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United States Government Accountability Office
Washington, DC 20548

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January 18, 2008

The Honorable Christopher J. Dodd
Chairman
The Honorable Richard C. Shelby
Ranking Minority Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Barney Frank
Chairman
The Honorable Spencer Bachus
Ranking Minority Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission), entitled “Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP” (RIN: 3235-AJ90). We received the rule on December 27, 2007. It was published in the *Federal Register* as a final rule on January 4, 2008. 73 Fed. Reg. 986. The final rule is effective on March 4, 2008. *Id.*

The final rule allows foreign private issuers to file with the Commission financial statements prepared in accordance with International Financial Reporting Standards (IRFS) as issued by the International Accounting Standards Board (IASB) without reconciliation to generally accepted accounting principles (GAAP) as used in the United States. The Commission has long viewed reducing the disparity between the accounting and disclosure practices of the United States and other countries as an important objective both for the protection of investors and the efficiency of capital markets.

Enclosed is our assessment of the Commission’s compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the

rule. Our review indicates that the Commission complied with the applicable requirements.

If you have any questions about this report, please contact Michael R. Volpe, Assistant General Counsel, at (202) 512-8236. The official responsible for GAO evaluation work relating to the subject matter of the rule is Richard Hillman, Managing Director, Financial Markets and Community Investment. Mr. Hillman can be reached at (202) 512-8678.

signed

Robert J. Cramer
Associate General Counsel

Enclosure

cc: Nancy Morris
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL
STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS WITHOUT RECONCILIATION TO U.S. GAAP"
(RIN: 3235-AJ90)

(i) Cost-benefit analysis

The Commission performed a cost-benefit analysis of the final rule. The analysis included several benefits and several costs resulting from the rule. As an example of a benefit, the Commission explained that acceptance of financial statements prepared using IFRS is expected to help foster the use of IFRS as a way of moving to a single set of globally accepted accounting statements, which the Commission believes will have positive effects on investors. As an example of a cost, the Commission noted that the minimum required information that investors in the U.S. capital markets receive from any foreign private issuer will differ from what it was previously. A potential cost could be incurred if an investor loses information contained in the reconciliation that the investor would use to understand differences in certain financial results under IFRS and U.S. GAAP for a particular issuer.

(ii) Agency actions relevant to the Regulatory Flexibility Act, 5 U.S.C. §§ 603-605, 607, and 609

The Commission certified that the final rule would not have a significant economic impact on a substantial number of small entities. For this reason, the Commission did not prepare a Final Regulatory Flexibility Analysis.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

The final rule, promulgated by an independent regulatory agency, is not subject to title II of the Unfunded Mandates Reform Act of 1995.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

The final rule was issued using the notice and comment procedures contained in 5 U.S.C. § 553. On July 11, 2007, the Commission published a Notice of Proposed

Rulemaking in the *Federal Register*. 72 Fed. Reg. 37,962. The Commission received approximately 125 comments in response to the proposed rule and responds to those comments in the final rule.

Paperwork Reduction Act, 44 U.S.C. §§ 3501-3520

The final rule contains “collection of information” requirements within the meaning of the Paperwork Reduction Act. The Commission submitted these requirements to the Office of Management and Budget for review.

Statutory authorization for the rule

The final rule was promulgated under the authority of sections 6, 7, 10, and 19 of the Securities Act of 1933, as amended, sections 3, 12, 13, 15, 23, and 36 of the Securities and Exchange Act of 1934, and sections 3(c)(2) and 108(c) of the Sarbanes Oxley Act of 2002.

Executive Order No. 12,866

The final rule, promulgated by an independent regulatory agency, is not subject to the review requirements of the order.