



14 November 2007

Our ref: ICAEW Rep 109/07

Your ref: S7-20-07

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

By email: rule-comments@sec.gov

Dear Ms Morris

**CONCEPT RELEASE ON ALLOWING U.S. ISSUERS TO PREPARE FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the Concept Release on *Allowing U.S. Issuers To Prepare Financial Statements In Accordance With International Financial Reporting Standards* (File number S7-20-07).

The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 128,000 members in more than 140 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

We welcome the move by the SEC to allow US issuers to prepare financial statements in accordance with International Financial Reporting Standards (IFRS). We believe that this is an important step toward towards achieving a single set of high-quality globally-accepted accounting standards.

We acknowledge that there may in the short term be additional costs associated with the co-existence of financial statements prepared under two different sets of accounting standards. However, we believe that US companies with international operations will reap immediate cost benefits from being able to harmonise their reporting under one set of standards. And ultimately, US and international capital markets will benefit with lower costs of capital as a result of a single set of accounting standards .

We believe that sophisticated users - that is, those with a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence - will not encounter any difficulties in dealing with more than one set of accounting standards.

There is also a question of audit quality, in that US audit firms will need to undertake some additional staff training in applying IFRS. However, we believe that there is sufficient experience both within the US and internationally to ensure that audit quality will be maintained, although we acknowledge that additional costs will initially be incurred.

We have not attempted to respond to the specific questions posed by the SEC as they largely relate to domestic issues and concerns. However, we would like to raise one issue relating to the possible international impact of the SEC's proposals.

On page 35, the Release addresses the question of the SEC staff stating a view on an IFRS accounting issue that is causing significant difficulties in practice. We do of course understand that the SEC must act as it sees fit in order to fulfil its duties and to protect investors. However, the SEC should be aware that its actions relating to IFRS will have implications outside the US market, and there is the potential for impact on IFRS as a body of literature.

The Release suggests that the SEC staff might state a view on such an accounting issue and subsequently refer it to the IASB or the IFRIC. IFRS GAAP is less detailed and more principles-based than US GAAP and the SEC should be careful to respect reasonable professional judgments that must and will be made by preparers and auditors. We recommend that discussion with other regulators will help the SEC form its views on the application of IFRS by registrants. In this regard, the Commission's involvement in IOSCO, coordination with CESR and the bilateral protocols entered into with other securities regulators such as the UK Financial Reporting Council, provide mechanisms by which dialogue between national regulators takes place on matters such as inconsistent or inaccurate application of IFRS. We encourage the SEC to use these mechanisms when issues first emerge. Should differences of opinion arise among regulators as to proper application of IFRS, we recommend that regulators follow a practice of referring the issues to the IASB and its International Financial Reporting Interpretations Committee (IFRIC) for further guidance. In our view, it is particularly important to ensure that the position of the IFRIC as the only formal issuer of interpretations of IFRS is not undermined.

Please contact me if you would like to discuss any of the points raised in this response.

Yours sincerely



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