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Ms. Nancy M. Morris
Federal Advisory Committee Management Officer
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number 265-24:

Progress Report of the SEC Advisory Committee on Improvements to Financial Reporting

Dear Ms. Morris:

Fitch Ratings ("Fitch") welcomes the opportunity to comment on the Progress Report of the Securities and Exchange Commission ("SEC") Advisory Committee on Improvements to Financial Reporting (the "Committee"). Fitch believes that the Committee's goal of increasing the usefulness of financial information to investors while reducing complexity of the financial reporting system is laudable, especially given its mandate of proposing final recommendations within one year.

<u>The Creditor Perspective</u>

Fitch is a leading global rating agency committed to providing the world's credit markets with independent, timely and prospective credit opinions. Fitch's corporate finance ratings make use of both qualitative and quantitative analyses to assess the business and financial risks of fixed-income issuers. Therefore, Fitch directly relies on the financial statements and that reliance places us in an informed position to comment on information we believe is useful and crucial in the credit evaluation process, which is a critical component of efficient capital markets.

Fitch is pleased to note the first theme of the progress report is to increase emphasis on the investor perspective in the financial reporting system. We would like to stress that there are many types of investors and that an investor perspective should not be limited to equity investors but should be cognizant of the needs of credit investors as well.

Consistency and comparability of financial data, for a given issuer, across issuers, and across industries increases the utility of financial reporting in credit analysis. Fitch believes that a number of the proposals suggested by the Committee are helpful from a credit investor perspective as they address some of the root causes of a lack of comparability across issuers and industries.

The Importance of Global Convergence

Fitch is a strong supporter of global convergence and believes the United States should eventually adopt International Financial Reporting Standards ("IFRS") as a single set of high quality accounting standards. The agency sees this as the most straightforward way of simplifying accounting in the United States by moving to principles-based standards, without the complexity the current myriad of rules has brought. Fitch supports the Committee's proposals and conceptual approaches that consolidate the standard setting and interpretive processes as they will simplify accounting practice and be helpful in setting the stage for convergence. The result of those proposals should allow for a smoother transition to IFRS as the International Accounting Standards Board ("IASB") has the sole responsibility for setting and interpreting IFRS.

In its conceptual approaches, the Committee touches on a number of frameworks that are also the subject of the conceptual framework being developed jointly by the Financial Accounting Standards Board ("FASB") and IASB as part of their convergence process. Fitch believes that instead of attempting to replicate the important work being done by the FASB and IASB, the Committee should consider having the SEC encourage the FASB to prioritize those frameworks that will build the foundation for improved financial reporting. With this in mind, Fitch believes that the measurement conceptual framework, the financial statement presentation project, and the presentation and disclosure project (which is currently inactive) should be the building blocks of such a foundation. These are long term projects that will require reaching consensus on a global scale. With this foundation laid, the FASB will then be in a better position to consider the Committee's conceptual approaches on a measurement framework, judicious use of fair value, groupings in financial statement presentation, additional disclosure and disclosure framework.

Judgment Framework: Will it Help Investors?

The report has an extended discussion on professional judgment and the need for a framework for making professional judgments and criteria for evaluating those judgments. The specific proposal is to encourage the use of judgment and encourages consistent evaluation practices among regulators. The committee suggested, but ultimately deferred on whether this judgment framework should be implemented through a safe harbor or policy statement and left this to the SEC to resolve. Fitch is not in favor of a safe harbor or any other policy which would limit the ability of an auditor to question the judgment made by an issuer, or limit an auditor's responsibility to exercise its own judgment in determining whether the financial statements are free of material misstatement. **Fitch believes that accountability on the part of both the issuer and its auditor is an essential factor in robust accounting.** The components of the judgment framework are steps that issuers and auditors should already be taking to determine appropriate accounting conclusions. The proposal does not include any new disclosure requirements but does suggest that conclusions be documented contemporaneously. Disclosure, however, would be helpful from an investor perspective, so that investors can understand the judgments being made and how they were concluded upon. Overall, it is not clear how this framework would benefit investors, if at all.

Restatements: The Problem is Timely Disclosure

Restatements of prior financial statements, as well as delays in filing current financial statements, have repercussions for issuers. These repercussions are not just reflected in the stock price, but can impact issuer liquidity and credit metrics as well. The problem with restatements as manifested in the post- Sarbanes-Oxley environment is a lack of timely current financial statements. However, changing the perspective of what is material may not be the right way to address this issue. There is a benefit from getting the prior period financial statements correct, but it should not come at the cost of timely current period data. Fitch believes that the focus of the Committee should be on ensuring that there are current financial disclosures while a restatement is being prepared. A proposal should be developed to require issuers to disclose operating statistics, cash and debt balances and other relevant financial data during the "dark period." These disclosures should also include enhanced information about the need for a restatement and about the restatement itself. Additionally, in those cases where restatements go back multiple years, we suggest that better disclosure could be a helpful alternative to a company undergoing the onerous work of restating and reauditing several years of past data that few will ever look at.

Integrating XBRL into the Convergence Process

Fitch believes that the XBRL implementation plan should be closely tied to the convergence agenda. If US implementation of XBRL were coordinated with taxonomies consistently mapped between US GAAP and IFRS, then XBRL would help to foster the cause of ultimate convergence; however, as this project is now proposed, XBRL in the US would be insular and would in fact become an obstacle to eventual convergence. Furthermore, there has been no effort to leverage or map the XBRL data that is currently provided to the Federal Reserve by certain financial institutions. We believe that by not addressing convergence as part of the XBRL adoption plan, issuers could become further entrenched in US GAAP and investors may not invest in tools to utilize XBRL until the two taxonomies are aligned.

Additionally, requiring XBRL tags for various sets of issuers over a number of years of the face of the financial statements and block tagging of footnotes will not add anything to the market place that is not already readily available at reasonable cost. Fitch believes that any XBRL implementation plan should include the tagging of the discrete financial data contained in the footnotes to the financial statements.

Other Comments

Following are specific comments on certain developed proposals and additional thoughts on certain conceptual approaches.

Proposal 2.3: The SEC should encourage the FASB to further improve its standards-setting process and timeliness.

- **Create an agenda advisory group that has strong investor representation**
- **Implement investor previews of standards**
- **Enhance cost-benefit analysis**
- **Require field tests and visits**
- **Conduct post-adoption reviews, address interpretive questions and reduce diversity of practice in application**
- **Conduct periodic assessments of existing standards**

It is unclear to us how the role of the agenda advisory group would differ from the role already performed by the Financial Accounting Standards Advisory Council ("FASAC") and the Investors Technical Advisory Committee ("ITAC"). As noted on the FASB's website, the primary function of FASAC is to advise FASB on issues related to projects on the FASB's agenda, possible new agenda items, project priorities, procedural matters that may require the attention of the FASB, and other matters. Additionally, ITAC, formed by FASB in January 2007, is comprised solely of investors. ITAC's mission is to help FASB identify urgent accounting and financial reporting issues, propose new items to be added to the Board's agenda and provide perspectives on the implementation of new standards. Given these two groups already working with FASB, it is unclear what further role needs to be filled by a new agenda advisory group.

The proposal suggests that FASB should improve its timeliness for the setting of standards (while adding precursors to creating new standards). The Committee should be aware that accelerated standard setting may not be compatible with convergence goals, as consensus must be built with IFRS as this is implemented globally.

The proposal to address interpretive questions and reduce diversity in practice in application does not align with the move to a principles based accounting environment that utilizes judgment in application. Best practices need time to develop and evolve.

Proposal 4.2: The SEC should issue a new comprehensive interpretive release regarding the use of corporate websites for disclosures of corporate information

Fitch encourages any proposal that would enable issuers to put more information on their websites.

Conceptual Approach 1.B: Encourage understanding of the economic substance and business purposes of transactions, in contrast to mechanical compliance with rules without sufficient context when educating students.

In an environment that is moving to a principle based approach to accounting, it would be important to develop these skills in future professionals. This concept may be better implemented by focusing on the training and tools available to the teaching profession. The Department of Treasury's Advisory Committee on the Auditing Profession has preliminarily recommended a number of worthy considerations on this topic.

We hope you find our comments helpful and would be happy to answer any questions you may have on them.

Yours sincerely,

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