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**Patrick T. Mulva**  
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February 17, 2009

Ms. Florence Harmon  
Acting Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Re: File Number S7-27-08, Proposed Roadmap to IFRS Reporting by U.S. Issuers**

Dear Ms. Harmon:

Exxon Mobil Corporation appreciates the opportunity to provide the Commission with our views on the Proposed Roadmap to IFRS Reporting by U.S. Issuers.

We are generally supportive of the long-term goal of moving to a single set of global accounting standards that are uniformly applied in the world's capital markets. We believe this could provide significant benefits to U.S. investors and issuers.

However, there are some significant issues that need to be addressed for the Commission's proposal to convert U.S. issuers to IFRS to be effective:

- We are concerned about the suitability of IFRS for use in the U.S. regulatory and legal environments. Given the principles-based approach and the relative immaturity of IFRS, deployment of IFRS in the U.S. market in its current form could be confusing and disruptive to shareholders, regulators, users, issuers and auditors.
- The proposed conversion to IFRS will be a major cost burden to companies that would easily exceed the cost of SOX 404 implementation. We do not anticipate many companies will be willing to make this investment in the absence of a date certain for mandatory adoption of IFRS.

- In the current economic climate, there are other higher priority initiatives which require the focus of both issuers and the Commission. Conversion to IFRS could lead to confusion and reduced marketplace confidence in financial statements at a time when confidence in the U.S. financial markets is already low. As a result, we strongly recommend that the FASB and IASB continue to progress their convergence efforts to strengthen both sets of accounting standards, allowing eventual U.S. conversion to a single set of higher quality standards at a more measured pace.

We comment below on a number of specific aspects to the proposal which cause us concern. We have included our detailed responses to the Roadmap questions in the attachment.

### **Suitability of IFRS for U.S. Financial Markets**

We are concerned about the suitability of IFRS for broad use in the U.S. financial markets. IFRS has only been in existence for seven years and has not been thoroughly tested in the U.S. regulatory and legal environments. In contrast, U.S. GAAP has developed over many years in response to the needs of U.S. shareholders, regulators, users, issuers and auditors. We do not believe these needs will materially change in the near term. As a result, deployment of IFRS into the U.S. market without addressing many issues could be quite disruptive to all of the above constituencies. For example, given the principles-based approach and relative immaturity of IFRS, regulatory and legal liability pressures in the U.S. may drive U.S. regulators, auditors and issuers to default to U.S. GAAP in the many areas where IFRS does not provide sufficient guidance. As a result, we are concerned that a de facto two-GAAP system will evolve. This would be highly inefficient and would result in a great deal of confusion in the financial markets.

### **Independence of IASB and standard-setting process**

The current IASB standard setting process allows countries to 'carve-out' portions of IFRS. Only full compliance with IFRS as issued by the IASB will ensure a level playing field for all companies, and there are currently far fewer countries in full compliance than the published figure of 'over 100 countries' would suggest. In addition, the possibility of jurisdictional modification can lead to a politicized standard-setting process, as has been seen during the recent financial crisis and the actions of the EU with respect to IAS 39, "Financial Instruments: Recognition and Measurement". We endorse the Commission's intention to consider whether, in fact, IFRS as issued by the IASB is consistently applied, and the need for a stronger governance, oversight and funding model for IASB, as part of the milestones to be achieved prior to mandatory conversion. As part of the new governance model, it is essential that the Commission ensure it has appropriate avenues to exercise oversight and influence on the IASB to allow it to continue to meet its responsibilities under the U.S. securities laws.

## **Early Adoption**

Although ExxonMobil would be eligible to file IFRS financial statements under the proposed amendments, we see significant disincentives to early adopt and accordingly do not anticipate doing so:

- In the absence of a date certain for the mandatory requirement for IFRS, we would be unwilling to make the major investment required to implement IFRS. The conversion to IFRS will require a multi-year project involving changes to transaction-level accounting systems, processes and procedures as well as the retraining of our global workforce. The cost of this effort for ExxonMobil is expected to be significant, running into tens of millions of dollars.
- The cost of conversion far outweighs the potential benefits from IFRS implementation. The primary long-term benefit is the potential for our foreign subsidiaries to use a single set of financial statements for both U.S. reporting and local statutory reporting. However, this benefit will not be realized as long as most countries retain local GAAP requirements for statutory financial and tax reporting. This is currently the case even in countries that have adopted IFRS for publicly traded companies.
- The U.S. tax conformity rule on inventory accounting requires companies to base their U.S. tax reporting on the same accounting methodology used for financial reporting. Since IFRS disallows the use of LIFO accounting, we are concerned that conversion to IFRS will result in substantial adverse U.S. tax effects without a corresponding change to the conformity rule. We view this issue as not only a substantial impediment to early adoption, but also as another key impediment to broad-based U.S. issuer support for IFRS conversion.

## **Timing of Mandatory Adoption**

The absence of a date certain for mandatory adoption is a significant barrier for large U.S. issuers. As noted above, the cost of implementation will be high. Companies will not incur these costs without some certainty that IFRS will eventually be required. We strongly disagree with the Commission's view that a decision in 2011 would provide issuers with sufficient early notice of the transition to permit them to begin their internal accounting using IFRS in 2012. A minimum preparatory period of at least three years from the date of a decision to require adoption of IFRS and the actual IFRS transition date will be needed, primarily due to the SEC's requirement for three years of comparative financial statement data. If the Commission determines in 2011 to require mandatory adoption, the earliest period we could begin using IFRS for internal accounting purposes would be 2014, with the first reporting period under IFRS in 2016.

## Oil and Gas Reporting Rules

We urge the Commission and the FASB to work closely with the IASB to ensure the convergence of accounting and reporting requirements for Extractive Activities into a single consistent regulatory framework, recognizing that the current time-tested U.S. standards for oil and gas reporting have effectively evolved to address industry specific issues. There is significant uncertainty as to the eventual outcome of the IASB's Extractive Activities Research Project. The Commission has recently released new rules on Oil and Gas Reporting for hydrocarbon reserves, which will require significant industry conversion efforts during 2009. Initial indications from the Extractive Activities Research Project are that the IASB is contemplating an accounting and disclosure model that would be very different from the Commission's new rules and FAS 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies". A resultant dual reporting framework and any required reconciliations would be extremely costly to our industry and confusing to financial statement users.

We thank the Commission for the opportunity to provide our comments and would be pleased to discuss them in further detail with the staff as the project progresses.

Sincerely,



c.c. Mr. Robert H. Herz  
Sir David Tweedie

Chairman, FASB  
Chairman, IASB

**RESPONSES TO QUESTIONS IN SEC RULE PROPOSAL S7-27-08, A PROPOSED ROADMAP TO IFRS REPORTING BY U.S. ISSUERS**

*1. Do commenters agree that U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of a single set of globally accepted accounting standards? Why or why not? What are commenters' views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?*

We agree that U.S. investors, issuers and markets would benefit from a single set of globally accepted accounting standards resulting in consistent and comparable financial reporting. Further, we agree that this could be accomplished by the move of U.S. companies to an improved set of International Financial Reporting Standards (IFRS) as issued by the IASB, given the increasing acceptance and use of IFRS in a significant number of the major capital markets around the world.

However, we have a number of concerns associated with IFRS that require resolution before IFRS is adopted, as described more fully below:

- The current IASB standard setting process allows countries to 'carve-out' portions of IFRS. Only full compliance with IFRS as issued by the IASB will ensure a level playing field for companies, and there are currently far fewer countries in full compliance than the published figure would suggest. In addition, the possibility of jurisdictional modification risks politicizing the standard-setting process, as has been seen during the recent financial crisis and the actions of the EU with respect to IAS 39. We endorse the Commission's intention to consider whether, in fact, IFRS as issued by the IASB is consistently applied, and the need for a stronger governance, oversight and funding model for IASB, as part of the milestones laid out.
- We are concerned about the suitability of IFRS for broad use in the U.S. financial markets. IFRS has only been in existence for seven years and has not been thoroughly tested in the U.S. regulatory and legal environments. In contrast, U.S. GAAP has developed over many years in response to the needs of U.S. shareholders, regulators, users, issuers and auditors. We do not believe these needs will materially change in the near term. As a result, deployment of IFRS into the U.S. market without addressing many issues could be disruptive to all of the above constituencies. For example, given the principles-based approach and relative immaturity of IFRS, regulatory and legal liability pressures in the U.S. will drive U.S. regulators, auditors and issuers to default to U.S. GAAP in the many areas where IFRS does not provide sufficient guidance. We are concerned that a de facto two-GAAP system will evolve that will be highly inefficient and that would result in unnecessary confusion in the financial markets.

*2. Do commenters agree that the milestones and considerations described in Section III.A. of this release (“Milestones to be Achieved Leading to the use of IFRS by U.S. Issuers”) comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission? Are any of the proposed milestones not relevant to the Commission’s evaluation? Are there any other milestones that the Commission should consider?*

We agree that the identified milestones are important steps on the transition path. In particular it is critical that the IASB establish a permanent funding mechanism that enables it to function independently and without undue political influence, together with the proposed enhanced accountability and governance through the Monitoring Group.

The current joint work projects of the FASB and IASB, when completed, have the potential to improve financial reporting in a number of important areas. However, it is essential that these projects be completed prior to the Commission’s decision on conversion to IFRS for U.S. issuers. Despite the diligent efforts of the two boards, progress on convergence has been very slow. We are concerned that pressure to achieve the roadmap timeline as laid out may result in shortcuts in the due process of standard setting, yielding less than high quality, comprehensive standards.

*3. Do commenters agree with the timing presented by the milestones? Why or why not? In particular, do commenters agree that the Commission should make a determination in 2011 whether to require use of IFRS by U.S. issuers? Should the Commission make a determination earlier or later than 2011? Are there any other timing considerations that the Commission should take into account?*

We do not agree with the timing presented by the milestones. Our primary concern is the uncertainty about eventual adoption as described by the Roadmap: the absence of a date certain for mandatory adoption is a significant barrier for large U.S. issuers. The work effort, system changes and cost associated with implementation will be high, and companies will not make these significant investments without some certainty that they will eventually be required. We do not agree with the Commission’s view that a decision in 2011 would provide issuers with sufficient early notice of the transition to permit them to begin their internal accounting using IFRS in 2012. A minimum preparatory period of at least three years from the date of a decision to require adoption of IFRS and the actual IFRS transition date will be required. If the Commission determines in 2011 to require mandatory adoption, the earliest period we could begin using IFRS for internal accounting purposes would be 2014, with the first reporting period under IFRS in 2016.

*4. What are commenters' views on the mandated use of IFRS by U.S. issuers beginning in 2014, on an either staged transition or non-staged transition basis? Should the date for mandated use be earlier or later? If the Commission requires the use of IFRS, should it do so on a staged or sequenced basis? If a staged or sequenced basis would be appropriate, what are commenters' views on the types of U.S. issuers that should first be subject to a requirement to file IFRS financial statements and those that should come later in time? Should any sequenced transition be based on the existing definitions of large accelerated filer and accelerated filer? Should the time period between stages be longer than one year, such as two or three years?*

As noted in question 3, the earliest period for mandated use should be 2016, if the final decision is not made until 2011. We agree with the proposed phase-in approach based on the existing definitions of large accelerated filer and accelerated filer, and believe the proposal is a reasonable compromise between the desire to limit the period when dual reporting systems will be required, and the need to develop expertise across shared resources such as auditors, advisors and regulators.

*5. What do commenters believe would be the effect on convergence if the Commission were to follow the proposed Roadmap or allow certain U.S. issuers to use IFRS as proposed?*

We assume that FASB and IASB will continue the joint work projects according to the timetable set out by the updated MOU. However, we see a risk that once the U.S. has committed to adoption of IFRS, the FASB and SEC's influence and leverage on the convergence process may become more limited, resulting in a more dominant IASB perspective prevailing with a de facto abandonment of convergence in favor of conversion.

*9. What are commenters' views on the IASB's and FASB's joint work plan? Does the work plan serve to promote a single set of high-quality globally accepted accounting standards? Why or why not?*

*10. How will the Commission's expectation of progress on the IASB's and FASB's joint work plan impact U.S. investors, U.S. issuers, and U.S. markets? What steps should be taken to promote further progress by the two standard setters?*

*11. The current phase of the IASB's and FASB's joint work plan is scheduled to end in 2011. How should the Commission measure the IASB's and FASB's progress on a going-forward basis? What factors should the Commission evaluate in assessing the IASB's and the FASB's work under the joint work plan?*

Response to questions 9-11:

We strongly support the joint work plan of the IASB and FASB. The convergence process is the best approach to achieving a single set of high quality globally accepted accounting standards.

However, we are concerned that the current work plan agenda is overly ambitious and that despite the diligent efforts of the two boards, progress on convergence has been very slow. This presents a risk that pressure to achieve the roadmap timeline as laid out may result in shortcuts in the due process of standard setting, yielding less than high quality, comprehensive standards. The Commission should evaluate the quality of the proposed new standards and the extent of consultation and appropriate due process, and if necessary extend the timeline for mandatory adoption. We would not recommend either board continuing to develop standards on a unilateral basis (e.g. FASB's projects on FIN 48 and FAS 5 Disclosures); all of the available resources would be better directed towards the high priority convergence projects.

We also support the idea of a 'quiet period' for standard setting from the date of decision to final implementation, similar to that in place for IFRS until the end of 2008, to provide a stable environment for U.S. issuers preparing for conversion.

*12. What are investors', U.S. issuers', and other market participants' views on the resolution of the IASB governance and funding issues identified in this release?*

As discussed in questions 1 and 3, it is critical that the IASB establish a permanent funding mechanism that enables it to function independently and without undue political influence, together with the proposed enhanced accountability and governance through the Monitoring Group. It is essential that the SEC ensure it has appropriate avenues to exercise oversight and influence on the IASB to meet its responsibilities under U.S. securities laws.

*13. What steps should the Commission and others take in order to determine whether U.S. investors, U.S. issuers, and other market participants are ready to transition to IFRS? How should the Commission measure the progress of U.S. investors, U.S. issuers, and other market participants in this area? What specific factors should the Commission consider?*

Without a date certain for mandatory IFRS adoption, it is unlikely that many U.S. issuers will make significant investments in systems or staff training. Thus, setting the date of final adoption is a key step for the Commission, after which specifics such as level of investment in systems, education and training may be measured.

*14. Are there any other significant issues the Commission should evaluate in assessing whether IFRS is sufficiently comprehensive?*



The Commission will need to address the status of existing industry standards under U.S. GAAP, e.g. the extensive accounting and disclosure requirements in the U.S. reporting system for the oil and gas industry. We urge the Commission and the FASB to work closely with the IASB to ensure the convergence of accounting and reporting requirements for Extractive Industries into a single consistent regulatory framework, recognizing that the current U.S. standards for oil and gas reporting have evolved effectively over time to address industry specific issues and are well-tested. The Commission has recently released new rules on Oil and Gas Reporting for hydrocarbon reserves, which will require significant industry conversion efforts during 2009. IFRS currently includes only limited guidance for Extractive Activities, contained in IFRS 6, which was intended to be an interim measure pending completion of a comprehensive research project. This Extractive Activities Research Project has been ongoing since 2003 but is not expected to result in a definitive standard until post 2011. Initial indications from the project are that the IASB is contemplating an accounting and disclosure model that would be very different from the Commission's rules and FAS 19, "Financial Accounting and Reporting by Oil and Gas Producing Companies". A resultant dual reporting framework and any required reconciliations would be extremely costly to oil and gas companies and confusing to financial statement users.

*15. Where a standard is absent under IFRS and management must develop and apply an accounting policy (such as described in IAS 8, for example) should the Commission require issuers to provide supplemental disclosures of the accounting policies they have elected and applied, to the extent such disclosures have not been included in the financial statements?*

We believe it would be reasonable to require issuers to provide supplemental disclosures of the accounting policies they have elected and applied. However, we have an underlying concern that, in the absence of the detailed rules and regulations that U.S. issuers and auditors are accustomed to, there will be a natural tendency to revert to U.S. GAAP where IFRS guidance is lacking. This would lead to a more complex, multi-layered reporting regime and thereby lose much of the benefit of moving to a more principle-based regime.

#### *EARLY ADOPTION*

As noted in our covering letter and explained further below, ExxonMobil does not plan to seek the Commission's approval for early adoption. We have not therefore commented on many of the procedural questions associated with either Proposal for early adoption. However, we have selectively responded to certain questions that relate to matters of principle, or in anticipation that the issues raised therein could also be relevant to the eventual mandatory adoption for all U.S. issuers.

*16. Do commenters agree that certain U.S. issuers should have the alternative to report using IFRS prior to 2011? What circumstances should the Commission evaluate in order to assess the effects of early adoption on comparability of industry financial reporting to investors?*

As noted in question 3 and discussed further below, without a date certain for mandatory adoption there is little incentive for large U.S. issuers to avail themselves of this option. If some U.S. issuers do take this option, the existence of dual accounting standards for a period of time will clearly lead to greater inconsistency within the U.S. marketplace and financial reporting comparability will suffer. This will create a highly inefficient environment where U.S. investors and analysts will be required to deal with two sets of accounting standards in assessing company/industry performance.

*17. Do commenters agree with the proposed criteria by which the comparability of an industry's financial reporting would be assessed? If not, what should the criteria be?*

We agree with the Commission's rationale for the proposed criteria.

*18. Which eligible U.S. issuers have the incentive to avail themselves of the proposed amendments, if adopted? Are there reasons for which an issuer that is in a position to file IFRS financial statements under the proposed amendments would elect not to do so? If so, what are they?*

The main incentive for an eligible U.S. issuer to convert to IFRS would be the potential to achieve cost savings by maintaining a single GAAP set of financial books for multiple countries of operation, to meet both local statutory reporting requirements and the reporting requirements for their primary security listings. However, as a U.S. issuer eligible to file IFRS financial statements under the proposed amendments, we see significant disincentives to early adopt:

- The cost of conversion far outweighs potential benefits from IFRS implementation. The primary long-term benefit is the potential for our foreign subsidiaries to use a single set of financial statements for both U.S. reporting and local statutory reporting. However this benefit will not be realized as long as most countries retain local GAAP requirements for statutory financial and tax reporting. This is currently the case even in countries that have adopted IFRS for publicly traded companies.
- The conversion to IFRS will require a multi-year project involving changes to transaction-level accounting systems, processes and procedures as well as the retraining of our global workforce. The cost of this effort is expected to be significant, amounting to tens of millions of dollars. In the absence of a date certain for IFRS adoption, we are unwilling to make that major investment.

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- The U.S. tax conformity rule on inventory accounting requires companies to base their U.S. tax reporting on the same accounting methodology used for financial reporting. Since IFRS disallows the use of LIFO accounting, we are concerned that conversion to IFRS will result in substantial adverse tax effects without a corresponding change to the conformity rule. We view this issue as not only a substantial impediment to early adoption but also as another key impediment to broad-based U.S. issuer support for IFRS conversion.

*19. Is limiting the proposal to the largest 20 competitors by market capitalization an appropriate criterion? Should it be higher or lower? Should additional U.S. issuers be eligible to elect to report in IFRS if some minimum threshold of U.S. issuers (based on the actual number or market capitalization of U.S. issuers choosing to report in IFRS) elects to report in IFRS under the eligibility requirements proposed? To the extent additional U.S. issuers are not permitted to report in IFRS even if such a minimum threshold is met, are such non-eligible U.S. issuers placed at a competitive disadvantage vis-a-vis U.S. issuers reporting in IFRS ?*

*20. Would the use of different industry classification schemes as proposed be unclear or create confusion in determining whether an issuer is IFRS eligible? Should we require that all issuers use a single industry classification scheme? Why or why not?*

*21. What impact will the Commission's determination to allow an industry to qualify as an "IFRS industry" without majority IFRS use have on the Commission's objective of promoting comparability for U.S. investors? How will this impact U.S. investors, U.S. issuers, and U.S. markets? Is the use of IFRS more than any other set of financial reporting standards the right criterion? Should it be higher or lower?*

*22. Should the Commission permit additional industries to qualify as IFRS industries, and thus additional U.S. issuers to become early adopters, as more countries outside the U.S. adopt IFRS? Alternatively, should the group of potential industries and early adopters be limited to those that qualify at the time the Commission determines to permit early adoption?*

Answers to questions 19-22:

Elective adoption of IFRS will create a dual reporting system for U.S. issuers, investors and markets, and reduce the comparability of financial reporting between U.S. issuers. Market participants will need to educate themselves on IFRS in order to fully understand IFRS financial statements as well as the differences between U.S. GAAP and IFRS. Restricting the eligibility to a limited

number of global companies may reduce some of the inherent potential for confusion.

With regard to the proposed IFRS eligibility criteria, we believe they are clear, though we understand from other companies that there may be some confusion caused by use of multiple classification schemes.

*24. Currently, some public companies in the U.S. public capital market report in accordance with IFRS and others in accordance with U.S. GAAP. Today, however, this ability to report using IFRS exists only for foreign companies. What consequences, opportunities or challenges would be created, and for whom, of extending the option to use IFRS to a limited number of U.S. companies based on the criterion of improving the comparability of financial reporting for investors?*

As discussed above, extending the option to use IFRS to a limited number of U.S. companies will likely increase comparability between foreign and major U.S. companies within industries, at the expense of adding confusion and reducing comparability within the U.S. market for investors and analysts.

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*25. Do commenters agree that the criterion of enhanced comparability is the correct one? Are there other criteria that should be used? For example, should issuers be eligible based on their size or their global activities? If a size criterion were used to include the largest U.S. issuers, what should the cutoff be? Should there be a criterion based on the absence of past violations of the federal securities laws 111 or based on shareholder approval?*

We agree that for investors and the markets, enhanced comparability is the primary criterion. From a U.S. issuer perspective the most important criterion is the extent to which one has global operations in countries using or planning to use IFRS. The decision to adopt IFRS should not be contingent on shareholder approval; a company's management should make the decision given their in-depth understanding of the underlying business operations, the related financial reporting issues and the needs of the investor community.

*27. What are commenters' views on the accounting principles that should be used by those U.S. issuers that elect to file IFRS financial statements if the Commission decides not to mandate or permit other U.S. issuers to file IFRS financial statements in 2011? Should the Commission require these issuers to revert back to U.S. GAAP in that situation?*

If the Commission decides not to mandate or permit U.S. issuers to file IFRS statements in 2011, the Commission should require these issuers to revert back to U.S. GAAP. This is necessary to avoid permanently reducing comparability across U.S. issuers and requiring market participants to maintain knowledge of two reporting regimes. The conversion back to U.S. GAAP would be comparable in cost and work effort to the conversion to IFRS, and thus, in our view, the risk of

this eventuality is one of the primary disincentives for early adoption, as referred to above.

*28. Is it appropriate to exclude investment companies, employee stock purchase, savings and similar plans and smaller reporting companies? Are there other classes of issuers or certain industries that should be excluded?*

We agree with the exclusion of investment companies, employee stock purchase, savings and similar plans and smaller reporting companies from the early adoption option.

#### EARLY ADOPTION TRANSITION SECTION

*29. Should we limit the first filing available to an annual report on Form 10-K, as proposed? If not, why not? Is the proposed transition date of fiscal years ending on or after December 15, 2009 appropriate? Should it be earlier or later, and why? What factors should be considered in setting the date?*

We agree with the proposal to limit the first filing available to an annual report on Form 10-K.

*30. Are there any considerations that may make it difficult for an eligible U.S. issuer to file IFRS financial statements? Are there considerations about filing IFRS financial statements that would weigh differently for an eligible U.S. issuer than they would for a foreign private issuer that files IFRS financial statements?*

A key difference between a U.S. issuer and a foreign private issuer filing IFRS financial statements is the extensive Sarbanes-Oxley legislation requiring U.S. companies to have in place an effective system of internal controls over their financial reporting and disclosure systems. Clearly this places an additional requirement on U.S. issuers in assuring that their IFRS financial reporting systems are in full compliance with these requirements.

A further significant difference is the U.S. tax conformity rule on inventory accounting, requiring companies to base their U.S. tax reporting on the same accounting methodology. Since IFRS disallows the use of LIFO accounting, conversion to IFRS is expected to result in substantial adverse U.S. tax effects

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Additionally, we note that the Commission proposes to require three years of IFRS financial statement data in the first 10-K filing, in contrast to the two years required by the IASB and regulators for IFRS conversion in other countries, most notably the EU. The requirement for dual reporting, and the associated maintenance of dual accounting systems under both U.S. GAAP and IFRS for an extended period of time, is one of the costliest and most time-consuming aspects of the conversion for issuers. If the Commission were to allow U.S. issuers in their first IFRS annual filing to present two years of IFRS data and one of U.S.

GAAP, together with appropriate reconciliations, this could reduce conversion costs. We urge the Commission to consider whether sufficient additional benefit to investors is obtained from the additional year of IFRS information. We note that the European conversion to IFRS took place relatively smoothly with little adverse feedback from investors.

*31. What difficulties, if any, do U.S. issuers anticipate in applying the requirements of IFRS 1 on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?*

The requirement to re-examine, restate and reconcile previous years' U.S. GAAP financial statements will greatly increase the transition time and costs for U.S. issuers converting to IFRS. The need to identify which classes of transactions and accounts need to be restated and how such a restatement should be made is a major project with significant technical challenges, made commensurately more challenging for larger issuers with global operations and subsidiaries.

*32. What would affect a company's willingness to use IFRS if it were eligible to do so? For example, some market indices, such as the S&P 500, currently only include issuers that report in U.S. GAAP. Are there other investment instruments or indices that would affect companies that would be eligible to use IFRS under the proposed criteria? Would the ability to be included in the S&P 500, or other instrument or index affect whether an eligible U.S. issuer decides to use IFRS? Would these indices be prepared to accept IFRS, and, if so, how long would it take for them to change their criteria? Would more issuers be likely to use IFRS after they do? Should these considerations influence our decision on whether or when to permit or require U.S. issuers to use IFRS in their Commission filings?*

As noted in question 18, there are some significant barriers which could affect a company's willingness to use IFRS even though it was eligible to do so. The exclusion from certain market indices such as the S&P 500 would be another disincentive for U.S. issuers; we believe the index maker would need to accept IFRS filings.

*33. To facilitate the transition to IFRS, should we add an instruction to Form 10-K and Form 10-Q under which an issuer could file two years, rather than three years, of IFRS financial statements in its first annual report containing IFRS financial statements as long as it also filed in that annual report three years of U.S. GAAP financial statements? Under such an approach, an issuer could, during its third year after beginning its IFRS accounting, choose to file a Form 10-K/A with IFRS financial statements covering the previous two fiscal years. For the current (third) fiscal year, the issuer could then file quarterly reports on Form 10-Q using IFRS financial statements. For example, a calendar-year issuer that began its IFRS accounting for the 2010 fiscal year would use U.S. GAAP to prepare its Forms 10-Q and Forms 10-K for the 2010 and 2011 fiscal years. In*

*2012, that issuer would have the option of filing a Form 10-K or a Form 10-K/A with IFRS financial statements for 2010 and 2011, which would allow it to use IFRS in its quarterly reports during 2012, or continuing to use U.S. GAAP. In either case, the Form 10-K covering the 2012 fiscal year would include three years of IFRS financial statements.*

Either approach could work; however we recommend that the Commission adopt one approach only, as a mixture of adoption approaches both in the 10-Q and in the 10-K would only serve to confuse investors.

*34. What are commenters' views on Proposals A and B relating to U.S. GAAP reconciling information? Which Proposal would be most useful for investors? Is there a need for the supplemental information provided by Proposal B? Would the requirement under Proposal B have an effect on whether eligible U.S. companies elect to file IFRS financial statements? To what extent might market discipline (i.e. investor demand for reconciliation information) encourage early adopters to reconcile to U.S. GAAP even in the absence of a reconciliation requirement?*

Proposal A, in line with IFRS 1, would be the preferred approach of most U.S. issuers considering early adoption. This is because Proposal B, with the requirement to maintain two sets of accounting records on both U.S. GAAP and IFRS bases and produce supplemental U.S. GAAP information together with reconciliations between IFRS and U.S. GAAP for an indefinite time period, would impose a major additional reporting burden on companies. Preparers would need to communicate with investors and analysts in advance of and during IFRS adoption in order to educate them on the differences between the standards and the impacts on financial results; a major part of this ongoing education and communication is the audited reconciliation required by IFRS1, which we understand proved effective during IFRS transitions in other markets such as the EU. We are concerned that the Commission is making IFRS transition significantly more onerous than that faced by non-U.S. issuers. We do not believe the benefit to investors of having subsequent years' supplemental U.S. GAAP financial data and reconciliations between both bases will outweigh the substantial additional costs to preparers.

As already noted, we anticipate that preparers who believe there is a reasonable chance that the Commission will not mandate IFRS will likely not elect to early adopt, so in practice we do not believe there would be much benefit to investors from Proposal B. On the other hand, Proposal B, if implemented, would be another material disincentive to preparers for early adoption.

*35. What role does keeping a set of books in accordance with U.S. GAAP play in the transition of U.S. issuers to IFRS? What impact will keeping U.S. GAAP books have on U.S. investors, U.S. issuers, and market participants?*

As noted in question 34, keeping an additional set of U.S. GAAP books following the IFRS transition period would be a substantial extra burden to U.S. issuers, introducing additional annual reporting and compliance requirements. This would include evaluation of all accounting transactions under both standards, ongoing maintenance of dual ledger accounting systems, and continuing education and training for staff on both standards. Additionally, the risk of error in financial reporting would be increased, requiring additional compliance controls to be put in place. These concerns would be amplified for the largest U.S. issuers with substantial foreign operations and subsidiaries.

*36. How valuable is reconciliation to U.S. investors, U.S. issuers, and market participants? How valuable is reconciliation to global market participants? Are there some financial statements (such as the statement of comprehensive income) which should not be required to be reconciled to U.S. GAAP?*

We agree that reconciliation of the key financial statements on the two standards is an important part of the education of and communication to market participants during the first transition period to IFRS.

*37. Under either Proposal, would investors find the U.S. GAAP information helpful in their education about IFRS or in being able to continue to make financial statement comparisons with U.S. (and non-U.S.) issuers that continue to prepare U.S. GAAP financial statements? Would one alternative be more helpful to U.S. investors, regulators, or others in understanding information prepared under IFRS or to continue to make comparisons with issuers who prepare U.S. GAAP financial statements?*

Although provision of supplemental U.S. GAAP information will clearly aid comparability with U.S. issuers continuing to use U.S. GAAP, its absence, following the initial transition period to IFRS, will not pose substantial problems to users who are accustomed today to making adjustments between companies using different accounting standards.

*38. Should we be concerned about the ability of U.S. issuers that elect the early use of IFRS to revert to U.S. GAAP? Would either Proposal be preferred to facilitate such a reversion, should that be appropriate or required as described above?*

As noted in question 34 and 35, Proposal B would require U.S. issuers to keep parallel sets of U.S. GAAP books and records indefinitely following early adoption of IFRS, which would clearly facilitate a reversion to U.S. GAAP if required. However, the additional burden of Proposal B would instead lead U.S. issuers not to elect to early adopt, as the extra costs would outweigh any potential benefit.

*41. Under either Proposal, should we require that the issuer's "Management's Discussion and Analysis of Financial Condition and Results of Operations"*



*prepared under Item 303 of Regulation S–K contain a discussion of the reconciliation and the differences between IFRS as issued by the IASB and U.S. GAAP?*

It would be appropriate for U.S. issuers to include some discussion of the reconciliation and differences between IFRS and U.S. GAAP in the MD&A in the initial transition year.

*42. Should we require supplemental U.S. GAAP information, such as that in Proposal B, for all quarterly periods covered by IFRS financial statements?*

The concerns expressed in the answers to questions 34 and 35 would be even more significant if the supplemental reporting was required quarterly.

*43. Should the option to report under IFRS, whether under Proposal A or Proposal B, automatically terminate as of a date certain? If so, should that date be a set period of time? For example, should it be three years following the effective date of an adopting release? Should it be a longer or shorter time period? Should it be measured from another date (e.g., the first permissible compliance date or the date of the first letter of no objection issued)? What considerations should be part of our decision as to the date or duration?*

Companies should have an option to report under IFRS for a significant period of time. The costs and time for any conversion project will be a major undertaking for most companies, and will therefore require some flexibility to set the pace and timing of conversion according to their unique facts and circumstances. Three years from the date of the first letter of no objection issued would be the minimum time period required.

*44. Under Proposal B, does providing U.S. GAAP information require issuers electing to file IFRS financial statements to maintain sufficient information, records and controls in order to revert back to U.S. GAAP? If not, what additional information, records or controls must be maintained?*

See answer to question 38.

*45. Under Proposal A, what additional information, records or controls would be necessary for U.S. issuers electing to file IFRS financial statements to maintain so that they could revert back to U.S. GAAP?*

If U.S. issuers elect to early adopt under Proposal A and there is a subsequent decision to revert to U.S. GAAP, they would have to carry out the conversion process in reverse, namely a retrospective review, re-examination and restatement of prior period financial statements. The work effort would be substantially similar, although the extent of the re-training of personnel would likely be less, assuming that there would still be residual U.S. GAAP knowledge

in the organization. These issuers might elect to maintain dual ledger reporting systems and transaction data in order to facilitate any subsequent reversion to U.S. GAAP. However, this would be an expensive option.

*46. Are the criteria for issuers eligible to file financial statements in accordance with IFRS as issued by the IASB clear from the proposed definition of “IFRS issuer?” If not, in what way is the definition unclear, and what revisions would be necessary to eliminate any lack of clarity?*

We believe that the criteria are clear.

*47. Is there any ambiguity in the proposed amendments regarding the reasons for the distinction between “IFRS issuer” and foreign private issuer, and the application of the rules to each? If so, what is the nature of the ambiguity and what would be necessary to provide clarity?*

We are not aware of any ambiguity in the proposed amendments.

*48. Is the application of Regulation S–X and Regulation S–K to financial statements prepared in accordance with IFRS as issued by the IASB clear from the proposed amendments, or are there other items within those regulations that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as issued by the IASB? If so, how would the application of Regulation S–X and Regulation S–K be unclear if there were no changes to those other than those proposed? What changes would be suggested in order to make them clear?*

Based on a preliminary analysis, the application of Regulation S-X and Regulation S-K are clear from the proposed amendments.

*49. Is there any reason why an issuer would be unable to assert compliance with IFRS as issued by the IASB and obtain the necessary opinion from its independent auditor?*

We are not currently aware of any impediments to U.S. companies or their auditors making this assertion.

*50. Is the application of Articles 1 through 12 of Regulation S–X to IFRS financial statements clear from the proposed Rule 13–02? If not, what further clarification is necessary? Are there other rules contained in Articles 1 through 12 that do not, or may not, apply to financial statements prepared in accordance with IFRS as issued by the IASB and that are not addressed in proposed Rule 13–02? If so, what are they and how should they be addressed?*

It could be beneficial to preparers and auditors to include in proposed Rule 13-02, in summary tabular form, the proposed application of Articles 1-12 to IFRS financial statements.

*51. A U.S. issuer engaged in oil and gas producing activities that has followed the successful efforts method and carries forward that practice under IFRS will have consistent reserves disclosure under FAS 19, FAS 69 and Industry Guide 2. If that issuer were to apply another method of accounting permitted under IFRS, it may lead to inconsistencies between Industry Guide disclosure, FAS 69 disclosure, and the financial statements. Would such potential inconsistencies create ambiguity for users of that information or otherwise be a cause for concern? If so, what would be an appropriate means of addressing the inconsistencies?*

The majority of large U.S. oil and gas companies use the successful efforts method, so this issue is likely to be relevant primarily for smaller companies, who are unlikely to be part of the early adoption group. However, we believe these potential inconsistencies are key examples of the issues associated with conversion to IFRS before adequate progress on convergence between U.S. GAAP and IFRS.

*52. With regard to specific references to U.S. GAAP in our regulations, should we amend the references to U.S. GAAP pronouncements to also reference appropriate IFRS guidance, and, if so, what should the references refer to? Would issuers be able to apply the proposed broad approach to U.S. GAAP pronouncements and would this approach elicit appropriate information for investors? Should we retain the U.S. GAAP references for definitional purposes?*

*53. With regard to general references to U.S. GAAP, is our proposed approach appropriate and sufficiently clear? If not, how should these matters be addressed differently and why?*

*54. Is our proposed approach sufficiently clear on how to address general caption data, segment data and schedule information outside the financial statements? If not, what changes should we make? Are there other places in our regulations that need to be addressed?*

Response to questions 52-54:

We are not currently in a position to comment in detail on how the proposed approach to addressing references to U.S. GAAP in the regulations may be interpreted; however, conceptually, the broad consolidating approach as described should be sufficient. If IFRS were to become mandatory, it would be appropriate at that time to prepare a substantive rewrite of the regulations removing definitions of and references to U.S. GAAP.

*55. Will three years of selected financial data based on IFRS be sufficient for investors, or should IFRS issuers be required to disclose in their selected financial data previously published information based on U.S. GAAP with respect to previous financial years or interim periods?*

We cannot comment on whether three years of selected financial data based on IFRS would be sufficient for investors; however, the inclusion of an additional two years of previously published U.S. GAAP selected financial data would not be unduly onerous for U.S. issuers.

*56. Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?*

Yes, to the extent that any IFRS statement requires forward looking information, the SEC should extend the existing safe harbour provisions to that requirement.

*57. Is the proposed disclosure in Form 10-K sufficient in prominence and content to indicate to investors that the issuer has changed its basis of financial reporting from that used in previous filings? If not, what further disclosure should be provided, and where? Should we require that an issuer disclose the criteria under which it is eligible to file IFRS financial statements? Should issuers be required to reference the letter of no objection in their first IFRS filing?*

The proposed disclosure in Form 10-K is sufficient to alert investors to the change in basis of financial reporting from previous filings. We are not clear what decision-useful information would be provided to investors by disclosure of the eligibility criteria, assuming that issuers made reference to the letter of no objection as described.

*58. Should we amend Form 8-K to require “forward-looking” disclosure relating to an issuer’s consideration of whether it will file IFRS financial statements in the future? If so, what type of information should be disclosed, and at what point in time prior to the issuer actually filing IFRS financial statements? Would a requirement to make such forward-looking disclosure have any impact on an issuer’s decision to adopt IFRS? If so, what would the effect be?*

A “forward-looking” Form 8-K disclosure relating to consideration of whether an issuer will file IFRS financial statements in the future should not be required. Instead, we recommend that disclosure of the intent to transition to IFRS, and the primary reasons for the proposed change, should be made in either Form 10-K or 10-Q, based on the timing of management’s decision. We do not believe the decision is one necessitating time-critical disclosure to the markets, since due to the multi-year nature of the required conversion efforts, the decision would be made and disclosed at least one year in advance of the change.

*63. Should an IFRS issuer be required to continue to comply with the disclosure requirements of FAS 69? What alternatives may be available to elicit the same or substantially the same disclosure? Proposed Rule 13-03(d) of Regulation S-X is modelled on an instruction relating to FAS 69 in Item 18 of Form 20-F. Does this proposed rule need to be modified in any way to more clearly require filers to provide information required by FAS 69?*

As noted in question 14, we recommend the Commission exercise leadership with the FASB and the IASB to converge on a single consistent regulatory framework for the oil and gas industry, recognizing that the current U.S. standards for oil and gas reporting have evolved effectively over time to address industry specific issues and are well-tested. The IASB Extractive Activities Research Project should encompass the new SEC Oil and Gas Reporting requirements and FAS 19, whereas the current approach appears to be to develop different, more extensive oil and gas disclosures. We believe a resultant dual reporting framework and any reconciliations required would be extremely costly to companies and confusing to financial statement users.

*67. Do you agree with our assessment of the costs and benefits as discussed in this section? Are there costs or benefits that we have not considered? Are you aware of data and/or estimation techniques for attempting to quantify these costs and/or benefits? If so, what are they and how might the information be obtained?*

*68. We solicit comment on whether the proposed rules would impose a burden on competition or whether they would promote efficiency, competition and capital formation. For example, would the proposals have an adverse effect on competition that is neither necessary nor appropriate in furtherance of the purposes of the Exchange Act?*

*69. Would the proposals create an adverse competitive effect on U.S. issuers that are not in a position to rely on the alternative or on foreign private issuers that do not report in IFRS?*

*70. Would the proposed amendments, if adopted, promote efficiency, competition and capital formation? Commenters are requested to provide empirical data and other factual support for their views if possible.*

We offer the following comments in response to questions 68-70.

The cost of compliance for ExxonMobil will be significant, running into tens of millions of dollars. The majority of the cost will be driven by the one time conversion, including changing accounting and reporting systems, retraining staff, amending internal compliance processes and additional audit and advisory fees for the conversion. However, we anticipate the ongoing cost of reporting and compliance will also be materially higher than at present, reflecting the inevitable

need to exercise judgement and deal with the ambiguity that will result from using a broad, principles- based set of reporting standards, instead of U.S. GAAP.

The cost of conversion will far outweigh the potential benefits from IFRS implementation. The primary long-term benefit is the potential for foreign subsidiaries to use a single set of financial statements for both U.S. reporting and local statutory reporting. However this benefit will not be realized as long as most countries retain local GAAP requirements for statutory financial and tax reporting. This is currently the case even in countries that have adopted IFRS for publicly traded companies.

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