Corporate Roundtable on International Financial Reporting

April 20, 2009

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

Subject: File Number S7-27-08, International Financial Reporting Standards (IFRS)

Dear Ms. Murphy:

The Corporate Roundtable on International Financial Reporting ("CRIFR" and commonly referred to as the "Roundtable") appreciates the opportunity to respond to the Securities and Exchange Commission's ("SEC") *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers ("Roadmap")*, published in the November 21, 2008 *Federal Register* (73 FR 70816).

CRIFR supports the Commission's efforts toward the goal of a single set of high quality global reporting standards and we look forward to further deliberations on this important topic. As is evident by the sheer volume of respondents to the Roadmap, there are many impacts expected to result from the use of International Financial Reporting Standards ("IFRS") by U.S. registrants. This letter discusses some of the concerns that we believe the Commission should carefully consider. Moreover, this letter communicates the fact that divergent viewpoints on the Roadmap have emerged.

CRIFR was established in June 2008 to provide a forum for companies of all sizes and funding models to discuss business issues related to the implementation of IFRS by companies operating in the U.S., including promulgation of new IFRS and convergence of U.S. Generally Accepted Accounting Principles ("U.S. GAAP") and IFRS. CRIFR is a voluntary coalition of corporate senior executives with a major responsibility for IFRS implementation and policy, whose mission is to provide leadership on reporting, standards, tax and transition issues within the IFRS arena.

As of April 2009, CRIFR's membership consists of over 75 senior financial executives from over 30 U.S. public and private companies from a broad range of industries. CRIFR has held regular meetings (over 50 since the coalition's conception) to facilitate dialogue amongst thought leaders of the business community on the critical issues and cost considerations associated with a transition to IFRS.

As noted, this coalition represents a diverse group with varied opinions on the appropriate path forward. The goal of this letter is to highlight this diversity and provide the Commission with the unique viewpoints of the preparer community. We believe this diversity in opinion emphasizes the need for additional analysis and a thorough understanding of the impact of the use of IFRS by U.S. registrants on the marketplace and companies. Accordingly, 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. We believe a study conducted expeditiously in conjunction with the Roadmap's 2011 deliberation date is necessary in determining the appropriate path forward for the use of IFRS in the U.S. The success of this study, however, would also require the formation of 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. The formation of the Advisory Committee was suggested in the March 11, 2009 response to the SEC on the Roadmap by the Financial Accounting Foundation ("FAF") and the Financial Accounting Standards Board ("FASB"). The Committee would serve to gather the key stakeholders in this process together to debate the issues and ensure various perspectives are fully considered.

While it is apparent that the majority of the members of the Roundtable have varying degrees of reservation with specific provisions of the Roadmap, it is also apparent that companies are generally divided when it comes to supporting or opposing the overall Roadmap model.

We believe members *generally* hold one of two viewpoints regarding the model proposed in the Roadmap:

- One believes that the goal of a single set of high quality standards can best be achieved through the convergence of U.S. GAAP and IFRS over a reasonable period of time. This view believes that convergence will minimize implementation costs for preparers, eliminate many of the preparer transition issues associated with conversion and minimize ongoing costs, such as training.

- A second view supports a date certain for the mandatory adoption of IFRS by U.S. registrants (as proposed by the Roadmap); however, there are differing views on when this determination should be made. Many support determination in 2011 or sooner. If that is the timeframe for the decision, most supporters of this view suggest that the ultimate timing for adoption should differ slightly (extended 1-2 years) from that proposed in the Roadmap depending on the resolution of the items outlined below. Supporters of this view also generally believe optional use of IFRS prior to the date certain should be allowed and many believe it should be without limitation.

Supporters of both viewpoints acknowledge that convergence between IFRS and U.S. GAAP should continue and they also acknowledge that there are "hurdles" that need to be addressed in moving towards the adoption of IFRS. The following sections discuss the divergent viewpoints on the Roadmap and the general concerns held by many U.S. companies (notwithstanding their support or opposition for the overall Roadmap plan):

Governance:

The second milestone of the Roadmap addresses the "Accountability and Funding of the International Accounting Standards Committee ("IASC") Foundation. Many of our members have concerns regarding the existing IASC Foundation structure and believe this is an important area in considering the use of IFRS by U.S. registrants. To those members, the current structure does not appear to provide the same level of regulatory and statutory safeguards, due process and oversight that is provided in the U.S. As such, the International Accounting Standards Board ("IASB") has greater authority than the FASB. While there has been recent progress in this area with the formation of the Monitoring Board, historically, the IASB does not have the same level of independent oversight as the FASB does with the SEC. Some of our members think further progress is necessary in achieving a similar level of oversight for the IASB; others believe that the formation of the Monitoring Board is sufficient to achieve this end. Additionally, we support the IASCF in their ongoing look at what is the appropriate funding system for the IASCF and IASB included in Part 2 of its Constitutional Review currently in progress. We believe that the current funding system could lend itself to a perception of less than impartiality, as approximately one third of its operating budget has historically been funded by accounting firms, and thus requires additional attention as part of our concerns noted above relative to oversight.

Local Jurisdictional Use of IFRS

The Roundtable recognizes that more than 100 countries require, permit or are pursuing the use of IFRS. However, many countries have adopted a piecemeal or tailored approach to adoption, compromising the goal of a single global standard. We understand that at least 29 countries/jurisdictions have "carved out" IFRS in this manner and have not fully adopted IFRS as promulgated by the IASB. In a similar vein, as many countries have adopted their own version of IFRS, it is uncertain whether mandatory adoption of IFRS as promulgated by the IASB within the U.S. will achieve complete comparability with these countries on a global scale. In the current state, achieving comparability would likely require numerous adjustments to the financial statements. This also makes it more difficult for global companies to gain cost efficiencies that would otherwise be realized from a single set of global standards. We believe that the SEC should undertake efforts to enlist its foreign counterparts to diligently strive toward use of IFRS, as issued by the IASB, without amendment.

Cost Considerations:

All costs are of increasing concern today. Funds spent on accounting resources are not available to fund growth through research and development and capital investment. Many of the companies in Europe that have adopted IFRS incurred significant implementation costs in doing so. The SEC estimates that company costs to implement IFRS will average at least 0.125% of annual revenue, and higher for larger and more complex companies. In addition, this estimate of implementation costs does not include ongoing costs. Ongoing company technical accounting staff costs to support IFRS will likely also be required. Most of our member companies agree that costs of accounting and reporting are likely to increase, while a few believe that over time costs could decrease as statutory and global reporting aligns. Of the companies participating in the Roundtable that have begun to consider the cost implications of a transition to IFRS, some believe that depending on the size and structure of the company, centralized vs. decentralized operations, level of global activity, the initial costs of transition could be significant.

Listed below are some of the factors that the Roundtable has discussed relative to the cost of both implementation and ongoing use of IFRS:

- Many companies believe that there will be increased company procedure and policy requirements in a less prescriptive environment. As IFRS is a "principles-based" system, companies will potentially need to staff an organization to maintain the increased procedures and policies necessary to ensure consistency of IFRS application within a company.

- Parallel (IFRS and U.S. GAAP) accounting systems needed.

    - Historic financial information will be required on an IFRS basis for a period of time in preparing for adoption, ideally requiring parallel systems. A second parallel system would be necessary for reconciliations and additional audit requirements for U.S. GAAP, statutory accounting and IFRS. Implementing parallel systems for many companies will increase the lead time needed to prepare for any stated mandatory adoption date. For example, an effective date of 2014 will require companies to be prepared and have systems in place as of year-end 2011, assuming a three-year look back.

    - Companies will need to maintain compliance with Section 404 of the Sarbanes-Oxley Act of 2002 as a necessary element of the parallel systems. This U.S. requirement adds complexity and time to the adoption process.

- Increased training relative to IFRS. Companies will be required to develop and maintain significant training programs to ensure that all financial personnel understand and are consistently applying IFRS. As previously noted, IFRS relies heavily on principles as compared to the U.S. GAAP system which, being a rules-based system is more prescriptive.

- Legal/debt covenants and government contracting:

    - Some companies are concerned that existing contractual documents and agreements may need to be amended to reflect any conversion to IFRS, with possible additional financial exposure to companies doing so. Lead time will be required to address these issues.

    - An Advisory Committee and study should also consider the potential impact, if any, that the move to IFRS would have in the litigious U.S. environment.

Additional Considerations:

The first milestone outlined in the Roadmap focuses on the "Improvements of Accounting Standards." This is a critical area for attention. As the FASB and the IASB work towards high-quality converged standards, our members are concerned that the FASB continues to promulgate standards that are inconsistent or divergent from IFRS, which will ultimately create distraction and make conversion or convergence more difficult, challenging and costly. For those members supportive of mandatory adoption of IFRS by U.S. registrants, the establishment of a date certain for adoption also requires a moratorium on new FASB promulgations prior to adoption of IFRS. Additionally, there is significant concern regardless of a company's view of the Roadmap with the current IASB and FASB project to reconfigure the financial statements. The changes being discussed, including the use of the direct cash flow method as well as the significant reconciliation schedules, if finalized, will not only be a significant driver of cost and effort on their own, but will become multiplied if these changes must be considered at the same time as use of IFRS by U.S. registrants is being considered.

The Advisory Committee and study should also consider the impact of the mandated use of IFRS for U.S. public registrants on privately held companies. Under the proposed plan, private companies will not be required to adopt IFRS until some time after the adoption by publicly held companies. This staggered implementation may present significant challenges, including comparability, for public companies which transact business with private companies, or may wish to consider private companies for partnerships, joint ventures, acquisition or merger.

A significant number of U.S. companies currently use the 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 if it is retained by the current Administration. 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. The SEC should also engage all appropriate government agencies in the dialogue as quickly as possible to consider the impact of adoption in each of their individual areas of responsibility.

There are many U.S. government agencies, including the IRS as noted above, that will be impacted by a transition to IFRS. The Roundtable is generally concerned that these agencies may not be prepared for a transition to IFRS, due to the significant information technology and administrative changes necessary. We believe that it is imperative that these agencies are part of the broader Advisory Committee referenced in our earlier remarks.

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CRIFR appreciates the opportunity to provide its viewpoints in response to the Roadmap and we would welcome any opportunity to discuss these issues or to provide additional information. CRIFR leadership and business leaders from CRIFR's member companies are available to speak on any of these issues. If you or your staff should have any questions feel free to contact Matt Miller, Executive Director, Corporate Roundtable on International Financial Reporting at 202-626-7804 or mmiller@financialexecutives.org.

This letter *does not* necessarily reflect the individual views or positions of the signatories or the individual members of the Roundtable. This letter delineates several key issues that the members of this voluntary and independent Roundtable have discussed and debated since the group was established in June 2008.

Sincerely,

Paul J. Cienki

Paul J. Cienki
Chairman, CRIFR

Matthew M. Miller
Executive Director, CRIFR