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Ms. Elizabeth Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: ***Proposed Rule: Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers***

SEC File Number S7-27-08

Dear Ms. Murphy:

The United States Chamber of Commerce ("Chamber") is the world's largest business federation representing more than 3 million businesses and organizations of every size, sector, and region. The Chamber created the Center for Capital Markets Competitiveness ("CCMC") to promote a modern and effective regulatory structure for capital markets to fully function in a 21st century economy.

To achieve this objective, it is an important priority of the CCMC to promote an effective financial reporting policy, specifically a single global standard of accounting. As such, the CCMC has supported the implementation of the International Financial Reporting Standards ("IFRS") by the United States. Nevertheless, the CCMC has serious concerns surrounding the Securities and Exchange Commission's ("SEC") proposed Roadmap.

The CCMC recognizes the long process that has allowed the SEC to take the important step in proposing a Roadmap for IFRS adoption. The Roadmap sets forth seven milestones that, if achieved, could lead to the required use of IFRS by U.S. issuers beginning in 2014, with voluntary use by selected issuers beginning as early as this year.

A single, high quality, transparent, predictable, and well-functioning global financial reporting system is a laudable objective that, if done right, can benefit companies, investors, and all capital markets participants. The CCMC appreciates the leadership of the SEC in working towards this goal. Seeking comment on a proposed Roadmap has helped focus attention on the significant challenges that exist in accomplishing this objective – a number of which we discuss below. However, these challenges need to be addressed *before* the SEC commits to adopting IFRS, in order to avoid unintended consequences.

As the roadmap was developed and released, the United States and global economies were afflicted by the ever increasing adverse impacts of the worst financial crisis in 75 years. In this fragile environment, it is particularly important for the SEC to avoid adopting rules that have potentially destabilizing effects. The legislation creating the SEC set financial reporting as the cornerstone in the mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. Committing to a changeover in the U.S. financial reporting system at this critical juncture risks undermining confidence in our markets when the focus instead should be on restoring it. Further, companies, auditors, investors, and regulators are currently preoccupied in dealing with the economic crisis. The SEC should avoid compounding these stresses by foisting on them a myriad of difficult IFRS transition issues upon businesses at this time.

The voluntary early use and overall timetable to mandate the use of IFRS are unrealistic considering the substantive nature of the issues that need to be resolved before the SEC can fully implement such a system. The framework for and details of the proposed Roadmap are incomplete and need to be reconsidered. In particular, experience from voluntary early adoption is not the way to test the time, effort, or desirability of U.S. issuers transitioning to IFRS. Furthermore, the potential costs involved, in such a harsh environment, need to be weighed against the immediate potential benefits. We strongly encourage the SEC to reconsider this proposed rule as drafted. To facilitate the process for doing so, we offer the following comments on the some of the transitional issues that need to be addressed.

Potential Issues in Transitioning to IFRS

A. *Role of the Financial Accounting Standards Board (FASB)*

The proposal does not address the governance or standard setting apparatus the SEC would use following the adoption of IFRS. The process used by FASB for setting U.S. Generally Accepted Accounting Principles (U.S. GAAP) is long-standing and well-known. There exists an infrastructure of both formal and informal relationships around the process of promulgating U.S. GAAP. While not without issues – as reflected, for example, in the recommendations of the SEC Advisory Committee on Improvements to Financial Reporting (CIFiR) (August 1, 2008) – the issues are exacerbated, not resolved, by transitioning to IFRS.[1]

Adopting IFRS would certainly involve changes in the relative roles of U.S. market participants in the accounting standard-setting process. But, the nature of these changes is uncertain and they depend on the role, if any, of a U.S. standard-setter in an IFRS world. The proposal recognizes that one of the options would be for the FASB to continue to be the designated standard-setter for purposes of establishing financial reporting standards in issuer filings with the SEC. However, the proposal makes no commitment to this option. Another option is for the International Accounting Standards Board ("IASB") to "step into the shoes" of the FASB, which would cease to exist. This is consistent with public statements by some FASB Board and staff members over the last year or so. And, a third option would be to reconstitute the FASB in the form a new U.S. standard-setter.

Additionally, with the world's largest economy, and most highly developed system of financial reporting, the role of the United States within the governance structure of the IASB should also be defined.

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[1] Indeed, the implementation of CIFiR's recommendations may be undermined with a transition to IFRS. In addition, while the International Accounting Standards Committee (IASC) Foundation had observer status on CIFiR, the recommendations do not have the same standing from an international standard-setting perspective, and so it remains to be seen how the IASB will consider them.

Uncertainty around the role of accounting standard setting and governance in the United States only increases the costs of and confusion surrounding a transition to IFRS. We strongly urge the SEC to specify its vision for accounting standard-setting in the U.S. before adopting a Roadmap on IFRS.

B. *Governance and Funding of the IASB*

The International Accounting Standards Committee Foundation ("IASC Foundation") finances IASB operations largely through voluntary contributions from a wide range of market participants around the world, including accounting firms, companies, international organizations, central banks, and governments. In 2006, the IASC Foundation agreed on four elements of a funding approach: broad-based, compelling (to mitigate free riding), open-ended (i.e., not contingent on any particular action by the IASC Foundation or IASB), and country-specific with the funding burden shared by the major economies on a proportionate basis based on GDP.

The proposed Roadmap states that the SEC will carefully consider the degree to which the IASC Foundation has a secure, stable funding mechanism that permits it to function independently. However, the proposal is silent on any U.S. role in funding the IASC Foundation.

Notwithstanding the SEC's authority under existing legislation, Section 108 of the Sarbanes-Oxley Act of 2002 ("SOX") specifically provides that the SEC may recognize as generally accepted any accounting principles established by a standard-setting body that meets certain enumerated conditions. SOX establish that any standard-setting body so recognized must file an annual report, including auditing financial statements, with the SEC. Finally, SOX provides for funding of the designated standard-setting body using fees collected *from issuers in U.S. markets* based on an annual budget. The SEC recognized the FASB as an accounting standard-setter under Section 108. It has not yet extended this recognition to the IASB.

We encourage the SEC to articulate, as part of any Roadmap, whether it contemplates recognizing the IASB as a designated standard-setting body under SOX Section 108 and specify whether U.S. issuers will be assessed costs to fund the IASB. Additionally, clarification and guidance is needed to insure that the funding and governance of the IASB complies with SOX.

C. ***The Impact on Federal and State Laws***

Another milestone in the proposed Roadmap provides for is a comprehensive staff review of all SEC rules relating to financial reporting. This study would recommend amendments for implementing IFRS throughout the regulatory framework for registration and reporting. The CCMC believes that, such a study should be done ***before*** the SEC considers adopting a Roadmap that includes both voluntary and mandated adoption of IFRS.

Further, U.S. GAAP is embedded not only in the SEC's rules and regulations, but those of other federal and state agencies. Capital adequacy regulations for banks and insurance companies are just one example. U.S. GAAP related rules and regulations extend to a variety of regulated companies in such industries as financial services, insurance, utilities, and transportation. Once again, the nature and extent of U.S. GAAP in federal and state laws need to be understood to fully appreciate the implications of transitioning to IFRS. It is not likely that simply legislatively substituting IFRS for U.S. GAAP would provide a simple fix for this problem, given the differences between the two accounting systems. For instance, IFRS contains only sparse guidance for specialized industries. Such an effort will require simultaneous and coordinated legislative action by all of the states, as well as the federal government. Before the SEC permits or mandates IFRS, a robust SEC staff analysis of the role of U.S. GAAP in the federal and state laws, rules, and regulations needs to occur.

D. ***The Impact on U.S. Federal and State Taxes***

U.S. GAAP is likewise embedded in tax laws. Differences between U.S. GAAP and IFRS will have significant tax implications for U.S. companies. LIFO accounting for inventory, which is embedded in the IRS code but precluded under IFRS, is the most notable example. By some estimates, changes to LIFO accounting will cost businesses in the United States over $100 billion annually. This is a cost that American businesses can ill afford at anytime, much less than during the worst financial crisis in 75 years. The role of U.S. GAAP in federal and state tax law needs to be understood, not only so that companies can determine the impact on them when changing to IFRS, but also so recommendations are developed and implemented for changing federal and state tax laws, as appropriate, to accommodate this transition to IFRS.

Moreover, a proactive approach to change IFRS, on issues such as LIFO, is necessary before the roadmap should be permitted to move forward. The SEC staff analysis, previously discussed, should include the impact on U.S. federal and state taxes and, again, this analysis should be completed before the SEC permits or mandates the use of IFRS by U.S. issuers.

E. *Costs of Transitioning to IFRS from Two Sets of GAAP*

The Roadmap puts in place a dynamic that contemplates two sets of GAAP (i.e., U.S. GAAP and IFRS) co-existing for U.S. issuers over an extended period of time. The proposed Roadmap calls for the SEC to decide in 2011 whether to proceed with rule-making mandating IFRS under a staged transition beginning in 2014.[2] In the meantime, the proposal would permit early use of IFRS by a limited number of U.S. issuers. Unfortunately, the Roadmap fails to appreciate the additional costs and complexities that come with having two sets of GAAP for U.S. companies.

Moreover, the impact of SEC actions in creating two sets of GAAP would extend beyond current U.S. issuers and impose costs on private companies and their stakeholders as well. U.S. GAAP now applies both to companies that register and file with the SEC and to private companies that do not. One accounting system significantly reduces transaction costs for all market participants including, for example, those seeking to access the public markets for the first time. The proposal acknowledges, but does not address, the additional costs and complications that would be added to the IPO process if a private company whose financial statements were not in accordance with IFRS were required to provide them in its initial registration statements. Again, this is the type of detail that needs to be analyzed in a staff study before the SEC permits or mandates the use of IFRS by U.S. issuers, especially since functioning with two sets of GAAP in the U.S. for an extended period of time may simply be untenable.

[2] The Roadmap does not include all types of SEC regulated companies. For example, investment companies under the Investment Company Act of 1940 or regulated entities, such as registered broker-dealers, are excluded from the Roadmap, although comments are solicited on this issue.

F. *Other Costs of Switching to IFRS*

Substantial differences exist between U.S. GAAP as promulgated by the FASB and IFRS. With the encouragement of the SEC and since at least 2002, the FASB and IASB have been formally working on a long-term plan for converging the two sets of standards. On September 11, 2008, the FASB and IASB announced an update of their 2006 Memorandum of Understanding (MOU), which established the goal of completing joint projects on major topics by 2011.[3] The MOU dovetails with the first milestone in the proposed Roadmap, which states that the SEC will assess the degree of progress by the FASB and IASB on their joint commitment to converging the two sets of standards and establishes a 2011 deadline. This milestone helps provide an incentive for the FASB and IASB to narrow the differences between the two sets of standards. Unfortunately, the nature and extent of the list of joint FASB-IASB projects under the MOU makes the goal of 2011 a very ambitious one.

Still, the list does not include all areas of differences between U.S. GAAP and IFRS.[4] Thus, even if substantial progress is made on these joint projects, a large number of important differences between U.S. GAAP and IFRS will remain. So, U.S. companies will face significant costs to switch from U.S. GAAP to IFRS regardless of the progress of the FASB and IASB. For example, companies will need to incur costs to train their boards and staffs to understand IFRS vis-à-vis U.S. GAAP. These efforts must include an understanding of the impact of changing to IFRS, design and implement new or modified accounting systems to record transactions that can provide the required multi-year comparable financial reports under IFRS, renegotiate existing contractual arrangements and revise future ones, recognize any tax implications, reconsider tax strategies, and educate investors and market participants on the influence of IFRS on financial disclosures. Along with additional internal costs, companies will also require legal, audit, and consulting services over multiple years, and incur additional costs for these services.

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[3] Active joint projects include financial instruments, financial statement presentation, leases, liabilities and equity distinctions, revenue recognition, consolidations, derecognition, fair value measurement, and post-employment benefits. Also, the FASB and IASB are working jointly on conceptual framework projects to converge these frameworks.

[4] Other areas include but are not limited to inventories, property plant and equipment, impairments, contingencies, deferred taxes, share-based payments, as well as specialized areas like biological assets and insurance.

To provide more context on the costs of transitioning to IFRS, it is important to recognize that U.S. GAAP is embedded in a variety of contractual arrangements, including agreements with employees, suppliers, customers, lenders, investors, joint venture partners, and others. For example, financing agreements typically carry terms and conditions based on financial information determined under U.S. GAAP, such as debt covenant restrictions to maintain certain levels of working capital, tangible net assets, retained earnings, and the like. Transitioning to IFRS would require renegotiation of existing contracts. Opening up existing contracts for renegotiation always runs the risk of yielding revised contracts at less favorable terms, which seems even more likely in the current economic environment. In additionally, contract negotiations will likely be made more complicated by differences between U.S. GAAP and IFRS and uncertainties around judgments in the implementation of more principles-based standards under IFRS.

In the proposed rule related to companies eligible for early adoption of IFRS, the SEC staff estimated the added cost burden would average about $32 million per large company for the first three years of filings under IFRS. We appreciate that the staff described some of the information and assumptions behind this estimate. However, given the long list of significant and difficult transitional issues that companies need to address this estimate appears understated An important method to mitigate the transition costs is for the FASB and IASB to narrow the differences between the two sets of standards.

G. *Consistent Implementation, Application, and Enforcement of IFRS Globally*

It is widely recognized that institutional settings differ around the world and that environment is critical when it comes to implementing, applying, and enforcing accounting standards. In other words, the U.S. GAAP experience would frame the interpretation, application, and enforcement of IFRS within the United States. In this vein, the views of regulators, including the SEC and Public Company Accounting Oversight Board ("PCAOB"), are important in how standards are developed and implemented.

How these institutional forces will play out in the implementation, application, and enforcement of IFRS is unknown. However, the question arises whether U.S. companies will be somehow disadvantaged because of our institutional environment, in particular under the more judgment-based framework of IFRS. One milestone in the proposed Roadmap directs the SEC Office of Chief Accountant ("OCA") to undertake a study on the implications of IFRS implementation upon investors and other market participants. The issue of IFRS consistency in its global implementation, application, and enforcement should be included in such as study. In addition, such a study should be completed before the SEC adopts a Roadmap for allowing or mandating IFRS by U.S. issuers.

H. *Litigation Pressures on IFRS under the U.S. Legal System*

A salient and unique feature of the U.S. institutional setting is the propensity for litigation over financial reporting and disclosures, particularly securities class actions. Given the differences between IFRS and U.S. GAAP, it remains an open question whether IFRS will change the dynamics of civil litigation, in particular securities class actions, or if litigation will change IFRS.

Accordingly, it is an open question if the more principles-based approach of IFRS will be eroded over time, as accounting standards have been in the U.S. Contributing to this erosion has been the incentives of issuers and auditors to have more certainty in their accounting judgments to help mitigate second-guessing and other ex post challenges to those judgments in a litigious environment. This has led to an exponential growth in prescriptive rules in United States financial reporting. Importantly, if IFRS becomes less principles-based and more rules driven as it ages, then the U.S. will have undergone a costly and painful conversion to ultimately obtain a newer version of U.S. GAAP, akin to getting old wine in expensive new bottles.

It also remains unclear how IFRS can be used, in a legal setting, if thousands of pages of U.S. GAAP standards and interpretations are available for the courts to use in the course of litigation. Conceivably legal precedents, using U.S. GAAP literature, could be set to override IFRS. State and federal judges could become a competing standard setting body. Such a system will create a fractionalization of financial reporting in the United States rather than provide for the participation in a global system.

Conclusion

In conclusion, while the CCMC supports global accounting standards, recognition also exists that transitioning to IFRS would not be an easy task, particularly under the existing economic environment. Nonetheless, it is important that the transitional difficulties be recognized, addressed, and minimized before the SEC commits to a Roadmap that permits or mandates the use of IFRS by U.S. issuers. If the process is to work, we need to insure that it is done right.

Again, the CCMC appreciates the leadership of the SEC in proposing an IFRS Roadmap. We remain committed to a single global accounting system and realize the significant challenges that exist in accomplishing this goal. Thank you for the opportunity to participate in the process.

Sincerely,

Richard Murray
Chairman
U.S. Chamber of Commerce
Center for Capital Markets Competitiveness