

November 13, 2007

By E-Mail: rule-comments@sec.gov

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

Re: File Number S7-20-07

Ladies and Gentlemen:

On behalf of Financial Security Assurance Holdings Ltd. (the “Company”), a New York corporation, I am pleased to submit comments with respect to Release Nos. 33-8831 and 34-56217, “*Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards*” (the “Concept Release”). We are broadly supportive of the concept (the “Concept”) of permitting U.S. issuers to file financial statements prepared in accordance with international financial reporting standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) for purposes of complying with the rules and regulations of the Securities and Exchange Commission (the “Commission”), without reconciliation to generally accepted accounting principles (“GAAP”) as used in the United States.

In Release Nos. 33-8818 and 34-55998, “*Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP*,” the Commission proposed a rule (the “Proposed Rule”) that would permit foreign private issuers to file financial statements prepared in accordance with IFRS as published by the IASB without reconciliation to U.S. GAAP. The Concept would essentially extend the Proposed Rule to include U.S. issuers, thereby putting U.S. issuers on an equal footing with foreign private issuers by giving both the option of using IFRS, while furthering the Commission’s stated goal of developing a single set of globally accepted accounting standards.¹ Further, for U.S. issuers who currently prepare financial statements in

¹ We assume that, if the proposed Concept were to be adopted, U.S. issuers should be permitted to utilize financial statements prepared under IFRS for all purposes of complying with the rules and regulations of the Commission.

accordance with both U.S. GAAP and IFRS, there will be time and cost savings resulting from eliminating the need to apply two accounting standards. For these reasons, we support the Concept of allowing U.S. issuers to file financial statements prepared in accordance with IFRS as published by the IASB for purposes of complying with the rules and regulations of the Commission.

Overview of the Company

At present, the Company and its operating subsidiaries maintain both U.S. GAAP and IFRS financial statements. By way of background, the Company was publicly held from 1994 until July 2000, with both common stock and debt listed on the New York Stock Exchange. On July 5, 2000, the Company completed a merger in which it became an indirect wholly owned² subsidiary of Dexia S.A. (“Dexia”), a Belgian corporation whose shares are traded on the Euronext Brussels and Euronext Paris markets as well as on the Luxembourg Stock Exchange. Dexia is primarily engaged in the business of public finance, banking and investment management in France, Belgium, Luxembourg and other European countries, as well as in the United States. The Company’s debt continues to be listed on the New York Stock Exchange, and consequently the Company continues to file reports under the Securities Exchange Act of 1934 (the “Exchange Act”).

Dexia requires that the Company prepare periodic financial statements in accordance with IFRS for inclusion in Dexia’s IFRS financial statements. The Company also uses IFRS, where different from U.S. GAAP for calculations of adjusted book value and operating earnings, for determining its annual bonus pool and valuing employee equity compensation, in order to better align the interests of employees with the interests of its principal shareholder (Dexia).³ Thus, the Company’s accounting staff and external auditors utilize IFRS, both as a matter of necessity insofar as its parent company requires IFRS financial statements and to further the Company’s identity as a member of the larger Dexia group of companies.

At the same time, the Company must, in connection with its listed debt issues, maintain financial statements in accordance with U.S. GAAP in order to satisfy its reporting obligations under the Exchange Act. In addition, the Company must prepare financial statements for its principal operating subsidiaries (“FSA”) on a U.S. GAAP basis due to the application of

For example, we suggest that IFRS financial statements satisfy the requirement contained in Regulation AB that asset-backed issuers include, for each significant enhancement provider, financial statements meeting the requirements of Regulation S-X. See 17 CFR 229.1114(b)(2)(ii). We believe that, insofar as the U.S. securities laws may accept IFRS financial statements for one purpose, the reasoning is equally applicable where investors seek financial information about that issuer for another purpose.

² The Company is wholly owned by Dexia with the exception of shares owned by directors of the Company through the Company’s Director Share Purchase Program. The number of shares issued to directors through this program is less than 1% of the Company’s shares outstanding. Shares owned by directors are considered to be indirectly controlled by the Company.

³ In 2004, the Company replaced its then existing incentive plan with a new plan which provides that book value measurements used in valuing performance share awards be determined in accordance with IFRS. Commencing in 2006, determinations of the annual bonus pool began to be made in accordance with IFRS rather than U.S. GAAP.

Regulation S-X⁴ and Regulation AB⁵. FSA engages in the business of providing financial guaranty insurance on public finance and asset-backed securities (“ABS”) in domestic and international markets. A significant portion of the insured securities consists of ABS publicly issued in the United States and governed by Regulation AB. Regulation AB, and amendments to Form 10-K and Form 10-D adopted in connection with Regulation AB, require that FSA provide U.S. GAAP financial statements meeting the requirements of Regulation S-X as part of the initial and ongoing financial information, respectively, to be provided to the ABS issuer.

Extension of Choice to Prepare Financial Statements in Accordance with IFRS to U.S. Issuers

In Section II(C) of the Concept Release, the Commission notes two “market forces” that may provide incentives for market participants to request that the Commission accept financial statements prepared in accordance with IFRS as published by the IASB from U.S. issuers: first, if a critical mass of the entities in a particular industry sector or market reports in accordance with IFRS, U.S. issuers in that sector or market will feel pressure to report in accordance with IFRS; and second, if a U.S. issuer has a large number of subsidiaries based in jurisdictions using IFRS as their basis of accounting, the issuer may incur lower costs in preparing their consolidated financial statements if they use IFRS rather than U.S. GAAP. We suggest that there is another category of issuers: U.S. domiciled consolidated subsidiaries of foreign businesses that, like the Company, are subject to reporting requirements under the Exchange Act.

At a fundamental level, logic suggests that if some filers are allowed to opt to file financial statements prepared in accordance with IFRS as published by the IASB, all issuers should be given that option, irrespective of domicile. Insofar as the Proposed Rule, if adopted, would deem IFRS adequate for U.S. investors in foreign private issuers, we believe that the logical conclusion is that IFRS provides adequate financial information for U.S. investors in U.S. issuers. We believe this logic is particularly compelling for U.S. domiciled consolidated subsidiaries of foreign private issuers, who use IFRS because of their foreign ownership. In such a case, where the U.S. entity does not have publicly held equity, the interests of debt holders in the financial performance of the issuing company are more limited than those of equity holders. The U.S. securities laws and stock exchange rules recognize this, and provide streamlined disclosure and compliance requirements for debt issuances and issuers without publicly held equity. At the same time, users of the U.S. domiciled consolidated subsidiary’s financial statements (including users inside and outside the United States) will benefit from being able to view the subsidiary’s financial statements and those of its foreign parent company on the same accounting basis (IFRS).

For a U.S. issuer who prepares financial statements under both U.S. GAAP and IFRS as published by the IASB, whether because it has a substantial number of subsidiaries based in jurisdictions using IFRS or because the U.S. issuer itself is a subsidiary of a foreign entity that reports under IFRS, extending the Proposed Rule to U.S. issuers would allow it to benefit from

⁴ 17 CFR 210.1-01 through 210.12-29.

⁵ 17 CFR 229.1100 *et seq.*

savings in external audit costs and internal resource allocation, while providing investors with financial disclosure that conforms to a single set of international accounting standards.

In addition, we believe that permitting U.S. issuers to file financial statements prepared in accordance with IFRS as published by the IASB would further the Commission's stated goal of developing a single set of globally accepted accounting standards. As noted in the Concept Release, if U.S. issuers are permitted to file financial statements prepared in accordance with IFRS, accountants, investors and market participants would need to understand and work with both IFRS and U.S. GAAP. To a very real extent, such parties are already developing such understanding, due to the global nature of many markets and industries and the substantial number of countries that allow the use of IFRS, and we believe that they will need to continue to do so. Allowing SEC registrants to file financial statements prepared in accordance with IFRS as published by the IASB would increase the incentive of market participants to develop expertise about IFRS, which, we believe, will ultimately increase their comfort with the convergence of U.S. accounting standards with international accounting standards and enhance the comparability of information across national borders.

Thank you for considering this comment letter. If you have any questions or require any additional information in considering our comments, please feel free to contact me directly (telephone: 212-339-3482; e-mail: BStern@FSA.com).

Respectfully submitted,



Bruce E. Stern,
General Counsel and Managing Director