seem imperative that there is an information sharing infrastructure in place amongst securities regulators to avoid conflicting and inconsistent application of IFRS standards. Similar to the current convergence efforts between the IASB and FASB, the SEC-CESR relationship should also prove to be an effective means of information sharing. Notwithstanding this arrangement, there could be situations arising for issuers where a particular accounting issue has not been addressed by the IASB or IFRIC. As noted in the Concept Release, we agree with the suggested process wherein the applicable regulator reviews and provides guidance and then forwards the issue and guidance to the IASB or IFRIC for approval or other resolution for the benefit of all constituencies. These views would rescind any previous guidance provided by the regulatory bodies if different.

28. *If the Commission were to consider rulemaking to allow U.S. issuers to prepare IFRS financial statements, are there operational issues relative to existing Commission requirements on which additional guidance would be necessary and appropriate? Would it be appropriate to have differing applicability for U.S. issuers of the form and content provisions of Regulation S-X depending on whether they use IFRS in preparing their financial statements? In preparing and auditing IFRS financial statements, should U.S. issuers and their auditors consider the existing guidance related to materiality and quantification of financial misstatements?* As discussed in the Concept Release, there are very specific aspects of both Regulation S-X and S-K that pertain to filings with the

Commission. These aspects sometimes relate to very specific US GAAP references or are not otherwise clearly addressed in IFRS. Regardless of whether a company reports in US GAAP or IFRS, the disclosures required by Regulations S-X and S-K have been determined to be those necessary for investors and analysts. As such, it will be necessary for the Commission to provide guidance on how these apply when IFRS standards are being used to avoid introducing a lack of comparability and excessive concerns/anxiety on behalf of issuers that may preclude them from choosing to adopt IFRS. For somewhat similar reasons, it would not be appropriate to have differing applicability of Regulation S-X depending on whether IFRS is used. Regardless of the tactical implementation issues associated with a potential move to reporting under IFRS, the strategic focus of enhancing comparability and reducing complexity should not be forgotten. Having statements that are in US GAAP and IFRS presents one level of additional knowledge and analysis that is required. Establishing differing form and content provisions under the Commission's regulations would further complicate any analysis and further expand the specific knowledge levels that would be required by the average investor. Lastly, whether financial statements are prepared under US GAAP or IFRS, existing guidance related to materiality and financial misstatement quantification should remain unchanged.

29. Should there be an accommodation for foreign issuers that are not foreign private issuers regardless of whether the Commission were to accept IFRS financial statements from U.S. issuers? Should any accommodation depend upon whether the foreign issuer is subject to the laws of another jurisdiction which requires the use of IFRS, or if the issuer had previously used IFRS financial statements in its filings with the Commission? As this relates to foreign issuers, we are not offering any observations.

30. Who do commenters think should make the decision as to whether a U.S. issuer should switch to reporting in IFRS: a company's management, its Board of Directors or its shareholders? What, if any, disclosure would be warranted to inform investors of the reasons for and the timing to implement such a decision? If management were to make the decision to switch to IFRS, do investors and market participants have any concerns with management's reasons for that decision? As with most key decisions, management should initiate the decision and prepare the necessary information for Board of Director analysis and approval. General disclosure of the intent to transition to IFRS including the primary reasons for the proposed change should be disclosed in the Form 10-Q or 10-K, based on timing, at least one year in advance of the change. Both investors and other market participants will likely have a number of concerns regarding the change, including a lack of familiarity, concerns over consistency and comparability, interactions with existing financial models, cost to the organization, and potentially unpredictable data streams. Nonetheless, if the move to reporting in IFRS is the appropriate move in management's and the Board's estimation, then the concerns raised simply become additional tactical issues that must be addressed as part of the overall process.

31. When would investors be ready to operate in a U.S. public capital market environment that allows the use of either IFRS or US GAAP by U.S. issuers? When would auditors be ready? How about those with other supporting roles in the U.S. public capital markets? Is this conclusion affected by the amount of exposure to IFRS as it is being applied in practice by non-U.S. issuers?

Previous experience has shown that the marketplace is generally conservative and resistant to change. As seen with XBRL, the marketplace is not inclined to push for change and may never volunteer broad-based support for the use of either IFRS or US GAAP for U.S. issuers. The same could be said for other supporting roles in the U.S. public capital markets. Conversely, if U.S. issuers were allowed to report in IFRS, the audit industry will be in a position of having to act promptly. For the larger firms that have international operations, this could be accommodated through the use of foreign personnel who have already been exposed to IFRS in those countries that have already adopted IFRS. Similarly, the extent of acceptance in the U.S. by any of the marketplace constituents is enhanced by the level of previous exposures and workings on non-U.S. issuer filings in IFRS.

32. Should the Commission establish the timing for when particular U.S. issuers could have the option to switch from preparing US GAAP to IFRS financial statements? Should market forces dictate when a U.S. issuer would make the choice to switch from U.S. GAAP to IFRS financial statement reporting? If the former, what would be the best basis for the Commission's determination about timing?

As noted above, the marketplace is by nature conservative and generally resistant to change. As such, we would advocate that the timing of the option to switch from US GAAP to IFRS be established by the Commission in order to move the initiative forward. Deferral of the decision to the marketplace could allow for an indeterminate delay, as companies could continue to introduce real or imagined obstacles to adoption, as has been seen with the XBRL initiative. Regarding potential timing for a Commission decision, the determining factor should be based on the expected level of effort companies will need to expend to make the conversion. For most companies, this will likely entail system changes, process changes, a restatement of prior periods for comparability and so forth. As such, the projected level of effort may approach up to two years or longer.

33. Should the opportunity, if any, to switch to IFRS reporting be available to U.S. issuers only for a particular period of time? If so, why and for what period? At the end of that period of time, could commenters foresee a scenario under which it would be appropriate for the Commission to call for all remaining U.S. issuers to move their financial reporting to IFRS? To avoid confusion on behalf of the users of financial statement information, it would seem appropriate to establish a fixed period of time for the initial issuers to voluntarily switch to IFRS and then follow with an additional fixed period of time under which remaining companies are required to effect the conversion. As noted previously, the benefits to issuers and the marketplace of moving to IFRS would be effectively negated

with only a partial move to IFRS. If both US GAAP and IFRS continue to be acceptable means of filing, investors, issuers, analysts and others will be forced into a position of having to stay consistently abreast of both methodologies; of potentially maintaining two systems; and of perpetually reconciling between those systems.

- 34. *What difficulties, if any, do U.S. issuers anticipate in applying IFRS 1's requirements on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?*** This is a tactical issue to be addressed that is not unlike the efforts currently required for new accounting pronouncements that are retrospectively applied. While some effort will logically be required, it will in large part be a natural extension of the efforts undertaken by companies to acclimate themselves to IFRS and to incorporate the necessary system and process changes to remain in compliance going forward. Having said this, there are certain matters for which guidance will be needed, as we have stated in our letter above, such as the Commission's requirements for five year summary historical financial data; three year's historical operating profit statements as compared with the two years required under IFRS and so forth. The more practical implications in the immediate term will be re-baselining analysts, investors and others who typically work off of historical and trended US GAAP data. But, as with other implementation matters, this is a tactical issue to be addressed and not an obstacle to adoption. After a period of adjustment, the users of financial statement information should be effectively re-baselined.
- 35. *Would it be appropriate for U.S. issuers that move to IFRS to be allowed to switch back to U.S. GAAP? If so, under what conditions?*** This depends on the long-term approach to this initiative. If, as previously suggested, all U.S. issuers are required to ultimately migrate to reporting under IFRS, there would not be the occasion to switch back to US GAAP. If, on the other hand, both methodologies remain as allowable means of external reporting, then a decision to switch back to US GAAP would seem to be more of an internal company decision based upon the effort involved and the potential impact to its investors, analysts and other users of financial statement information. In general, it would seem that switches back and forth between IFRS and US GAAP would be counter to the general objectives of making financial statement information clear, simple and comparable and, as such, should be generally discouraged.