

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington
DC 20549-1090
USA

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

January 30, 2009

Dear Ms. Harmon,

**Re.: File Number S7-27-08
Release Nos. 33-8982; 34-58960
ROADMAP FOR THE USE OF FINANCIAL STATEMENTS PRE-
PARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL RE-
PORTING STANDARDS BY U.S. ISSUERS**

The Institut der Wirtschaftsprüfer in Deutschland [Institute of Public Auditors in Germany] (IDW) is pleased to have the opportunity to comment on the release concerning the Securities and Exchange Commission's Roadmap for the use of financial statements prepared in accordance with International Financial Reporting Standards (IFRSs) by U.S. issuers [hereinafter referred to as "the Release"].

As we had stated in our letter dated September 21, 2007 to the SEC commenting on the proposal to accept from foreign private issuers financial statements prepared in accordance with International Financial Reporting Standards, the IDW believes the acceptance of financial statements prepared in accordance with IFRSs, ultimately without reconciliation to U.S. GAAP, not only from foreign private issuers but also from U.S. private issuers is increasingly desirable as a significant step towards achieving the goal of a set of high-quality, globally accepted accounting standards.

Indeed, we had also stated that the IDW anticipates that, in the long term, the application of one single financial reporting framework will be achieved on a worldwide basis, and thus had also welcomed the SEC's "Concept Release on

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Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards” and expressed general support for the initiative.

The IDW therefore firmly supports the SEC’s initiative in developing the above-mentioned Roadmap. In particular, we agree with the Commission that the mandatory rather than elective use of IFRS for U.S. issuers is more conducive to the promotion of a single set of globally accepted accounting standards, leading, in the long term, to the improved comparability of financial information globally. In proposing such initiatives the SEC leads the way and will hopefully provide encouragement for other countries to more readily move towards international accounting solutions, whether in the form of convergence programs or direct adoption of IFRS. Even though we do not comment in detail on the proposed rule detailing the Roadmap, and do not respond to the individual questions raised in the Release, we would like to comment the following issues which we believe need further deliberation in relation to the Roadmap:

Proposed Staged Approach to the Transition

We agree with the Commission that investors in the U.S. and, indeed worldwide, will benefit from an enhanced ability to compare the financial information of U.S. issuers with that of non-U.S. companies. An initial limited use of IFRS followed by a staged transition, as proposed, (pages 31 and 53, respectively) may appear to be a sensible start, however, this enhanced ability can only be fully achieved once all U.S. issuers use IFRS consistently with companies in the rest of the world. We are not convinced that staggering the transition in the manner proposed is necessarily the optimal way of achieving this objective. Indeed, given the convergence project and resultant increasing similarities between U.S. GAAP and IFRS the transition ought to be less onerous for U.S. issuers than was the case for German companies, for example, who faced significant challenges in converting to IFRS from a substantially different German GAAP. Irrespective of whether the SEC ultimately decides upon a staged or non-staged transition, we strongly urge the SEC not to deviate from the ultimate aim of having all U.S. issuers apply IFRS, nor to stop short at the largest 20 issuers by market capitalization, or similar, nor countenance allowing limited early use of IFRS and then subsequently withdrawing that possibility.

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Determination of Decision Criteria

The SEC's final decision on mandating the use of IFRS from 2014 onwards, which the Commission plans to make in 2011, will depend on a number of factors, including progress made by the FASB and IASB in their joint work under their 2006 Memorandum of Understanding, consideration of the IASB's due process and fulfillment of its targets, accountability and funding of the IASC Foundation, the development of IFRS tags for reporting under XBRL, and also the then status of education and readiness of investors, preparers, auditors and others.

However, the detailed criteria by which the Commission plans to evaluate these factors are not clear; indeed many of these issues are discussed in the questions posed in the Release. In not indicating a firm commitment, but essentially "holding the door open" the SEC makes the prospect of electing for the early use of IFRS significantly less attractive; issuers are unlikely to be prepared to try IFRS for a limited period, especially if they might subsequently need to revert back to U.S. GAAP either voluntarily or at the insistence of the SEC. We therefore urge the SEC to bring forward its decision and indicate a firm commitment to the transition to IFRS, rather than merely introducing the "possibility" of IFRS adoption.

We discuss certain of these factors in further detail subsequently in this letter.

Proposal A vs. Proposal B

We would like to point out that when IFRS was initially adopted in Europe, German companies encountered similar issues and problems as discussed in the Release that would be impacted by a change from U.S. GAAP to IFRS, but these were not found to be insurmountable. Naturally, increases in certain costs, whilst inevitable, need to be kept to a minimum where possible. With this goal in mind, and given the statement on page 73 that any subsequent adoption of a rule to mandate the use of IFRS supplemental US GAAP information would not be required, we would believe that Proposal A on pages 68 et seq. (IFRS 1 compliance requiring reconciliation for one year) is clearly preferable to proposal B (requiring three years' reconciliation) on pages 70 et seq. Quite apart from the cost aspects involved, we believe that requiring significantly more information than IFRS 1 stipulates, as foreseen in proposal B, is unlikely to be of real benefit to investors; indeed it may have the opposite effect, leading to confusion and information overload.

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Impact on the IASC Foundation

We agree with the Commission's belief that the accountability of the IASC Foundation will be enhanced once the Monitoring Group provides the forum for interaction between securities authorities and the IASC Foundation Trustees. The establishment of a Monitoring Group will also enhance the credibility of both the IASC Foundation and the IASB. However, in our opinion, governance of the IASC Foundation, including the responsibility for the appointment of Trustees and for funding, should remain with the existing body of Trustees so as to avoid overstepping the fine line between accountability *to* the Monitoring Group and control *by* the Monitoring Group. In our opinion, it would be appropriate for the Monitoring Group to participate in the appointment process and approve the appointment of Trustees, but not assume responsibility for Trustee appointment directly. Similarly, the secure stable fundraising mechanism necessary to safeguard the independence of the IASB should be subject to oversight by the Monitoring Group. Funding should be obtained from an as wide as possible group across all IFRS user jurisdictions.

Impact on the IASB Deliberative Process

Undoubtedly a change in the U.S. from U.S. GAAP to IFRS would also have an impact on the IASB, as the number of constituents would increase, however, the IASB remains the sole standard setter at international level. In our opinion, the SEC contention that such transition may result in a longer deliberative process in issuing accounting standards is questionable, and likely to be undesirable in the majority of instances.

Interpretation of Standards

We do not support the idea that issuers might turn to U.S. FRs, ASRs, SABs and Industry Guides in the application of individual relevant IAS and IFRS (for example as discussed on page 99 in respect of IAS 8).

We are also concerned at the proposal that U.S. issuers might have to provide additional disclosures as specified by specific Industry Guides as relevant and, for example, for oil and gas companies with FAS 69 (as discussed on pages 106 and 107).

The multitude of interpretations of U.S. GAAP was one area of criticism identified in the final report of the Advisory Committee on Improvements to Financial

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Reporting to yourselves issued in August 2008. We believe this issue ought to be properly addressed in the Roadmap. In our view, the IFRIC is the appropriate interpretative body and issues identified by IFRS users, including U.S. issuers, needing further interpretation should be referred to the IASB in the first instance. This would allow determination as to whether clarification within the body of a standard would be appropriate or, alternatively, whether an interpretation were required, and, at the same time, as to the issue's relative priority in terms of the IASB work plan. In this context, we support calls from various quarters for a specific and transparent procedure for prioritizing issues on the IASB work plan, which would be open to public consultation. We suggest the Roadmap address this issue accordingly.

Convergence of Standards

We are convinced that global convergence of financial reporting standards for capital market entities is highly desirable. The ultimate aim has to be to achieve the highest quality standards so as to be as relevant and responsive to users' needs as possible. Therefore, true IFRS convergence ought to involve due consideration of other major national GAAP and also be open to new ideas rather than being restricted to existing U.S. GAAP.

We note that the SEC raises the question as to whether there are any other significant issues the Commission should evaluate in assessing whether IFRS is sufficiently comprehensive. IFRS has been developed and used in the EU for several years, but, as is the nature of standards setting, cannot be deemed a "finished product". However, as IFRS are principles-based standards, designed to be capable of application to various circumstances and in various situations, enabling preparers and auditors to apply professional judgment to complex situations and also to respond to new developments – an approach is certainly needed, given the recently observable pace of developments in some industries. This approach means that the IASB can deal with specific or isolated new issues as the need arises, and the IASB work plan should reflect this aim. We refer to our comments above in respect of the IASB's deliberative process.

Potential Impact on Audit firms

In the same vein as we support the globalization of financial reporting standards, the IDW is a strong supporter of the introduction of International Auditing Standards (ISA) world-wide, as a measure to enhance the quality of audits per-

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formed throughout the world and certainly in global capital markets. This is an aspect that we believe the SEC and the Roadmap needs to address. Attaining consistency in financial reporting will not benefit capital market participants to the full potential if audits of those financial statements are performed in accordance with different auditing standards, and are thus of differing quality. In our view, the time is right for a move away from national solutions to global solutions in the fields of financial reporting, auditing and also auditor oversight.

We would be very pleased to be of further assistance if you have any questions or comments about the contents of our letter.

Yours truly,



Klaus-Peter Naumann
Chief Executive Officer



Norbert Breker
Technical Director
Accounting and Auditing