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Date: November 13, 2007

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

Re: **File Number S7-20-07**
Concept Release No. 33-8831 - Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards

Dear Ms. Morris:

Eli Lilly and Company appreciates the opportunity to comment on the Securities and Exchange Commission's (the "SEC") Concept Release "Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards", (the "Release"). Eli Lilly ("Lilly"), a leading innovation-driven corporation, is developing a growing portfolio of first-in-class and best-in-class pharmaceutical products by applying the latest research from its own worldwide laboratories and from collaborations with eminent scientific organizations. Headquartered in Indianapolis, Indiana, Lilly provides answers – through medicines and information – for some of the world's most urgent medical needs.

Lilly supports the SEC's proposal in allowing U.S. issuers to prepare financial statements in accordance with IFRS as promulgated by the IASB. Many countries have adopted IFRS and we expect the trend to continue. Having one global set of accounting principles will lead to consistent and comparable financial reporting by companies and will make it a more level playing field. Investors will be able to compare financial statements across borders and within industries.

In addition, there would be more efficient access to capital for global corporations, reduced cost of compliance and streamlined mergers and acquisition activity. In many cases, many U.S. multinational companies are maintaining at least two to three sets of financial statements, U.S. GAAP, local GAAP, if statutory accounts are required, and tax basis. Moving to one set of accounting standards would reduce the sets of financials that companies would need to keep, which would result in cost savings.

Conceptually, while the goal is to move to one global set of accounting principles, we are not yet at that point. Should the SEC allow the use of IFRS, there are numerous issues that should be considered. It is imperative that there is but one version of IFRS. We understand that as some countries have gone through their legislative process to adopt IFRS, it has led to different sets of standards. Having different versions of IFRS would undermine the goal of having one

set of global principles. This would diminish the ability to create comparable financial statements. Similarly, once U.S. issuers are allowed to use IFRS, the SEC should refrain from issuing rules and interpretations that will create a different GAAP for registrants. The SEC must be willing to work through the IASB for any changes they think should be made. We recognize that legislation may need to be modified in order to allow this to occur.

As IFRS continues to evolve, the SEC and FASB must continue to work closely with the IASB and play a vital role in providing input into revising or creating new standards. The FASB and IASB have been working on convergence to align the financial reporting. But there are still significant differences. These differences should be resolved prior to the mandated date for implementation of IFRS as discussed below.

If the SEC allows U.S. issuers the option to convert to IFRS, some companies may decide to convert while others may not depending on whether the benefits outweigh the costs of implementation. During that transition time, it will be difficult to compare financial statements between companies or between industries. To that end, we believe the SEC should mandate a transition timetable that requires all U.S. issuers to convert to IFRS by a specified date no sooner than 2015 with early adoption encouraged and optional. The SEC should consider an approach similar to that of Sarbanes-Oxley (“SOx”) whereby smaller U.S. issuers were granted flexibility to adopt at a later date. Given that the costs to implement IFRS will be significant, we believe that certain U.S. companies will not convert to IFRS unless they are mandated to do so. It will be difficult to articulate in isolation whether the benefits of converting to IFRS will exceed the costs, therefore corporate priorities will hinder system conversion unless mandated by a regulation.

For some companies, financial statements prepared in accordance with IFRS may look significantly different from those prepared using U.S. GAAP. Investors and other users of the financial statements will need to be informed of the changes relating to the transition from U.S. GAAP to IFRS, which could be presented in additional footnotes or with a reconciliation. If required, the reconciliation should only be required for the first year of adoption and not in subsequent years. With the SEC Proposed Rule 33-8818 of *Acceptance from Foreign Private Issuers with Financial Statements Without U.S. GAAP Reconciliation*, we believe that the SEC should take a similar approach when considering the reconciliation for U.S. issuers. Providing a reconciliation beyond the first year of adoption would minimize the benefits, thereby requiring the maintenance of two sets of books, one for U.S. GAAP and one for IFRS. This process would be very costly and would undermine the effort to move towards one global set of accounting principles.

The transition to IFRS will likely require significant time resources and costs. There is a significant amount of work that needs to be done. Companies will need to assess current accounting policies and understand any changes that need to occur. For example, companies will need to identify the differences between IFRS and U.S. GAAP and will need to determine which standards will be most challenging to adopt.

The change to IFRS will likely require major system changes. Given the current SOx environment, any accounting and system changes will need to be tested for reliability prior to

implementation. Adopters will also need to take into account any contractual obligations, such as commercial arrangements, and regulatory considerations. Existing contracts will need to be reviewed. Loan arrangements relating to debt covenants will need to be changed as covenants are currently calculated using U.S. GAAP.

In addition to company changes, the SEC needs to consider the accounting infrastructure. Universities will need to develop a generation of accountants that understand IFRS and the certification process will need to be amended. Existing professionals will also need to be trained.

Given all that needs to be done, we believe the SEC should allow a long lead time to transition before IFRS becomes mandatory, at least no sooner than 2015 with early adoption encouraged and optional. While we realize that implementing IFRS will be very costly and time consuming, we believe that it is an important step in moving towards one global set of accounting principles. Implementing SOx gave us a good benchmark of its benefits and challenges of implementing changes of this magnitude. In addition, we can leverage from experiences we are aware of in other countries that have already converted to IFRS. Going forward, it will be imperative that the SEC and FASB strengthen their efforts in ensuring that IFRS continues to be developed through a robust and collaborative process.

We appreciate the opportunity to express our views and concerns regarding the Release. If you have any questions regarding our response, or would like to discuss our comments further, please call me at (317) 276-2024.

Sincerely,

ELI LILLY AND COMPANY

S/Arnold C. Hanish
Executive Director, Finance, and
Chief Accounting Officer