20 April 2009

Ms. Florence Harmon
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

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

File No. S7-27-08

Dear Ms. Harmon:

The CFA Institute Centre for Financial Market Integrity (CFA Institute Centre),[1] in consultation with its Corporate Disclosure Policy Council (CDPC)[2], appreciates the opportunity to comment on the SEC Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers (File No. S7-27-08).

CFA Institute represents the views of its investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. Central tenets of the CFA Institute Centre mission are to promote fair and transparent global capital markets, and to advocate for investor protections. An integral part of our efforts toward meeting those goals is ensuring that the quality of corporate financial reporting and disclosures provided to investors and other end users is of high quality. The CFA Institute Centre also develops, promulgates, and maintains guidelines encouraging the highest ethical standards for the global investment community through standards such as the *CFA Institute Code of Ethics* and *Standards of Professional Conduct.*

[1] The CFA Institute Centre for Financial Market Integrity is part of CFA Institute. With offices in Charlottesville, VA, New York, Hong Kong, London, and Brussels, CFA Institute is a global, not-for-profit professional association of more than 95,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 128 countries, of whom almost 84,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 136 member societies in 57 countries and territories.

[2] The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

Charlottesville New York Hong Kong London
10th Floor, One Canada Square
Canary Wharf, London E14 5AB
United Kingdom
+44 (0)20 7531 0750 tel
+44 (0)20 7531 0767 fax
infoeu@cfainstitute.org
www.cfainstitute.org

20 April 2009

EXECUTIVE SUMMARY

Proposal Summary

The U.S. Securities and Exchange Commission (SEC) has proposed a "Roadmap" for the potential use of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) by SEC registrants in their annual filings. Seven milestones have been established by the SEC that would be reviewed by 2011 to assess whether satisfactory progress has been achieved such that a move to IFRS by U.S. issuers is in the public interest and for the protection of investors. Refer to Appendix II for our summary of the SEC proposal.

Summary of CFA Institute Positions

- We believe that the global capital markets, including the U.S. capital market, would be best served when all companies accessing these markets are using one set of high-quality financial reporting standards as a basis for preparing and issuing their financial reports to investors. Having all companies using the same set of accounting standards would provide investors with the ability to perform comparative analyses of companies in all markets, which is critical to their decision making process.

- We are supportive of the SEC's proposed Roadmap with milestones, which, if achieved, would lead to the mandated use of IFRS by all U.S. issuers and that this could be achieved within five years. We believe this is the only investor-friendly approach to converting financial reporting in the U.S. to IFRS. Milestones provide an objective and measurable means of assessing the progress toward the overall readiness of the U.S. to adopt IFRS.

- We support a cautious and measured approach to adopting IFRS based on achieving investor-friendly pre-identified milestones. It is important to evaluate an approach to adoption that would ensure a smooth and least costly transition for both users and preparers. This, in turn, would have a bearing on the most suitable date for full IFRS adoption in the U.S.

- We are not in favor of the SEC proposal to allow a limited number of U.S. companies to file IFRS financial statements prior to any mandated use of IFRS. Permitting free choice would create a two-GAAP system for U.S. filers, introducing complexity for investors and allowing for accounting arbitrage among preparers. As an alternative, we would endorse the SEC permitting U.S. issuers to adopt IFRS as long as the financial statements are accompanied by an audited reconciliation of the differences between the two sets of standards. This reconciliation would allow investors to identify material differences in the accounting as well as measure the progress toward convergence made by the IASB and FASB. After a period of time, provided the reconciliation differences have diminished, the SEC could choose to require mandatory adoption of IFRS and eliminate the reconciliation. This approach would also permit progress to be made toward achieving the goals identified in the other milestones.

- It is important for investors to have transparency surrounding divergence of application within the principles-based standards of IFRS prior to adoption. Conversion to more principles-based standards that may be applied inconsistently in different regulatory environments, auditing regimes and cultures would not be beneficial to investors. We do not think shifting to IFRS would be worth the effort if financial reports remain non-comparable across borders and through time at investors' expense, because of divergent interpretations and judgments made by management and auditors.

- We believe that the emphasis now should be on achieving a solid foundation of readiness rather than marching toward a specific adoption date. The main emphasis should be on the development of high quality IFRS, not just on how converged they are with U.S. GAAP. Flexibility in terms of a mandatory adoption date is a more reasoned approach; we urge the SEC to avoid locking in a specific due date now and that they review the state of readiness of the standards and infrastructure again in 2011. We regard substantial progress in the development of improved accounting standards as the most important of all of the milestones. Our view is that it is critical that IASB and FASB complete the projects in accordance with the February 2006 Memorandum of Understanding (MOU)[3], and these steps are central to achieving high-quality, transparent, relevant global accounting standards. If the projects discussed in the MOU are completed, we believe that the SEC should evaluate whether the new standards created from those projects have improved the quality of IFRS; that assessment should be evaluated along with the other SEC milestones for consideration to move forward with adoption.

- We believe that the SEC should make its decision regarding the required use of IFRS for all U.S. issuers only after there is in place a stable and diverse funding mechanism that supports the independent functioning of the IASB.

- The SEC plays an important role in ensuring that U.S. issuers comply with current U.S. GAAP. The question of who will be responsible for ensuring that IFRS financial statements of domestic U.S. issuers are in compliance with full IFRS should be resolved prior to any adoption of IFRS in the U.S. We believe that the SEC must play an important role in ensuring that all domestic issuers filing IFRS financial statements are in compliance with full IFRS.

- There are many gaps in the educational materials available covering IFRS and also with regard to professional certification requirements. Closing these gaps for existing and future practitioners is essential to ensuring a smooth transition.

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[3] *Completing the February 2006 Memorandum of Understanding: A progress report and timetable for completion." September 2008* www.fasb.org/intl/MOU_09-11-08.pdf

- We believe that IFRS tags for interactive data reporting (XBRL) should be substantially comparable and no less than those established for U.S. GAAP prior to the SEC's determination of whether to require the use of IFRS for all U.S. issuers.

GENERAL COMMENTS

As noted in the SEC's *2008 Performance and Accountability Report*, the United States' participation in the development of global accounting standards goes back many years. Section 108(d) of the Sarbanes-Oxley Act of 2002 required the SEC to conduct a study and report to Congress on the adoption of a principles-based accounting system. The report noted, among many findings, that global accounting standardization would produce a myriad of benefits, including:

- Greater comparability for investors across firms and industries globally
- More efficient allocation of scarce capital among investment alternatives; and
- Lower costs of capital, since companies could access capital in more markets, using financial statements that meet the disclosure needs of investors around the world.

Today, two-thirds of America's investors own securities in non-U.S. companies, representing a 30 percent increase over levels five years ago.[4] Investors[5] increasingly make their investment decisions by comparing investments in companies located in countries with different accounting, auditing, and other business practices. Making such comparisons is difficult, time-consuming, complex, and risky, even for seasoned professionals. As markets continue to become increasingly global, it is vitally important that investors be able to rely on financial reporting to make international comparisons, which requires a uniform set of high quality accounting standards. Investors also stand to benefit from a single financial "language" with which to interpret corporate activities. Some form of IFRS is currently required for all domestic listed entities in 85 jurisdictions and allowed in 113 jurisdictions. As noted in the SEC's report, the market capitalization of exchanges within those 85 countries requiring IFRS represented approximately 35 percent of global market capitalization in 2008, as compared to 28 percent for U.S. exchanges. The share of global market capitalization represented by IFRS markets is expected to grow still larger with the inclusion of the additional countries that have decided to adopt IFRS by 2011.

CFA Institute Survey on the Adoption of IFRS

CFA Institute Centre has long supported the development of global accounting standards. We conducted a survey in March 2009 to reaffirm our understanding of the views of our members regarding certain aspects of the Roadmap and to better understand the level of

[4] U.S. Securities and Exchange Commission *2008 Performance and Accountability Report* www.sec.gov/about/secpar/secpar2008.pdf and *2007 Performance and Accountability Report www.sec.gov/about/secpar/secpar2007.pdf*

[5] Throughout our response, we refer to "investors" (or "users"), which we define in Appendix I.

support or opposition to the desirability of a single set of accounting standards. There were 1,574 responses to the survey.

91 percent of the responses supported having all companies throughout the world use a single set of accounting standards to prepare general purpose financial statements. The reasons most cited in the comments accompanying the responses were that a single set of accounting standards:

- enhances comparability between companies and across borders
- increases transparency
- reduces complexity in the analysis of companies
- facilitates cross border capital flows

The following comment from one of the respondents is very representative of the general view of those who support a single set of accounting standards:

"*Globalization and interdependence in the world is increasing day by day. Most of the large companies in the world do not operate in just one country or region and are listed on more than one stock exchange. This makes it necessary for the accounting standards used to be harmonized to represent company performance. This will aid comparison across various companies across countries. Investors will benefit since they are not just focused on companies in one region, but are looking to invest globally. Thus one set of high quality accounting standards would aid comparison and analysis across the world and thus aid investors.*"

Respondents were also asked the following question with respect to IFRS:

If you support the use of a single set of standards, do you believe that all companies should use: Responses 1,291	
IFRS as promulgated by the IASB, which maintains sole authority to make changes or exceptions to standards.	64%
IFRS as adopted by a local jurisdiction with permitted differences from the IASB disclosed in the notes to the financial statements. The national standard setter maintains sole authority to make changes or exceptions to the standards.	32%
Other	4%

The responses above indicate that the preferred body of standards is IFRS as promulgated by the IASB. However, while 32 percent preferred IFRS as adopted by a local jurisdiction, that response assumes that differences from IFRS as promulgated by the IASB would be disclosed in the notes to the financial statements. Investors would rely on the disclosure of these differences to make adjustments when comparing companies using different versions of

IFRS. The following respondent comment represents the general consensus of the 64 percent who favor IFRS as adopted by the IASB:

"A single set of rules and a single standards organization is the only way to ensure immediate, easy comparability of financials without having to dig through footnotes to determine if and what types of adjustments would be required to create an apples-to-apples comparison with companies using the unaltered standard."

We polled members on whether they supported full recognition of IFRS and their use in the U.S. now. As noted in the results below, 93 percent favor adoption at the present time but differ in the reconciliation requirement they would favor.

Would you support full recognition of IFRS standards and their use by U.S. firms now? Responses 1,548	
Yes, with a one-time reconciliation from U.S. GAAP to IFRS in the notes to its audited financial statements. This information would include the restatement of and reconciliation from the prior year's financial statements and related disclosures.	41%
Yes, same as a., but the issuer would also disclose supplemental unaudited U.S. GAAP information for a three-year period.	26%
Yes, but reconciliation would be required until the standards are substantially converged and there are only immaterial differences between results of operations and financial position statements as presented using U.S. GAAP vs. IFRS.	24%
Other	2%
No	7%

These responses indicate that our members favor immediate transition to IFRS by U.S. domestic issuers. Nonetheless we believe the SEC has a responsibility to ensure that adoption of IFRS for domestic issuers is in the interest of all investors and that the milestones provide a sound means of doing so. We would support the optional adoption of IFRS by U.S. issuers only if the financial statements were accompanied by an audited reconciliation of the differences between the two sets of standards. This reconciliation would serve as a primary tool for identifying the material differences in practice as well as principle. An additional benefit would be that it would serve as an objective means of assessing the progress towards overall convergence of the two sets of standards.

Observations on the Roadmap and Milestones

We are supportive of a Roadmap with milestones that, when achieved, would lead to the use of IFRS by all U.S. issuers. Milestones provide an objective and measurable means of assessing the progress toward the overall readiness of the U.S. to adopt IFRS. **We stress that the primary emphasis should be on achieving a solid foundation of readiness rather**

than marching toward a specific adoption date. Flexibility in this regard is essential and we urge the SEC to avoid locking in a specific due date. Rather, it should periodically assess progress to ensure that, before IFRS are adopted by US registrants, all milestones have been achieved.

We agree with all of the proposed milestones; we underscore the particular importance of the following:

<u>Improvements in Accounting Standards</u> -- This is, in our view, the most important milestone. Our objective has always been to encourage the IASB to develop financial reporting standards that meet the needs of investors, investment professionals, and other users. To that end, it is critical that the IASB significantly increase, ideally to a majority, the proportion of its members that have investing experience and extensive experience using financial statements. **Developing high quality global financial reporting standards can never be achieved without the participation on the Board and staff by independent minded individuals with experience in investment analysis.**

We also support the MOU between the IASB and the FASB to work together on converging IFRS and U.S. GAAP. The Boards' joint effort to converge is moving forward, but a substantial set of work is not completed. We believe that 2011 could be an aggressive deadline given the workload of both the IASB and the FASB. In addition, we are concerned that the focus on a hard deadline has resulted in suboptimal proposal stage documents being rushed to publication. For example, in our view, the IASB's proposal on revenue recognition fails to address fundamental issues that we consider essential to a high quality standard that can be comparably applied across companies.

It is clear that the MOU has motivated both Boards to maintain a time schedule for completion of very important projects. Some of these are projects that the Boards have been trying to address for literally multiple decades. The SEC timetable for consideration for potential U.S. adoption of IFRS has been a primary motivator in keeping both Boards on track with these projects. We must reiterate that we believe that it is important that the SEC approve U.S. adoption only when it believes that primary elements of the MOU have been achieved. If U.S. adoption is approved before these elements are achieved, we fear that much of the urgency for these projects may disappear.

<u>Accountability and Funding of the IASC Foundation (IASCF)</u> -- We support a governance system for the IASB that will ensure that standards are set in accordance with the operating premise of the IASCF's Constitution[6] as follows:

"…[A]ccounting standards should be set following an extensive and transparent due process by a highly professional, independent body, the IASB, appropriately protected from particular national, sectoral or special interest pleading."

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[6] *Review of the Constitution, Public Accountability and the Constitution of the IASB, Proposals for Change.* IASC Foundation, London England. July 2008. Paragraph 2.

A core part of this effort is to develop a robust infrastructure to support the long-term independent and sustainable standard setting function of the IASB. We believe that the ultimate success of IFRS will rest not only on the governance structure but on the capacity of that structure to respond quickly and effectively to the changing information needs of investors.

Currently, investor representation on both the IASCF and the IASB is limited. Such limited direct participation by investors impairs the ability of both bodies to meet their primary objective, which is to provide decision-useful information to present and potential investors. Again, until there is substantially greater investor representation on these bodies, users lack confidence in the standard setting process and the ability of both bodies to effectively carryout their missions.

Enforcement -- Investors need greater assurance regarding the divergence of application within the principles-based standards of IFRS prior to adoption. Conversion to more principles-based standards that are applied inconsistently in different regulatory environments, auditing regimes and cultures may not be beneficial to investors. We do not think shifting to IFRS would be worth the effort if financial reports remain non-comparable across borders and through time at investors' expense, because of divergent interpretations and judgments made by management and auditors.

We reiterate our view that regulators have an essential role to play in assuring that IFRS standards are applied consistently once they are fully adopted. Efforts are being coordinated by members of the International Organization of Securities Commissions (IOSCO), including European securities regulators and the SEC, to achieve regulatory oversight of IFRS. However, this coordinated effort and related processes are still being developed and the overall effectiveness of their regulatory oversight has not been fully demonstrated (i.e., that the interpretation and enforcement of IFRS is consistent). The SEC should focus on how IFRS is being applied and ensure that studies about this are undertaken and widely circulated to all interested parties.

As shown in our March 2009 survey results below, our members are split on the question of who should be responsible for ensuring consistent enforcement across countries. Enforcement must be fully addressed and resolved prior to adoption by domestic issuers. We believe that the SEC must play an important role in ensuring that domestic issuers filing IFRS financial statements are in compliance with full IFRS.

If companies were permitted or required to use a single set of standards, who should be responsible for ensuring consistent enforcement across countries? Responses 1,432	
A single body is necessary to ensure consistent enforcement across countries.	50%
Enforcement should be determined at the country level.	47%
Other	3%

We address the specific milestones and other observations in the remainder of this letter.

SPECIFIC COMMENTS

Milestone 1: Improvements in Accounting Standards

We regard the progress made toward improvements in accounting standards as the most important of all of the milestones. Our view is that the projects needing completion by the IASB and the FASB in accordance with the Memorandum of Understanding[7] are significant to improving financial reporting and central to the global acceptance of the standards. Projects such as financial statement presentation, revenue recognition, liabilities and equity, and post employment benefits including pensions will consume much of the Boards' and their staffs' time in order to meet the scheduled completion by 2011. This is an enormous undertaking under normal circumstances, but both Boards are also addressing accounting standard changes in light of the on-going financial crisis. This adds a further burden to the already aggressive timeline for completion of these projects. We believe that the SEC should base its timeline on projects completed and the progress made toward overall convergence of standards.

Milestone 2: Accountability and Funding of the IASC Foundation

The ability of the IASB to maintain itself as an independent standards setter is essential in today's environment. This independence is threatened by political forces, as evidenced in October 2008 when the IASB amended its guidance on changes in classification of financial instruments without any public due process. Furthermore, the independence of the FASB has also been threatened as shown by recent changes to its guidance dealing with "other than temporary impairments."[8] These actions, which were made despite strong opposition from investor groups, establish serious doubt about the respective Boards' ability to set financial reporting standards in the public interest.

While we supported the establishment of a Monitoring Group to oversee the effective functioning of the IASCF[9], we are disappointed that there is no investor representation on it.

[7] *Completing the February 2006 Memorandum of Understanding: A progress report and timetable for completion." September 2008*
www.fasb.org/intl/MOU_09-11-08.pdf

[8] See CFA Institute comment letters *FSP-FAS 115-a, FAS 124-a and EITF-99-20-b: Recognition and Presentation of Other than Temporary Impairments (OTTI)* and *FSP-157-e: Determining Whether a Market is Not Active and a Transaction is Not Distressed* and *Declaration on amendments to International Accounting Standards statement no. 39*. The letters are found at:
www.cfainstitute.org/centre/topics/comment/2009/pdf/090330_2.pdf
www.cfainstitute.org/centre/topics/comment/2009/pdf/090330.pdf
www.cfainstitute.org/centre/topics/comment/2008/pdf/081021.pdf

[9] CFA Institute Comment Letter *IASCF Constitution Review* 23 September 2008
http://www.cfainstitute.org/centre/topics/comment/2008/080923_2.html

The IASCF and the Monitoring Group are both dominated by preparers, auditors, and regulators. We believe that this woeful lack of investor representation may expose those charged with governance to pressure from special interest groups to act in a manner that may not be compatible with the best interests of investors. Increased investor participation would enhance the quality of standards by increasing the likelihood that would provide the information needed to make sound investment decisions. The recent increase in investor representation in the Standards Advisory Council does not alter our assessment.

As previously stated, we believe that the IASCF must obtain an independent, diversified and sustainable source of funding for the IASB that is consistent with its mandate and governance and accountability arrangements. Currently, the IASCF relies upon a system of voluntary contributions to fund all of its operations. Regardless of how diversified such contributions might be, no such system can ultimately ensure the independence of the IASB and its standard-setting function from the influence of special interests. To that end, we agree that the future determination regarding the required use of IFRS for all U.S. issuers should only occur after the IASCF reaches its goal of securing a stable funding mechanism that supports the independent functioning of the IASB.

Milestone 3: Improvements in the Ability to Use Interactive Data for IFRS Reporting

We agree that the state of development of an IFRS list of tags for interactive data reporting should be a consideration in the SEC's determination of whether to require the use of IFRS for all U.S. issuers. The adoption of XBRL for financial reporting holds great promise as a source of efficiency, transparency, and comparability in the delivery of financial information. CFA Institute is an enthusiastic supporter of XBRL, but there are still a great many challenges to its successful implementation. Several capital market regulators have already mandated reporting under an XBRL format including the countries of China, Japan and the United States. As adoption advances globally, regulators will be challenged to develop and maintain reporting field lists broad enough to be both useful and meaningful for the spectrum of company filers.

Our understanding is that reporting in an XBRL format is a work-in-progress for many companies and that the technology is not widely available to investors. It is still much too early to assess the adequacy of XBRL until investors have hands on experience and knowledge with the reporting capabilities of the technology.

As an increasing number of companies file their audited financial statements using XBRL, users might expect that the auditor's report will cover XBRL data. The SEC proposal does not clearly address what audit assurance will be needed to enhance the credibility of the interactive data reported. Investors will question the reliability of the reported data without at least some auditor attestation.

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Milestone 4: Education and Training

We concur with the U.S. Investors Technical Advisory Committee's assessment of the state of educational readiness for the adoption of IFRS.[10] There are many gaps in the educational materials available covering IFRS and also with regard to professional certification requirements (e.g., testing of IFRS competency in the Uniform CPA Examination, etc.). Closing these gaps for existing and future practitioners is essential to ensuring a smoother transition.

CFA Institute sets a very high bar to become a CFA Charterholder and plays an important role in assisting current and aspiring investment professionals to become proficient in financial reporting standards. CFA Institute has been a leader in providing investor education for many years and continues to increase its coverage of IFRS within its examination curriculum and body of knowledge with respect to IFRS.[11] For example, *International Financial Statement Analysis*[12] which is now a required reading for the CFA examination program and is also available to existing charterholders, teaches financial statement analysis from a global perspective. Publications such as this combined with the curriculum embedded in the CFA Program, contribute to filling the gaps in IFRS education among financial statement users.

Milestone 5: Limited Early Use of IFRS Where This Would Enhance Comparability for U.S. Investors

We are not in favor of the SEC proposal to allow a limited number of U.S. companies to file IFRS financial statements prior to any mandated use of IFRS unless they are accompanied by a full reconciliation of the differences to U.S. GAAP. This reconciliation would provide empirical evidence about the differences between the two sets of standards and measure progress toward convergence. Permitting this choice creates a two-GAAP system for U.S. filers and increases complexity for investors. A two-GAAP system for U.S. filers also allows for accounting arbitrage, with a perception of companies adopting the standards that produce more favorable results. We believe that adoption should occur with an orderly process of further convergence of U.S. GAAP and IFRS, including time for a proper understanding and experience with the standards. There do not appear to be any clear benefits to early adoption. If a company feels that it is at an economic disadvantage because it does not report under IFRS, then we suggest that it provide IFRS-based data as supplementary information (e.g., dual financial statement presentation, under full U.S. GAAP and under IFRS).

One year of reconciliation is not sufficient for investors to understand the effect of changing from U.S. GAAP to IFRS. A reconciling item might be immaterial in one year but highly

[10] Investors Technical Advisory Committee Comment Letter to the SEC regarding the Roadmap dated 30 January 2009. www://sec.gov/comments/s7-27-08/s72708-32.pdf

[11] IASB standards have been included in the CFA examination curriculum for more than fifteen years.

[12] *International Financial Statement Analysis* by Thomas R. Robinson, CFA/Hennie van Greuning, CFA/Elaine Henry, CFA and Michael A. Broihan, CFA 2009

material in another. For example, differences in the treatment of investments would not have been significant for 2007 but would be extremely significant for 2008.

Milestone 6: Anticipated Timing of Future Rulemaking by the SEC

We agree that the SEC should continue its comprehensive review of all SEC rules relating to financial reporting to determine whether any amendments to its existing regulatory framework are required to fully implement IFRS. Furthermore we agree that if the SEC were to move forward with rulemaking for the use of IFRS by U.S. issuers, then it should require three years of audited annual IFRS financial statements. This would be consistent with the current requirement. We also agree that three years of audited financial statements should be required in the first year of IFRS reporting.

Milestone 7: Implementation of the Mandatory Use of IFRS

In our March 2009 survey we asked our members to state their preferred adoption approach. The results shown below indicate that they are nearly split between two alternatives. However, under the proposed SEC staged adoption plan there would be at least two years in which some domestic companies would not be comparable to others because there would be two bases of accounting used depending on the size of the companies, even within the same industries. Comparability of entities enables investors to identify similarities in and differences between two or more companies. Adopting a staged approach would inhibit this necessary comparability.

If U.S. public companies were required to adopt IFRS, which adoption approach would you prefer? Respondents 1,265	
I prefer adoption at the same date for all filers.	47%
I prefer a staged adoption as proposed by the SEC (in 2014 for large accelerated filers, in 2015 for accelerated filers, and in 2016 for non-accelerated filers including smaller companies).	50%
Other approach	3%

Alternative Proposals for U.S. GAAP Information

We prefer Proposal B (see Appendix II) among the alternatives with respect to the disclosure of U.S. GAAP information. Investors would prefer to have a one-time reconciliation from U.S. GAAP financial statements to IFRS in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* in the notes. In addition, investors would also benefit from an annual audited reconciliation from IFRS financial statements to U.S. GAAP covering a three year period, which should be required in the final release.

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CLOSING REMARKS

We thank the SEC for the opportunity to provide input into the Roadmap. We offer both our support for the development and adoption of a single set of high quality accounting standards and our reservations about the approach in its present form. We suggest that the SEC work diligently to formulate a more strategic plan for the ultimate adoption of IFRS for U.S. issuers.

If you or your staff have questions or seek further elaboration of our views, please contact either Patrick M. Finnegan, CFA, by phone at 212-754-8350, or by e-mail at patrick.finnegan@cfainstitute.org or Matthew M. Waldron, CPA, by phone 434-951-5321, or by e-mail at matthew.waldron@cfainstitute.org .

Sincerely,

/s/ Kurt N. Schacht

Kurt N. Schacht, CFA
Managing Director

/s/ Gerald I. White

Gerald I. White, CFA
Chairman, Corporate Disclosure Policy Council

Cc: Corporate Disclosure Policy Council

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Appendix I

Definition of Investor

The "investor" is defined as an individual who has achieved, through education, examination and experience, a level of professional competency. For example, a candidate could include an investment professional with a decade or more of buy-side or sell-side experience who is the holder of a relevant professional designation (such as a CPA or Chartered Financial Analyst® (CFA®)) and/or who has an MBA with a concentration in accounting or finance. An extremely important aspect to the "investor" definition is the ability to bring to accounting standard setting decisions an emphasis on the usefulness of financial statement data for investment decisions, including the need for comparability, consistency, and transparency. Preparers and auditors of financial statements may not understand how those statements are used, and usually have a preference for flexibility and confidentiality (preparers) and auditability (auditors). In essence, an investor is an individual whose career advancement and compensation are tied directly to their success or failure at making significant investment decisions.

As in any profession, "investors" come in a variety of flavors – frequently starting in assistant analyst support positions, moving up to full analyst responsibilities where their recommendations are actively used in investment decisions, advancing further to management roles (i.e., overseeing the activities of other investment professionals), and finally achieving executive positions within their companies or institutions. It is important to recognize that as an individual makes that last transition, their role as an "investor" may undergo a significant change. The orientation of the CEO or other management level officer of a mutual fund, bank, or brokerage firm is likely to be much more closely associated with the priorities of preparers, since they are themselves responsible for preparing such public financial statements, and less linked to the needs and desires of analysts who are using these statements.

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Summary of SEC Proposal **Appendix II**

The U.S. Securities and Exchange Commission (SEC) has proposed a "Roadmap" for the potential use of International Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) by SEC registrants in their annual filings. Seven milestones have been established by the SEC that would be reviewed by 2011 to assess whether satisfactory progress has been achieved such that a move to IFRS by U.S. issuers is in the public interest and for the protection of investors.

A. Milestones

The seven milestones to be evaluated in 2011 are as follows:

1. Improvements in Accounting Standards. The IASB and the Financial Accounting Standards Board (FASB) have updated their Memorandum of Understanding (MOU) related to joint standard-setting projects.

   The SEC will assess the progress made on those projects in considering whether sufficient convergence has been reached to warrant conversion to IFRS in the United States.

2. Accountability and Funding of the IASC Foundation. The IASB is currently financed by voluntary contributions of market participants. Current plans call for the establishment of a monitoring group to partake in the oversight of the IASB and to engage in the selection of trustees for the IASC Foundation, which oversees the IASB and its activities.

   The SEC will evaluate the progress made by the IASB and the IASC Foundation in developing a secure, stable funding mechanism that permits the IASB to function independently.

3. Improvements in the Ability to Use Interactive Data for IFRS Reporting. The SEC is beginning to require U.S. companies to file financial statements using interactive data (XBRL). To be useful to investors, U.S. issuers would have to be capable of filing IFRS financial statements in more detail than is currently available.

4. Education and Training. Currently, the education and continuing education of accountants in the U.S. is mostly based on U.S. GAAP. Colleges, universities, professional associations and industry groups will need to integrate IFRS in their curricula and training materials. Investors, analysts and accountants presently trained or familiar with U.S. GAAP accounting would need re-education.

5. Limited Early Use of IFRS Where This Would Enhance Comparability for U.S. Investors. The Roadmap allows approximately 110 U.S. companies of which the 20 largest global competitors predominantly report under IFRS to voluntarily adopt the standards beginning in 2009. The SEC believes the limited use of IFRS will produce information about implementation experiences of early adopters, and feedback from capital market participants using the IFRS-based financial statements.

Appendix II continued

6. Anticipated Timing of Future Rulemaking by the SEC. The SEC's staff has begun a review of all SEC rules relating to financial reporting to recommend amendments that would fully implement IFRS if the SEC decides in 2011 to make IFRS reporting mandatory. This would give registrants sufficient time to begin using IFRS internally in 2012. The Office of the Chief Accountant is expected to undertake a study and to make a publicly-available report to the SEC on the implications for investors and other market participants of the implementation of IFRS for U.S. issuers.

7. Implementation of the Mandatory Use of IFRS. In 2011, if the SEC decides to make IFRS reporting mandatory in the United States, its deployment will be on a staged basis rather than immediate.. The use of IFRS in financial reporting would begin in 2014 with large accelerated filers, in 2015 for accelerated filers, and in 2016 for non-accelerated filers including small companies. Reporting among U.S. companies would have embedded non-comparability for at least two years: depending on the size of the firms, some would be reporting on an IFRS basis, while others would be reporting on a U.S. GAAP basis even within the same industry.

B. *Comparability*

The Roadmap proposes two alternatives for presenting reconciliations of the two different bases of accounting, neither of which would present reconciling information on an interim reporting basis as follows:

- Proposal A, an issuer reporting on an IFRS basis would provide a one-time reconciliation from U.S. GAAP to IFRS as required under IFRS 1 *First-time Adoption of International Financial Reporting Standards* in a note to its audited financial statements. This information would include the restatement of and reconciliation from the prior year's financial statements and related disclosures. After the initial reconciliation, no further reconciliations would be required in future filings.

- Proposal B, an IFRS issuer would provide the information in Proposal A, and annually would also disclose supplemental unaudited U.S. GAAP information for a three-year period. The reconciliation would be substantially similar to the one in Proposal A, except that it would reconcile from IFRS financial statements to U.S. GAAP and include all of the financial statements required under IFRS.