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

RE: File number S7-27-08

Dear Ms. Murphy:

We are writing in response to the request for comment on the Securities and Exchange Commission's ("SEC") Proposed Rule, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards ("IFRS") by U.S. Issuers* ("Roadmap").

The General Electric Company ("GE") has over 300,000 employees operating in more than 100 countries. More than half of our $183 billion revenues in 2008 originated outside the United States and our non-U.S. revenues have grown at an average annual rate of 13% during this decade. Our primary competitors also operate in global markets and several of them use IFRS as their primary basis of accounting. In addition, as we expand and diversify our investor base outside of the U.S., the information needs of our investor base continue to change.

For a global enterprise like GE, it is easy to see the potential benefits of a single financial reporting platform. The principal benefit is that current and prospective investors will be able to make more informed investment decisions through their ability to readily analyze and compare our reported results to our competitors. In the interest of clarity, we define comparability in terms of gaining an understanding of where financial reporting is similar but also how it may be different among companies, which provides additional transparency. Over time, improvements in comparability and increased transparency should facilitate further the integration of global capital markets, thus improving market liquidity and lowering the cost of capital. Another significant benefit is the overall decrease in the cost of financial reporting. Today, we spend a considerable amount on compliance costs associated with our statutory reporting obligations. Many of these expenses, such as costs associated with maintaining multiple sets of financial reporting systems and performing reconciliations between U.S. GAAP and local statutory accounts, should be eliminated or significantly reduced over time under a single global set of accounting standards.[1] We believe these resources are better spent funding future research and development and making additional capital investments that increase shareholder value.

As a result, GE supports moving to IFRS. In today's global economy, it is critically important that companies and investors have a level playing field through the use of a single set of high-quality global accounting standards. In addition, we believe the adoption of IFRS will assist the U.S. in continuing to maintain its leadership role in the global economic community.

We agree that the SEC should play a global leadership role by formally committing the U.S. to the eventual adoption of IFRS. However, before the SEC makes that commitment, matters of IASB representation and governance must be addressed. The IASB governance framework should be reevaluated to ensure that it not only remains independent, but also provides for appropriate U.S. representation in the standards-setting process. As one of the world's largest economies and capital markets, the U.S. should have representation on the Board that is commensurate with its size and stake in the global market. The U.S., under the auspices of the SEC, must also retain the ability to monitor, evaluate and, if necessary, intervene or provide guidance to the IASB on accounting and financial reporting matters to ensure that investor protection and stability of the U.S. capital markets are ultimately maintained.

Once matters of representation and governance have been addressed, we believe that the SEC's formal commitment to the conversion to IFRS should be made in the form of a mandated phased-in adoption plan (see discussion of our proposed modular approach to conversion below). Critically, the SEC's adoption plan must include a date certain upon which U.S. companies would be required to adopt IFRS for financial reporting. We believe that a phased-in, modular approach offers significant advantages over the single conversion approach. It would allow tangible milestones to be set, which can help ensure that key elements of a sustainable financial reporting infrastructure are in place prior to full U.S. adoption of IFRS. It also allows the U.S. infrastructure and capital markets to absorb and manage through the changes in a measured way.

A Modular Approach to Conversion

The U.S. financial reporting and capital market infrastructure presents unique challenges for a wholesale change to our accounting standards. The accounting standards established under U.S. GAAP are an integral part of an intricate financial system that supports the U.S. economy. The proposed Roadmap considers only one of the many possible paths toward adopting global accounting standards – the single conversion approach used in the EU. Given the size and complexity of U.S. GAAP and the highly developed regulatory mechanisms in place for U.S. issuers, this approach would be far

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[1] Assuming the move to IFRS for statutory reporting purposes continues.

more complex, disruptive and expensive than under otherwise comparable circumstances in Europe. We therefore encourage the SEC to take the time necessary to comprehensively analyze the potential impact of this approach and consider alternative methods of moving to IFRS that may work better in the U.S.

We believe the SEC should consider a modular approach to conversion whereby IFRS is effectively adopted in phases over a reasonable period of time. This approach would call for phased-in mandatory conversions of related groups of IFRS standards into U.S. GAAP. As a group of standards are identified for conversion, there may be inherent conflicts between the standards group to be adopted and other parts of U.S. GAAP affected by the change. These conflicts may be addressed through unique transition provisions or modifications to those other areas of U.S. GAAP. While this approach should provide a reasonable amount of time for the convergence process to eliminate key differences, the SEC should be prepared to make difficult decisions about irreconcilable differences and establish a governance mechanism that allows the SEC to incorporate IFRS standards directly into U.S. GAAP in the unlikely event that the FASB fails to converge with acceptable IFRS standards.

We believe the modular conversion approach offers a number of benefits, including the following.

- <u>Maintains appropriate level of U.S. involvement in IASB standard setting process.</u> We believe the continued joint standard setting efforts under this approach provide the SEC and FASB with an appropriate level of involvement considering the importance and size of our capital markets relative to other constituents. This point is particularly relevant during a period in which the IASB is reshaping its conceptual framework and developing some of its more significant accounting standards. Also, this approach provides the opportunity for the SEC and other stakeholders to work through issues in the regulatory interface with IFRS standards prior to full adoption.

- <u>Provides for a measured and cost-effective means of adopting IFRS.</u> In the current economic environment, we believe it is prudent to make every effort to minimize the cost and complexity of transitioning to IFRS. The single conversion approach proposed in the Roadmap will cause significant internal resource constraints that would likely force some U.S. issuers to outsource important implementation steps to costly external service providers. While the increase in direct costs of outsourcing the implementation are significant, even more costly in the long run is the lost opportunity to develop the requisite expertise and experience internally that will have more serious consequences. A measured approach that phases in accounting changes over time will afford issuers the ability to thoughtfully implement each new accounting standard with sustainable internal processes while making more judicious use of external advisors (e.g., limited to assistance in strategic planning and technical advice). This should ensure that meaningful policy choices under a 'principles based' approach are debated and vetted for each standard being adopted. For U.S. entities required to comply with the Sarbanes-Oxley Act, a modular approach to conversion would provide a measured way to fully implement well-controlled changes to underlying systems and processes.

- Limits impact of first time adoption under IFRS and application of IFRS 1. Because each IFRS standard will be adopted over time (via conversion of the relevant U.S. GAAP standard to its corresponding IAS) and presumably well in advance of formal adoption of IFRS as issued by the IASB, there should be significantly fewer IFRS 1 transition issues. This approach allows the U.S. to develop and tailor each standard's (or groups of related standards') transition from U.S. GAAP based on the unique challenges of individual areas.

- Limited disruption in the marketplace. We believe the markets have grown accustomed to effectively digesting well-defined, well-communicated changes in accounting principles that occur over time. However, we are concerned about the implications of the single conversion approach proposed in the Roadmap to the capital markets, as the effect of such a change is difficult to predict. We have learned from recent experience that investor uncertainty and lack of confidence in financial reporting can, more than any other factor, inhibit the proper functioning of the capital markets.

Other Considerations

There are other aspects of the Roadmap that do not relate to accounting standards directly, that require careful consideration and decisive action on the part of the SEC to ensure an appropriate and effective regulatory environment upon conversion. These aspects include changes to the process used for regulatory oversight, implementation of a monitoring process to ensure appropriate IASB governance, fairness and independence in the standards-setting process and a system-wide paradigm shift to accept reasonable accounting judgments.

The current U.S. environment compels key stakeholders to seek detailed rules-based implementation guidance. Companies, auditors and regulators alike are concerned about the use of hindsight in evaluating difficult judgments in complex areas. This may be one of the most difficult, but important, issues to address in the conversion to a principles-based approach. We do not believe the answer is to provide more rules-based guidance under IFRS or, worse yet, U.S. rules-based interpretations of IFRS. In fact, we believe doing so could drive very significant differences in application of IFRS in the U.S., as compared with other countries and regulatory regimes.

Will the SEC consider establishing a professional judgment framework as originally proposed by the CiFR Committee? If not, when does the SEC plan to publish the Staff's view on the exercise of reasonable judgment? What changes to the current U.S. regulatory structure are necessary before moving to IFRS? The SEC should actively pursue and resolve these issues before formally committing to IFRS adoption. We believe the regulatory infrastructure must embrace the notion of regulating in a principles-based manner and provide the necessary support to the preparer and auditor community in evaluating reasoned, judgment-based decisions.

Lastly, if the SEC were to consider a single conversion approach, we do not believe that it is realistic to expect many issuers to act on the early adoption alternative without a formal commitment from the SEC to move forward with the mandatory adoption of IFRS. That is, the possibility of being required to revert back to U.S. GAAP is a sufficient disincentive, given the significant investment required for most issuers, to adopt and fully implement IFRS.

In summary, we continue to support the development of robust, high quality International Financial Reporting Standards. We commend the SEC for its efforts in continuing to promote the eventual move to the use of IFRS by all U.S. issuers and we appreciate the tremendous challenge facing the Commission in determining the appropriate next steps. However, although the issuance of the Roadmap has fostered interesting dialogue among constituents about the appropriate path forward, we do not believe meaningful progress can be made without the SEC's formal commitment to a workable, cost-efficient approach to a date certain adoption of IFRS.

We look forward the SEC's timely response to feedback on the Roadmap and welcome the opportunity to discuss our recommendations regarding the path forward.

Sincerely,

Jamie S. Miller (JKS)

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