STATE OF NEW YORK
BANKING DEPARTMENT
ONE STATE STREET PLAZA
NEW YORK, NY 10004

November 14, 2007

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

Re: File Number S7-20-07

By email

Dear Ms. Morris:

The New York State Banking Department (the "Department") appreciates the opportunity to respond to the Securities and Exchange Commission's proposed Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards. We regulate not only U.S. banking organizations and non-bank lenders and their holding companies, but also the U.S. branches of foreign banking organizations whose home country financial statements may be prepared in accordance with International Financial Reporting Standards ("IFRS"). Consequently, we make extensive use of financial statements of banks and their holding companies, and we would be directly affected by any decision of the Securities and Exchange Commission (the "SEC") to allow U.S. issuers to prepare their financial statements in accordance with IFRS.

While the Department supports the full convergence of U.S. and international accounting standards and applauds the SEC for its efforts to accomplish this objective, we believe that substantial convergence between the standards should occur before U.S. companies are allowed to adopt IFRS. The Department has several significant concerns with the proposal:

- In 2002 the International Accounting Standards Board ("IASB") and Financial Accounting Standards Board ("FASB") agreed to use their best efforts in the development "as soon as is practicable" of high quality compatible accounting standards that could be used for both domestic and cross-border financial reporting. However, the global accounting standards are still far from convergence. For example, a July 2007

Journal of Accountancy interview quoted IASB Chairman Sir David Tweedie as saying that U.S. GAAP and IFRS "should be pretty much the same" by 2011 or 2012.

- The Department believes that SEC approval for U.S. issuers to use IFRS would likely reduce convergence efforts since the IASB will have already achieved its main objective in the U.S. and will have less incentive to compromise with the FASB.

- The proposal raises concerns that the move toward IFRS reduces the ability of U.S.-based organizations and individuals to influence accounting standards, especially in view of political pressures exerted over IASB by the European Union. Issues unique to the U.S. may not be addressed by the IASB.

- If adopted, the proposal would likely make the standards adopted by the FASB irrelevant for publicly-traded companies. However, FASB would continue to be the standard setter for private U.S. companies. This would effectively result in "publicly-traded company GAAP v. privately-held company GAAP." The Department strongly opposes a bifurcation of accounting standards. We believe it is not in the best interests of investors and other users of financial statements, as it will reduce comparability between institutions, introduce confusion, and reduce confidence in accounting and financial reporting.

- When U.S. and international accounting standards have converged sufficiently, the timing of any eventual implementation of a rule to allow U.S. issuers to prepare financial statements in accordance with IFRS should allow for adequate training of both the financial staffs of U.S. issuers and their internal and external auditors of IFRS. It is our understanding that issuers in the European Union countries were given three years to transition to IFRS. At minimum, a similar transition period would be appropriate in the U.S., although we believe that a more effective transition period would take at least five years.

The Department's responses to several specific questions asked in the proposal follows.

Question # 5: What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements?

U.S. issuers may be encouraged to prepare IFRS financial statements by perceived market demands and the advantages of maintaining only one set of financial records. Issuers would also have the incentive of greater accounting flexibility under IFRS and its principles-based approach.

Question # 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 (e.g., banking, insurance, taxation) or contractual (e.g., loan covenants) financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?

Issuers in the banking industry may have to continue following U.S. GAAP for regulatory purposes (i.e., bank "Call Reports"). Under the Federal Deposit Insurance Corporation Improvement Act of 1991, regulatory accounting must be "no less stringent" than U.S. GAAP. Consequently, even if federal bank regulators wish to accept IFRS in Call Reports, they may not be able to do so without a change in the law. Given the option, regulators would have to determine whether they are comfortable with allowing two sets of accounting standards when comparability between institutions is an important supervisory tool (i.e., identifying outliers against their peers). In some states, there may need to be amendments to law or banking rules and regulations.

Question # 9: Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of the FASB?

This will marginalize U.S. GAAP and bifurcate GAAP between most publicly-traded and privately-held companies. This potential development provides another reason to await substantial convergence before accepting IFRS.

Question # 18: What are the incentives and barriers to adapting the training curricula for experienced professionals to address both IFRS and U.S. GAAP? Separate from ongoing training, how long might it take for a transition to occur? How much would it cost?

An overall effective transition should take at least five years. Educating experienced U.S. accountants in IFRS and new U.S. accountants in both IFRS and U.S. GAAP will be a massive undertaking in time and cost.

Question # 23: How, if at all, would allowing U.S. issuers to prepare IFRS financial statements affect the current relative market share of audit firms?

Allowing U.S. companies to follow IFRS will likely result in an even greater concentration of audits being performed by the "Big Four" public accounting firms, since they have foreign affiliates that already have experience with IFRS and will undoubtedly have an easier time marketing themselves as experts in IFRS than their smaller competitors. This adds another caution flag against enacting the proposal in the near future.

Question # 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?

While the information sharing infrastructure among securities regulators sounds like a necessary mechanism to enhance global consistency, it would most likely cause delays and increase uncertainties about "final" answers. Further, awaiting an authoritative view from the IASB or its International Financial Reporting Interpretations Committee conflicts with the principles-based approach which relies upon individual judgments.

If you would like to discuss our letter, please call me at (212) 709-1532 or email me at john.mcenerney@banking.state.ny.us .

Very truly yours,

John McEnerney
Chief of Regulatory Accounting