financial executives international

April 20, 2009

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

Subject: File Number S7-27-08

Dear Ms. Murphy:

The Committees on Corporate Reporting ("CCR") and Taxation ("COT") (referred to collectively as "the Committees") of Financial Executives International ("FEI") wish to share their views on the Securities and Exchange Commission's (the "SEC") proposed rule "Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards ("IFRS") by U.S. Issuers" (the "Roadmap"). FEI is a professional association representing the interests of more than 15,000 chief financial officers, treasurers, controllers, tax directors, and other senior financial executives from over 8,000 major companies throughout the United States and Canada. FEI represents both the providers and users of financial information. COT and CCR are technical committees of FEI, which review and respond to research studies, statements, pronouncements, pending legislation, proposals and other documents issues by domestic and international agencies and organizations. This letter represents the views of COT and CCR and not necessarily those of FEI or its members individually.

We acknowledge that the issuance of the Roadmap by the SEC represents a significant step towards requiring the use of IFRS as issued by the International Accounting Standards Board ("IASB") by U.S. issuers in the future. We appreciate the opportunity to address some of the many questions raised in the Roadmap.

The committees continue to believe there are benefits to be derived from the development and use of a single set of globally accepted accounting standards. The credit crisis has highlighted a world economy that has become increasingly global in its nature and the eventual use of a single set of global accounting standards is a further step in recognizing and adapting to the global flow of capital. We also note that, as an example, differences between US GAAP and IFRS in the area of financial instruments are causing concern among preparers, regulators and government officials. We believe the use of a single set of globally accepted accounting standards has the potential to mitigate these accounting debates in addition to further providing efficiencies with regard to systems, processes, documentation and training as well as comparable financial information for investors.

While we acknowledge that IFRS as promulgated by the IASB is likely that single set of global standards, we are concerned regarding the timing of its potential adoption by U.S. registrants as currently proposed by the SEC. In reviewing the proposed roadmap, we recommend that the SEC consider an interim approach in the overall process of moving towards a mandate for adoption of IFRS.

As proposed, the roadmap calls for a decision on the timing of adopting IFRS be made by the SEC in 2011, with early adoption allowed for a select group of companies prior to that time. We recommend that in the period between now and 2011, the Financial Accounting Standards Board ("FASB") and the IASB should continue to focus on a path towards convergence of the most critical accounting standards as set forth by the Memo of Understanding ("MOU") in place between the FASB and the IASB. While we believe there will be ongoing challenges, illustrated by recent history, in reaching truly converged standards on joint projects, we believe a concerted effort in this area will result in standards that are more closely aligned.

Additionally, we support the SEC's call for a study by the Office of the Chief Accountant on the implications for investors and other market participants of implementing IFRS for U.S. issuers as set forth by the proposal and supported by the Financial Accounting Foundation ("FAF") and the FASB in their comment letter to the SEC dated March 11th. We agree with the FAF and the FASB that a study is a necessary step in determining the most advantageous and appropriate path forward for the potential use of IFRS by U.S. registrants. Any study must be completed expeditiously and fully examine the costs and benefits, as well as strengths and weaknesses of all potential approaches.

Additionally, we also support the FAF and FASB's request that the SEC form a broad-based Advisory Committee, comprising representatives of the many different parties that have a stake, or interest, in the U.S. financial reporting system, to provide one source of valuable input to the study. Similar to the Advisory Committee formed by the SEC in 2007 to review the complexity of financial reporting, this group could provide recommendations to the SEC for a path forward on such a critical undertaking. We believe that based upon the varied input the SEC has and continues to receive on the roadmap, it is evident that the various stakeholders in the reporting process all have a broad range of perspectives, even within individual constituencies which they represent as to the appropriate path forward. The formation of an advisory committee in conjunction with a study will provide the opportunity to debate the issues and ensure that the various perspectives are fully considered.

In considering the appropriate path forward, the study and committee recommendations should also consider what the timing of such a move should be. We believe that a date certain is critical to engaging people in the process, and as such, the SEC needs to ensure that companies have adequate time to adopt once a date certain is established. The proposed conversion to IFRS will require a multi-year project involving changes to systems, processes and procedures, as well as retraining of the global workforce. Companies will need to allow adequate time to carefully consider the impact of the implementation to their corporations, make the necessary changes for implementation, execute upon a plan and have the necessary comparative information available. We believe in reviewing the timing, the SEC will need to consider delaying the transition by one to two years from the proposed 2014 date. Based on the actions of many of our Committee members, as well as the broader preparer community, many companies have slowed their progress on IFRS adoption until the SEC acts with a final decision and date. We believe the lack of a date certain is a barrier towards companies' progress on implementation, but a date certain must be evaluated only after a study has taken place which encompasses the various perspectives.

If the SEC established a definitive date simultaneously with issuing a final Roadmap in 2011, we believe that would be a key step which would allow companies to move ahead and make the necessary and significant resource commitments. Without a date-certain decision by the SEC, the Committees believe that it may be extremely difficult for companies to justify the expense of a move to IFRS. As a result of the global economic recession, companies are appropriately rethinking how they spend money and are prioritizing resources to best maximize shareholder value. Given the lack of a date-certain decision on IFRS, it is difficult to make a prudent business case that expending limited resources on conversion will increase shareholder value; rather, companies are being asked to "place a bet" that the move to IFRS will happen. Financial reporting requires a disciplined process and should not be done on a speculative basis.

Additionally, while we believe that a continued focus on convergence for the next several years will ultimately reduce many of the differences between US-GAAP and IFRS, the move to IFRS will require significant changes in accounting practices. Therefore, the IASB should also consider a moratorium on effective dates for new standards for at least one year prior to implementation to allow companies to implement IFRS under a stable platform.

Attached we have provided additional commentary specific to the detailed requests set forth in the proposed roadmap. These points should be considered in the overall context of our perspectives as noted above.

We appreciate the SEC's consideration of these matters and welcome the opportunity to discuss any and all related matters. Please contact Lorraine Malonza at 973.765.1047 or lmalonza@financialexecutives.org with any questions.

Sincerely,

Arnold C. Hanish
Chairman
Committee on Corporate Reporting
Financial Executives International

Ronald D. Dickel
Chairman
Committee on Taxation
Financial Executives International

Attachment:

Milestones to be Achieved

The Roadmap, as proposed, sets forth seven milestones which, if achieved, could lead to the eventual use of IFRS by all U.S. issuers. While we acknowledge that all of the milestones would be useful mechanisms to evaluate whether or not IFRS financial statements should be used by U.S. issuers, we believe that the significance and relevance of each milestone differs greatly and that there are certain milestones that should not be required as we believe they do not provide information to enhance the decision making process. Overall, we are concerned that the Roadmap does not provide a definition of the quantitative or qualitative criteria for effective evaluation of the milestones, or the definition of acceptable or satisfactory progress toward these milestones.

Milestone 1 – Improvements in Accounting Standards: We strongly agree that improvement to the accounting standards is a critical milestone. However, this milestone needs to be more specific and improvements must be prioritized. The final Roadmap should specifically define which convergence projects must be completed, and are therefore required, prior to a move to IFRS by the United States, and which projects can be finalized at a later date. We believe it is important to focus convergence efforts on the most critical projects to ensure that the standard setters can issue the best standards, that the users can engage and assist in shaping the best standards and that the preparers and investors can have sufficient time to absorb all of the changes. The FASB/IASB joint work plan is the proper mechanism for achieving this milestone. However, in the near-term, we believe that the FASB must focus its efforts on convergence projects rather than making improvements to the existing standards. Continual changes to existing standards only serve to create unnecessary change and complexity for both investors and preparers and divert critical resources from convergence activities and ultimate adoption of IFRS.

Additionally, based on the current IASB/FASB joint work plan, several key projects are not slated to be completed until 2011 with effective dates of 2012 at the earliest. We strongly believe that the final Roadmap should incorporate a moratorium on new standards, once the critical convergence items are addressed, to allow companies to implement IFRS under a stable platform, similar to what was done for the European transition. If a stable platform is not in place prior to transition, this could cause significant investor confusion. It would be difficult for investors to distinguish between accounting method changes, presentation changes or U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and IFRS differences in the first set of IFRS financial statements.

Milestone 2 – The Accountability and Funding of the International Accounting Standards Committee Foundation*:* The accountability and funding of the International Accounting Standards Committee ("IASC") Foundation is another critical milestone that must be addressed before any transition to IFRS takes place. A stable funding mechanism should be in place to ensure that the IASB standard setting process continues to function independently and efficiently. With respect to the IASC being held accountable, some progress has already been made in this area as indicated by the recently announced amendments to its Constitution establishing a link to a Monitoring Board comprised of capital markets authorities, including the SEC.

Milestone 3 - Improvement in the Ability to Use Interactive Data for IFRS Reporting: The mandated use of eXtensible Business Reporting Language ("XBRL") has been a significant undertaking and an important project for the SEC; however, we believe that capital markets around the world function without XBRL and that the importance of moving to a single set of global standards surpasses the significance of XBRL. We believe that the use of XBRL and the development and improvement of international taxonomies should continue to be monitored in general but we do not believe that a decision to adopt IFRS should be based on the status of XBRL at that point in time.

Milestone 4 – Education and Training: Similarly, we don't believe that this milestone should be required. Although this is an important issue, improvement in this area will be a natural outcome of setting a date certain for conversion, and it would be extremely difficult to measure progress on this type of milestone. We are aware that this is an area that will require a substantial period of time for education of professors, accounting students, investors, preparers and auditors. This is one of several reasons why there needs to be sufficient time after a date certain is set in order for the proper education and training to take place. This is somewhat comparable to when the FASB issues new pronouncements – companies are given a certain timeframe prior to an effective date in which to learn the new guidance; the same should hold true for the even more significant change of converting to IFRS.

Milestone 5 – Limited Early Use of IFRS Where This Would Enhance Comparability for U.S. Investors: Because of various disincentives discussed in further detail below, we believe that there will be very few U.S. registrants that avail themselves of the limited early use option, even if they are eligible. As such, the SEC is not likely to get much benefit from the experience of early adopters and, therefore, this milestone will not yield sufficient knowledge on which to base a decision.

Milestones 6 and 7 – Anticipated Timing of Future Rulemaking by the Commission and Implementation of the Mandatory Use of IFRS: The final two milestones are inextricably linked. The anticipated timing of future rulemaking by the SEC, currently slated for 2011, will determine the reasonable timing for implementation of the mandatory use of IFRS. The lack of a date certain in and of itself is an impediment for several of the previous milestones, including education and training and limited use early adoption.

Timing of Implementation

Without a date certain for a mandated conversion to IFRS, companies will be reluctant to make the necessary investment, particularly in systems. We believe that the highest and best use of resources is to make improvements to systems at the same time as converting. If adequate time is not allowed for planning and alteration of Information Technology ("IT") roadmaps, then companies will not be able to consider a thorough and complete bottoms-up approach to adoption but rather complete a more manual conversion with the use of Excel spreadsheets or top-level adjustments. Additionally, the requirements mandated by the Sarbanes-Oxley Act of 2002, create another layer of complexity to the proposed U.S. adoption. Utilizing spreadsheets and multiple top-level adjustments increases the inherent unreliability of the financial statements as well as creating the potential for significant deficiencies or material weaknesses and, therefore, should be avoided.

As currently proposed, two years of historical data are required for adoption. If large accelerated filers waited to begin the transition process until the SEC's affirmative decision in 2011, these companies would then have less than one year before they would need to prepare 2012 IFRS comparative data required for their initial 2014 filings. As we noted in the opening of our letter, this is not sufficient time for companies to adopt effectively. Among other items, companies would not have time to determine opening balance sheets for each accounting location; perform impairment tests required at the time of transition; write accounting policies; document IFRS SOX narratives for processes that have changed; establish an appropriate corporate governance model; appropriately assess conversion options or train finance personnel. Another area that may require significant time and resources to implement are IT system upgrades. Based upon many of our members' experience with integrated Enterprise Resource Planning systems, it can take two to three years to adequately plan and execute major changes in order to ensure internal control requirements are effectively addressed. Based on the requirements as currently detailed in the Roadmap, most large companies believe that it will require a minimum lead time of 5 years for a comprehensive implementation, including the time needed to prepare historical data. This lead time would not be considered "in effect" until and if a date for adoption is ultimately decided. If the SEC were to reduce the requirements for providing historical data, this could help to lessen some of the lead time for adoption.

Specifically we believe that the SEC should amend the roadmap to change the current SEC requirement of two years of historical data to one year as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). This would also ease the transition, effort, and cost significantly while also aligning to the ruling made for Foreign Private Issuer's ("FPIs") adopting IFRS in the European Union as well as to the requirements of International Accounting Standards No.1, *Presentation of Financial Statements*.

<u>Cost-Benefit Analysis</u>

The SEC's assessment of the costs and benefits of the Roadmap is an area that is difficult for our members to reach a consensus on. While a few members felt that the SEC's estimates were too high, most felt that the SEC's assessment understated the estimated costs, particularly in the area of system changes. We believe that the ultimate costs will vary significantly from company to company, largely dependent on the complexity of the business and its systems. Other factors impacting the level of costs would be the SOX environment impact as well as the opportunity costs related to the use of already limited internal resources on IFRS instead of other projects (or on the flip side, higher costs related to the use of outside professionals). The final determination of costs would also vary based on the ultimate status of convergence between U.S. GAAP and IFRS and final decisions regarding parallel reporting requirements. We believe that the specific cost considerations need to be addressed in any study that is performed and a significant point of discussion for the Advisory Committee.

Proposal for the Limited Early Use of IFRS & Transition

A significant portion of the Roadmap addresses the proposal for the limited early use of IFRS where it would enhance comparability for U.S. investors. As a committee that represents many of those companies eligible for early adoption, most are reluctant to exercise this option, even if they are eligible, due to the lack of a date certain and the possibility of having to revert back to U.S. GAAP. Any early adopter would have to largely reimplement IFRS as it evolves or converges with U.S. GAAP, along with incurring significant implementation costs, such as multiple sets of books in transition, training and education, IT demands and development of global accounting policies. In the current economic environment, in-house technical accounting and IT resources are already extremely limited. Coupled with the risk of reversion to U.S. GAAP, the risks far outweigh any benefits.

Additionally, the ongoing reconciliation requirements during the early adoption period are a significant deterrent and quite burdensome, particularly under proposal B. We believe that an ongoing reconciliation could potentially cause management confusion by having multiple measurements and the lack of a clear linkage between internal management performance metrics and external results. Other deterrents to early adoption include: reduction in resources available for IFRS transition as a result of the credit crisis, as well as complexities related to unresolved accounting matters (e.g. Last-In-First-Out inventory accounting). Accordingly in our opinion there is not a compelling reason why a company would early convert if the risk remains that other companies may not ultimately be required to adopt IFRS.

We generally support having an option for companies to early adopt available, with some revisions. One concern is that limited early adoption would not enhance comparability for U.S. investors. Investors make investing decisions not only within an industry, but across industries. Creating further diversity in accounting standards across industries will create confusion. To alleviate that concern, we believe that the eligibility requirements should be loosened. There were no limitations placed on FPIs filing under IFRS in the U.S., so we question why U.S. issuers should be limited? If a mechanism is added for any U.S. issuer to convert if a sufficient business purpose is provided, this might increase the population of U.S. issuers that elect to early adopt, thereby beginning the process of preparing the capital markets and building the knowledge of IFRS. Early adoption, if revised, would allow the SEC the opportunity to observe how transitions went for U.S. issuers of different sizes and complexity levels as the decision to mandate is made.

A significant number of companies currently use Last-in, First-out ("LIFO") inventory accounting method, a method not permitted under IFRS. For those companies, the current IRS regulations would require a tax payment for the accumulated difference between LIFO and First-in, First-out ("FIFO") upon adoption of IFRS. This tax payment will in many cases be so significant as to be an effective bar to early adoption, and even without early adoption, would eventually be a major cost of adopting IFRS for many companies. If the SEC wants broad participation among the entire population of potential early adopters, then the SEC must work with the

IRS immediately to obtain an accommodation to avoid immediate taxation of the LIFO reserve. Furthermore, the SEC should also engage all other appropriate government agencies which currently require U.S. GAAP based financial reporting and begin a dialogue as quickly as possible to identify the impact and implications of IFRS adoption on these other financial reporting requirements.

While we believe, as noted above, that the eligibility criteria for early adoption needs to be less restrictive, we also wanted to highlight the appropriateness of the specific criteria as currently outlined. In some cases, the use of standard industry classifications may yield a skewed population of the company's competitors and not mirror how a company views itself. Similarly, restricting use to the largest 20 competitors by market capitalization may restrict those companies that have significant international activities already operating in an IFRS environment and would be interested in early adoption but fell just outside that top 20. And in the current economic climate, the top 20 is a moving target. Generally, as stated above, we do not favor limiting the availability of this option (and therefore eliminating the need for eligibility criteria) as it is the SEC's desired goal to have a sufficient number of companies early adopt so that key learnings could be evaluated. A potential solution would be for the SEC to provide guidelines rather than specific criteria while also providing a mechanism for any U.S. issuer that strongly desires to early adopt and has a compelling business reason to do so to make a submission to the SEC staff for consideration.

As noted above, a significant disincentive for early adoption as currently proposed is driven by the uncertainty in the proposed roadmap of whether the SEC will ultimately require the mandatory adoption of IFRS. If a U.S. issuer elects to file IFRS financial statements under the proposed limited early use option, would they be required to revert back to U.S. GAAP if the SEC decides not to mandate or permit other U.S. issuers to file IFRS financial statements in 2011? We believe as noted above more companies should be permitted to early adopt and those companies should continue to be permitted to use IFRS on an ongoing basis. This would be consistent with the reporting requirements for FPIs which permit the use of IFRS without reconciliation to U.S. GAAP. By eliminating the reconciliation requirement for FPIs, the SEC concluded that sufficient information is available to make informed investment decisions based on IFRS financial statements. As such, this decision should also apply to all issuers that elect to file IFRS financial statements. Having said this, we are cognizant that not requiring a reversion to U.S. GAAP could potentially cause some comparability issues and would require practitioners to maintain a level of education and expertise in both U.S. GAAP and IFRS. We would note, however, that this condition currently exists with respect to the SEC's rules allowing FPIs to file using IFRS. In addition, we believe that maintaining a mandatory revert back scenario will effectively deter early adoption.

In applying the requirements of IFRS 1, we anticipate the main difficulty will be maintaining dual-reporting during the years of transition to IFRS, as it will require numerous systems enhancements and significant employee and management time to capture and review the information. Further complicating this is the requirement in IFRS 1 for the same accounting policies in the opening IFRS statements to be applied throughout all periods presented based on IFRS effective at the end of the first IFRS reporting period. If any new standards or major projects are completed by the IASB subsequent to the date of transition and prior to the reporting date, this would add additional complexity as information for retrospective application may not be readily available. This is further support for our request to reduce the historical financial statement requirements that drive parallel reporting needs and for a moratorium on new standards to allow companies to implement IFRS under a stable platform. Another significant concern pertains to coordinating the timing of conversion and managing the options elected by subsidiaries as many companies have foreign subsidiaries that may adopt or already maintain statutory financial statements under IFRS. Administratively, some of the requirements of IFRS 1 have specific dates that were relevant when Europe converted to IFRS. Unless those dates are updated for U.S. adoption, companies will not receive the benefit of the transition relief that IFRS 1 provides.

In order to facilitate the transition to IFRS, we agree that the SEC should add an instruction to Form 10-K and Form 10-Q under which an issuer could file two years, rather than three years, of IFRS financial statements in its first annual report containing IFRS financial statements. This change would significantly reduce the burden and costs placed on U.S. issuers during the transition period, and provide additional time for the transition process after the determination by the SEC is made. If the SEC maintains the requirement of three years of IFRS financial statements for the first annual reporting, it would result in a U.S. specific requirement for IFRS reporting that is different than the requirements of IFRS as issued by the IASB. This should not be the overall intention if we are truly moving towards a single set of globally accepted accounting principles.

Alternative Proposals for U.S. GAAP Information

Regarding the two proposals relating to U.S. GAAP reconciliation information, we strongly support Proposal A, which is consistent with the requirements of IFRS 1 as issued by the IASB. We believe that approach will establish an understanding of the changes for users of those financial statements, and then on a go-forward basis, the ability to monitor the performance of that company on a consistent basis. We believe there is value to the reconciliation upon transition, but do not believe the continued reconciliation in subsequent years would benefit investors, issuers and market participants. The reconciliation requirements in Proposal B would be extremely costly and onerous – the only perceived benefit would be to have a mechanism for reverting back to U.S. GAAP if the SEC chose not to move forward with converting to IFRS in 2011. As we do not support any scenario where reversion to U.S. GAAP is an option, we see no benefits to Proposal B, and we believe that the requirements of Proposal B would negatively impact the decision for eligible companies to elect to file IFRS financial statements. It should be noted that other significant capital markets have successfully managed to adopt IFRS without placing unnecessary reconciliation requirements on preparers. Furthermore, the additional disclosures required by IFRS should provide investors, issuers and market participants with the necessary information they require.

We do not believe that Management's Discussion and Analysis ("MD&A") should be required to contain a discussion of the reconciliation and the differences between IFRS as issued by the IASB and U.S. GAAP, under either proposal. Accounting rules and regulations should only be included in the MD&A to the extent necessary to understand the financial information being presented. If companies were to add a discussion about how things would have been done differently under U.S. GAAP, this would be confusing to the reader and would not add value. Upon conversion, the stand alone IFRS financial information should be the only required data to be discussed. If Proposal B was to survive in the final Roadmap, most members believe that the proposed U.S. GAAP financial information should not be audited. Additionally, supplemental U.S. GAAP information should not be required for all quarterly periods covered by the IFRS financial statements. Such a requirement would be unduly burdensome to the issuer while providing minimal incremental benefit to the user.

With respect to the information contained in selected financial data, we believe that the selected financial data for the first reporting period under IFRS should be in line with the initial requirement for IFRS reporting. As stated above, we support reducing the initial reporting requirement from three years to two years and, therefore, would support having only two years in the selected financial data. Disclosure of previously published information based on U.S. GAAP for the previous financial years or interim periods should not be required. Presenting U.S. GAAP information in the same table as the IFRS data would be more confusing than useful to investors; such information is available to investors through previous filings, if desired. As proposed, the issuer would then continue to add on additional years of data as subsequent IFRS filings are completed, building up to five years.