Honeywell

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March 30, 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:

Honeywell International is a $37 billion diversified technology and manufacturing leader, serving customers worldwide with aerospace products and services; control technologies for buildings, homes and industry; automotive products; turbochargers; and specialty materials. Based in Morris Township, N.J., Honeywell's shares are traded on the New York, London and Chicago Stock Exchanges.

Honeywell supports the Commission's efforts toward the goal of a single set of high quality global reporting standards. However, we believe that the SEC *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers*, published in the November 21, 2008 *Federal Register* (73 FR 70816), does not sufficiently address the myriad and complexity of issues, costs and benefits associated with such a transition. Additionally, now is an inappropriate time to undertake a major conversion in financial reporting as proposed in the roadmap, given the current financial stress in the U.S. economy, and diminishing investor faith in the capital marketplace.

Rather than strive for conversion, we believe that the goal of a single set of high quality standards can best be achieved through the convergence of the FAS and IAS over a reasonable period of time. Convergence will mitigate any instant, immediate cost impact to the preparer community, and eliminate many of the transition (conversion) issues associated with the Commission's proposed roadmap, which we have highlighted below.

We believe that further analysis and a thorough understanding of the impact of such an adoption on the marketplace and companies is required before any possible plan or timeframe for implementation can be established. As proposed in the roadmap, the benefits from a transition to IFRS are either unclear, intangible or do not pertain to the U.S. In addition, we understand that various U.S. government agencies may not be prepared for a transition to IFRS, due to the significant information technology and administrative changes necessary.

We recognize that more than 100 countries require, permit or are pursuing the use of IFRS. However, many have adopted a piecemeal or tailored approach to adoption, defeating 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 International Accounting Standards Board (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 any global scale. The lack of comparability and transparency will drive investor costs higher as financial statement reviews will entail numerous adjustments to make statements comparable. Any benefits of an IFRS transition in the U.S. may also be less than those realized in other countries whose accounting models and capital markets are less mature.

Having only been in broad application since 2005, IFRS is a relatively new body of accounting and has not been time tested to the same extent as U.S. GAAP. Within the marketplace, adoption of IFRS may also result in inconsistent accounting within an industry. Because IFRS is principles-based, companies within the same industry may report transactions differently given the same set of facts. Such an example has occurred with In Process Research and Development (IPR&D) in the United Kingdom pharmaceutical industry, where accounting treatment is different for those companies that have patents vis-à-vis those that focus on generic drugs.

Many of the companies in Europe that have adopted IFRS have incurred significant implementation costs in doing so. The SEC itself 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. Based upon research of the European IFRS implementation experience, ongoing company technical accounting staff costs will increase by at least 30% to support IFRS.

We envision these costs to be a result of the following implementation and ongoing issues:

- Increased company procedure and policy requirements in a less prescriptive environment.

    - As IFRS is a "principles-based" system, companies will 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 GAAP) accounting systems requirement.

    - Historic financial information will be required for a period of time, necessitating parallel systems. A second parallel system will require reconciliations and additional audit requirements for U.S. GAAP, statutory accounting and IFRS. The parallel system requirement will also mean that companies will need to be prepared significantly earlier than any stated mandatory effectivity 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 compete for marketplace resources knowledgeable in IFRS and the necessary required system conversions, driving up labor costs.

    - Companies will need to maintain SOX compliance as a necessary element of the parallel systems.

- Increased training relative to IFRS.

    - Companies will be required to develop and maintain significant training resources to ensure that all financial personnel understand and are consistently applying IFRS. IFRS relies heavily on practitioner judgment, which is a mindset adjustment from the practice followed in the U.S. over the past few decades. This contrasts with the U.S. GAAP system, which being a rules-based system, is prescriptive.

- Inconsistencies exist between the regulatory-based IFRS and statutes such as taxation.

    - Regulatory/statutory inconsistencies will require significant effort and harmonization between regulators and lawmakers to achieve the goal of a single set of global standards.

- Legal/debt covenants, government contracting, and public/private company financial statement comparability.

    - Existing contractual documents and agreements will 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. In addition, the overall less prescriptive nature of IFRS will lead to increased litigation as it will be up to companies to decide the level of adequate policies and documentation to support their accounting decisions.

- As a U.S. government contractor working alone and with other suppliers, Honeywell would suffer from the inconsistencies between IFRS and government cost accounting regulations, which include rules for the measurement, accounting period assignment, and the allocation of costs for government contracts. As these rules—defined within the Cost Accounting Standards (CAS) and the Federal Acquisition Regulation (FAR)—are not comprehensive sets of accounting rules, U.S. GAAP is also used for both financial and cost accounting purposes for certain contract costs. Thus, the underlying government contract cost accounting records include a mix of costs based on CAS, FAR and U.S. GAAP. Adoption of IFRS for U.S. government contractors would add complexities and increase costs because of the requirement to simultaneously comply with these multiple accounting regulations.

- Under the proposed plan, private companies will not be required to adopt IFRS for some time after the adoption by publicly held companies. This staggered implementation will 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.

We are also concerned that the existing IASB structure does not provide the regulatory and statutory safeguards, due process and oversight as that provided in the U.S. The IASB does not have an SEC type structure singularly overseeing financial markets and the proactive implication of financial and accounting standard changes. As such, the IASB has greater authority than the U.S. Financial Accounting Standards Board (FASB), and its pronouncements are regarded the equivalent of law. Further, the current funding mechanism of the IASB could easily lend itself to a perception of less than impartiality, as one third of its operating budget to date has been funded by accounting firms.

Finally, as we proceed down the path towards a goal of convergence with IFRS, the FASB continues to promulgate standards that are inconsistent or divergent from IFRS, which will ultimately make conversion more difficult, challenging and costly. Any potential plan for the future should consider either a moratorium on new FASB promulgations or the requirement that future FASB pronouncements be consistent with existing IFRS.

In conclusion, Honeywell supports the Commission's efforts toward the goal of a single global reporting standard. However, we believe that such a goal can be achieved through the convergence of the FAS and IAS over a reasonable period of time, which will mitigate many of the issues cited above, and essentially eliminate the instant, immediate cost impact to the preparer community. A planned course of convergence will also lead to improved transparency throughout the process and realization of the ultimate goal. We strongly recommend that the Commission consider a transition plan based upon allowing the continuance of the joint efforts of the FASB and the IASB toward this goal.

We appreciate the opportunity to submit these comments. If you have questions, or need additional information, please contact Talia Griep, Vice President and Corporate Controller at 973-455-4014.

Sincerely,

Talia M. Griep
Vice President and Corporate Controller