April 6, 2009

Elizabeth Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

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Via Email to rule-comments@sec.gov

Re: File No. S7-27-08
Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers

Dear Ms. Murphy:

Grant Thornton LLP appreciates the opportunity to comment on the above-referenced proposal. We have responded to certain questions included in the proposed rules in the accompanying Appendix. We have the following general comments on the Roadmap proposal:

IFRS as global accounting standards

We not only support moving to one set of high-quality, globally accepted accounting standards, we also maintain that International Financial Reporting Standards (IFRS) have the greatest potential to be that set of standards. Convergence efforts by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) are improving IFRS, as well as facilitating a transition from generally accepted accounting principles in the United States (U.S. GAAP) to IFRS. We support the steps taken by the International Accounting Standards Committee (IASC) Foundation to address the governance and funding issues of the IASB, which should be resolved prior to the mandatory use of IFRS in the United States, but in any event we do not believe the decision on the timing of mandatory use of IFRS should be delayed.

Need for certain timing

We strongly encourage the Commission to decide on a mandatory adoption date for IFRS to be used in the filings of U.S. issuers. In our view, the absence of a certain date for adoption introduces uncertainty into the cost-benefit analysis, prompting many companies, and other constituents, to adopt a "wait and see" attitude toward transitioning to IFRS. As many constituents, including preparers, analysts, universities, auditors and individual accountants, will need to make significant investments in education, training materials and software to transition to IFRS, they will be seeking assurance that the investment will be worthwhile. A date that is certain would also encourage early adoption, which would provide the Commission and others with the benefit of the early adopters' experience in applying IFRS in the U.S. financial reporting environment.

Milestones

The milestones that the Commission has proposed do address the important areas to be considered in determining whether to mandate IFRS for U.S. issuers. We would prefer, however, that the decision to mandate the use of IFRS be made prior to achieving the milestones. Instead of being prerequisites, the milestones could be monitored as confirmation that the necessary transitional steps for implementation are progressing on schedule. If that is not the case, the timing of mandatory implementation could be adjusted accordingly.

Transition

We favor a non-staged transition to IFRS in the United States, with *all* issuers required to report using IFRS in 2016. This would allow everyone involved sufficient time to get ready for the transition to IFRS. For larger issuers, this allows a little more time for convergence and to prepare for implementation. For all issuers, it allows adequate time to digest the significant accounting standards scheduled for release in 2011, without the added burden of having to simultaneously convert to IFRS. A single date makes it easier for standard setters to implement a moratorium on the effectiveness of new accounting standards. Waiting until 2016 provides educators and students additional time to prepare for transition. It tends to level the playing field for audit firms and possibly other professional advisors.

Early adoption

We believe that the population of issuers allowed to early adopt should be larger than what is currently proposed. There are potential benefits to be gained by all constituents from the information provided from the experiences of early adopters. Ideally, the eligibility criteria to participate in early adoption should be designed to capture a cross section of the U.S. population of potential IFRS users. Issues uncovered as a result of actual IFRS implementation may differ based on specific characteristics of the reporting entity, such as its size, industry, and international reach. We do not see any reason to limit early adoption to only the largest companies. For example, smaller companies, especially those with extensive operations in countries that have already adopted IFRS or with competitors that use IFRS, would be viable candidates for early adoption. In our view, allowing just 110 out of approximately 12,000 U.S. public companies to use IFRS will not motivate the greater population of issuers, or the professionals that provide services to them, to make the investment necessary to transition on a timely basis.

We do not think comparability is the correct objective to drive early adoption. The primary objective should be to gather relevant information about the practical aspects of IFRS implementation to better inform the decision on its mandatory use. We believe that this is best achieved through expansion of the early adoption option to a more representative sample of issuers.

Because of the inherent costs and other factors that act to limit the population of early adopters, the Commission does not need to establish restrictions, but instead should allow voluntary participation for a broader population. Issuers that want to early adopt will need to weigh the benefits, such as cost savings in consolidating foreign subsidiaries, against various costs including training, systems modifications, and the risk of reverting back to U.S. GAAP. Each issuer would have to draw its own conclusions as to the feasibility of early adopting IFRS.

Proposals A and B

We support Proposal A, but we are strongly against Proposal B. In deciding whether the information provided under Proposal A is sufficient or needs to be supplemented, we agree with the conclusion by the IASB, countries that have already adopted IFRS, and the Commission in the case of foreign private issuers (FPIs) that the reconciliation requirements of IFRS are sufficient. It is inconsistent to say that IFRS are sufficient when provided by some issuers filing in the U.S. (that is, FPIs), but not sufficient when provided by U.S. issuers filing in the U.S. (that is, early adopters).

In our view, Proposal B is a strong disincentive to early adoption. In addition to the significant actual costs for issuers to provide the ongoing reconciliation, the requirement sends a message to market participants that the SEC is not committed to the change to IFRS. The increased uncertainty will translate to increased risk, which might cause issuers considering early adoption to conclude that the potential costs likely could exceed the potential benefits, in which case it would be better to wait for a firm commitment by the SEC before allocating resources to a plan that sooner or later could be reversed.

One possible reason to require the ongoing reconciliation to U.S. GAAP by early adopters is to ensure that issuers maintain the information to be able to revert back to U.S. GAAP if necessary. We do not believe that this requires rulemaking. In addition to the fiduciary responsibility of a company's management and its board, the current sanctions for a public company unable to file financial statements are sufficient to ensure that issuers will maintain the necessary data.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Gary Illiano, National Partner-in-Charge, International & Domestic Accounting, at 212.542.9830 or gary.illiano@gt.com.

Sincerely,

Grant Thornton LLP

Appendix – Responses to Request for Specific Comments

Question 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?

As we commented in our earlier letters on the use of IFRS in the United States (September 24 and November 13, 2007), we support moving to one set of high-quality, globally accepted accounting standards. In fact, we believe it should be the overarching goal that provides the context for the Commission's decision on mandatory use of IFRS in the United States. The more detailed issues that follow from that decision should be addressed in terms of whether the result advances or inhibits a move to a single set of accounting standards worldwide.

What's more, we believe that IFRS now has the most potential to be that single set of high-quality, globally accepted accounting standards. While no set of standards can be completely principles-based (objectives-oriented) or rules-based, we believe that IFRS have struck a reasonable balance in the level of judgment required for their interpretation. IFRS are high-quality and sufficiently dynamic, and with the convergence with U.S. GAAP a priority, we would expect any deficiencies in IFRS at this time to be addressed in due course.

Further, the IASB's standard-setting process is sound, its structure is similar to the FASB's, and a reasonable plan exists to address important issues such as funding and oversight. As we look at the world today, the use of IFRS is already widespread and IFRS are all but guaranteed to be the dominant set of accounting standards in the next few years. Given the number of countries that now or will shortly require or allow IFRS, together with the ongoing convergence to U.S. standards, it seems to us that IFRS are not just widely used, but widely accepted as well.

Question 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?

Although we agree that the milestones and considerations cover the important areas that should be addressed in the process of deciding whether to mandate IFRS for U.S. issuers, we question the practicality of an approach that asks constituents to take steps toward a course of action that might never come to pass. If those constituents believe there is a reasonable possibility that they may never use IFRS, they might conclude that it is more cost effective for them to adopt a "wait and see" attitude. If issuers wait, information that could be useful to the SEC in deciding whether to mandate the use of IFRS for all U.S. issuers would be lacking, acting as a disincentive to further action by the SEC and others. Eventually the whole process could slow way down or grind to a halt. If IFRS turns out to be a good thing, U.S. issuers will have missed out on a desirable opportunity.

We believe the decision to mandate IFRS adoption for U.S. issuers should be made before, not after, the milestones have been achieved. We see the milestones more as guideposts along the journey providing confirmation that the steps to completion are progressing in a satisfactory manner. The SEC could reserve the right to adjust the timing of mandatory implementation if it became evident, for instance, that a milestone (guidepost) would not be passed timely. In addition, it is more likely that issuers would be willing to begin the process of transition if a decision has already been made, rather than will be made. The information on the transition becomes more relevant as more issuers participate, which makes the ratification of the decision to adopt IFRS more reliable.

Question 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 strongly encourage the Commission to make a decision to require the use of IFRS by U.S. issuers *at the earliest time possible*. No decision is made based on perfect information, so the Commission should carefully consider the likely effects of delaying the decision to mandate IFRS in anticipation of receiving better information. Without a broad-based early adoption option, and in the absence of a certain date for transition, it seems unlikely that the incremental information provided before 2011 would yield significantly better information than what is available presently. It is our belief that the lack of a specific adoption date will result in a majority of companies, as well as other constituents, being reluctant to early adopt or dedicate the necessary resources to IFRS transition issues, especially in light of the current economic environment. Current resource demands would be competing with IFRS resource demands, except the benefits of the latter could be years away and harder to discern.

Question 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?

We are in favor of a non-staged transition, with a move to IFRS for *all* issuers in 2016. Our view on the exact timing for mandated use of IFRS by U.S. issuers would be influenced by the availability of early adoption. If early adoption is available for all issuers, then having a single, later mandatory date, together with voluntary early adoption, would allow issuers to time the implementation of IFRS more in line with their own cost-benefit analysis. U.S. issuers that believe it is in their best interest to use IFRS would not be put at a disadvantage vis-à-vis foreign or other competitors; U.S. issuers that do not believe it is in their best interest to use IFRS would be afforded up to an additional two years to continue under U.S. GAAP while preparing for a more efficient transition.

If the Commission determines that a staged transition is appropriate, then we would suggest that the transition begin in 2016. If the staged transition were to begin in 2014, comparative information from 2012 would be included, which is too soon after the planned issuance of significant joint accounting standards in 2011. We believe that preparers and others would appreciate the additional time to manage both the implementation of new accounting standards and the switch to IFRS.

If a staged transition approach is selected, we agree that referring to the existing definitions of large accelerated filer and accelerated filer would be appropriate. We also see no reason to go beyond a one-year time period for each phase.

Question 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?

Not only would greater convergence facilitate issuers' transition from U.S. GAAP to IFRS, it could assuage some of the concerns of those who are currently opposed to replacing U.S. GAAP. If, as the Commission suggests, U.S. constituents will have less influence in the IASB's standard-setting process going forward, we believe that deferring the date of mandatory IFRS implementation to 2016 for all U.S. issuers would be in their best interests, allowing more time for U.S. influence in the convergence process.

Given the amount of time that would pass if IFRS reporting becomes mandatory in 2016, we expect that the convergence between IFRS and U.S. GAAP would have advanced significantly. Some widely applicable standards are slated for convergence in the short term, in particular those on revenue recognition, financial statement presentation, and leases. Delaying the mandatory date from 2014 to 2016 for all issuers would allow the convergence of standards to continue and would also provide additional time for participants to digest the converged standards. Further, if standard setters impose a moratorium on the effectiveness of new accounting standards to facilitate the transition to IFRS, it might be useful to have a single implementation date for all issuers.

It is our perception that standard setting has improved with convergence, becoming more sharply focused of late on areas most in need of improvement that impact a greater number of constituents. We have seen an increase in the level of intensity of convergence efforts since the debate about IFRS has become more visible, in no small part due to the efforts and actions of the SEC. We expect that after a date for mandatory implementation has been decided, standard setters will intensify their focus on convergence to complete their work before that date. Without a specific date for IFRS adoption, the same level of urgency to converge standards may not be achieved.

We do not believe that convergence will slow as a result of the Roadmap proposal. Not only are the Boards and their staffs diligent and dedicated, the demand for convergence exists outside of any SEC action. The IASB has convergence programs not only with the U.S., but with other standard-setting bodies as well.

Question 6
Is it appropriate to exclude investment companies and other regulated entities filing or furnishing reports with the Commission from the scope of this Roadmap? Should any Roadmap to move to IFRS include these entities within its scope? Should these considerations be a part of the Roadmap? Are there other classes of issuers that should be excluded from present consideration and be addressed separately?

In our opinion, the Commission has not sufficiently articulated its rationale for excluding investment companies and other regulated entities from consideration under the Roadmap at this time. If there are unique considerations surrounding these entities that could delay the Commission's decision-making process, then we would agree with excluding them from the Roadmap at this point. On the other hand, if the considerations are not that different, it would seem more expedient to include these entities in the current deliberations. Deciding now would eliminate any potential for inequitable treatment of these entities, as well as providing further indication of the Commission's clear intent.

Question 8
Would a requirement that U.S. issuers file financial statements prepared in accordance with IFRS have any affect on audit quality, the availability of audit services, or concentration of market share among certain audit firms (such as firms with existing international networks)? Would such a requirement affect the competitive position of some audit firms? If the competitiveness of some firms would be adversely affected, would these effects be disproportionately felt by firms other than the largest firms?

If the Commission moves forward with a phased transition to IFRS, as proposed, an undesirable concentration of market share among the largest firms would be the likely result. We expect the largest audit firms will be better able than smaller firms to dedicate resources to developing IFRS-related capabilities before they will realize a return on their investment. We expect that the cost to develop knowledgeable professionals, in terms of a percentage of revenue or a similar measure, would be lower at a larger firm, although scattered exceptions may exist. It might be even harder for a smaller firm to allocate sufficient resources to IFRS while there is continuing uncertainty as to whether the transition will ever be implemented. In other words, without a certain date for adoption, a smaller firm would be put at an even greater disadvantage compared to a larger firm with greater resources.

Moreover, large global firms serving clients with operations in multiple foreign jurisdictions are more likely to obtain IFRS-related work, which will shorten their payback period, which in turn will provide for additional resources to support additional staff development.

Toward a more level playing field, the Commission could consider not only providing a certain date for adoption, but also mandating the same date for all issuers, regardless of size. That would offer smaller firms an incentive to devote resources needed to transition to IFRS, since the likelihood of payoff for them would increase. Ordinarily, more resources are needed in the first year of transition than in subsequent years. If all issuers transition in the same year, there would be fewer available resources in the larger firms to service the smaller issuers, which would present engagement opportunities for smaller audit firms. Otherwise, the larger firms would have a distinct experiential advantage in the later years of the transition, increasing concentration, resulting in inequitable treatment for the smaller audit firms.

Question 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?

We support the joint work plan of the Boards. It not only facilitates the movement to a single set of high-quality, globally accepted accounting standards, it also fosters convergence in a way that improves the overall quality of accounting standards. It eliminates a lot of potential and actual duplication of effort.

Question 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?

If the Commission decides now to mandate IFRS in the United States at a certain future date, we would expect to see an enhanced urgency in the joint work of the Boards. This targeted focus would translate to greater progress toward a converged set of standards, which in turn would bring us closer to one set of high-quality, globally accepted accounting standards.

If the Commission defers its decision on mandating IFRS until 2011, we are concerned that this deferral could inadvertently affect the Boards' standard-setting process. In its release, the Commission points out that the current joint work plan includes accounting standards that, when completed, should improve financial reporting significantly, particularly those on revenue recognition and financial statement presentation. We agree with that assessment. When completed, these projects will have a lasting impact on financial reporting. The decisions the Boards make as they deliberate those projects are critical, because the impact will be so farreaching. We do not want to see the due process for those projects affected by the timing of a decision on IFRS. Consciously or unconsciously, standard setters might truncate these projects to force their completion before 2011 in order to more actively influence the debate on mandatory IFRS adoption. We don't see that as a desirable outcome. In our view, it would be better to decide on a certain date for mandating IFRS, with an option to delay implementation if and when necessary, rather than to risk inadvertently affecting the standard-setting process.

Question 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?

We support the steps being taken to address the governance and funding issues of the IASB by the IASC Foundation. We agree that it would be best if mandatory use of IFRS in the U.S. takes place after the IASC Foundation reaches its goal of securing a stable funding mechanism that supports the independent functioning of the IASB. Absent strong indications that this will not occur, we do not think the decision to mandate IFRS by a specified date needs to be delayed until after the stable funding mechanism has been secured.

Question 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?

To begin with, the Commission is right to consider whether market participants are becoming knowledgeable about IFRS. The Commission is not responsible, however, for various market participants' education; that is solely the responsibility of the respective participants. Currently, on a smaller scale, the SEC would not block the passage of an accounting standard (except in extenuating circumstances) because it might be difficult for some people to understand or to apply. What the Commission should avoid is any disincentive to developing the required IFRS skills. A clear indication of the SEC's intention to move to IFRS would be the most motivating incentive in terms of participants devoting resources to developing IFRS skills.

Given our suggestion to have mandatory IFRS implementation in 2016, and the likely progress on convergence between U.S. GAAP and IFRS by then, we expect that the market participants would be ready to transition to IFRS when that time comes. In the same way the Commission, the PCAOB, and others have taken steps to educate their personnel about IFRS, we expect that other market participants would do so as well. The Commission could be influential in coordinating with the various market participants to ensure that sufficient appropriate training is available in the period leading up to the date for IFRS implementation. If, during the course of implementation, it becomes evident that the population of skilled individuals is taking longer to develop, a delay in the implementation at that point might be warranted.

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

We supported the decision to make IFRS available to foreign private issuers without reconciliation on the premise that IFRS at that point were already sufficiently comprehensive. As the principles-versus-rules debate has suggested, it requires balance to achieve the right level of guidance in standard setting. The SEC's influence over the Boards' joint work program will help to ensure that the Boards address any areas where IFRS are lacking in a timely manner.

We believe it will be important for the Commission to indicate its willingness to accept differing points of view for particular fact patterns. We understand that along with the exercise of professional judgment there needs to be transparency around how that judgment is applied. Historically, the SEC has required disclosures beyond those required in U.S. GAAP to provide clarity and transparency at a level that investors and other users of the financial statements need to inform their decisions. We expect that, where needed, the Commission would similarly require supplementary disclosures to ensure the same level of clarity and transparency in an IFRS reporting environment. If it becomes apparent that the disclosure requirements of IFRS for a particular circumstance are deficient, the SEC could either use its influence to have the standards amended or, through rulemaking, require additional disclosures to bridge any informational gaps.

Question 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?

Generally, we do not believe that supplementary disclosures would be necessary under these circumstances. In our view, the requirements in IFRS for disclosure of accounting policies are sufficient in most cases. We expect that the selection of accounting policies, especially where management must follow IAS 8, would be the source of significant attention during an audit or review of an issuer's financial statements.

Question 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?

We agree that certain U.S. issuers should have the alternative to report using IFRS as soon as possible, but we believe that the population of early adopters should be larger than what is proposed. In determining that foreign private issuers should be allowed to use IFRS without reconciliation to U.S. GAAP, the Commission sent the message that IFRS have evolved to the point where they provide relevant, reliable, decision-useful information. Unless the Commission no longer believes that and is planning to repeal its earlier decision to allow IFRS to be used in the U.S., we strongly suggest that it should expand the entire population of issuers that can early adopt. There is the potential to obtain significant benefits from the information that would be provided by early adopters, not only for the Commission in its consideration of rulemaking, but for other market participants implementing or considering IFRS as well.

Question 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?

Ideally, the criteria selected for early adoption should be designed to capture a broad representative population of potential IFRS issuers, not limited to large issuers or those in specific industries. A set of criteria for early implementation that allows a cross section of issuers of all sizes and in all industries would provide preferable decision-useful information for the Commission and others who are trying to determine if and when to switch to IFRS. To limit the criteria only to very large issuers does not tell us anything about the problems that medium-sized and smaller issuers are likely to experience, or the best practices they might develop. To limit the criteria only to industries that have already migrated to IFRS necessarily excludes industries and issuers that might have unique issues surrounding implementation. Left unidentified, those issues would not be addressed until later, perhaps even after IFRS use becomes mandatory. What might be missed is whether certain provisions should be changed or mandatory implementation delayed.

Because there will always be a cost, likely significant, to switching to IFRS, we expect that allowing issuers to make their own cost-benefit determination would automatically limit the population of issuers opting for early adoption, which should assuage any concerns the Commission or others may have that sufficient resources to deal with IFRS reporting may not yet be in place. Given the inherent limitation on the potential population of early adopters that results from significant cost and subjective benefit, we do not believe any further disincentives to early adoption are necessary.

Question 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?

In our view, the reasons for switching to IFRS by any issuer are minimally affected by the criteria the Commission has proposed. In fact, we believe that actual cost, perceived benefit, and potential for reversal weigh much more heavily on issuers than the proposed criteria. Converting to IFRS will be an expensive and time-consuming process. Smaller companies could spend less time and money in absolute terms, but more relative to their level of resources. An issuer eligible for early adoption under the Commission's proposed criteria, that concludes the costs will exceed the expected benefits, would have difficulty justifying the switch to IFRS any earlier than absolutely necessary. We believe it would be even harder to justify switching to IFRS if there is no concrete decision on future mandatory adoption, and there is significant emphasis on early adopters sufficiently preparing to potentially switch back to U.S. GAAP. We expect that most eligible issuers would adopt a "wait and see" approach under these conditions.

Question 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-à-vis U.S. issuers reporting in IFRS?

We believe it might be best to abandon the comparability of financial information as an objective of the early adoption program. We discuss this further in our response to question 25.

We do not believe that limiting the proposal to the largest 20 competitors by market capitalization is appropriate. Nor do we support allowing additional issuers to early adopt IFRS if some minimum threshold of U.S. issuers are reporting under the program. The basic assumption underlying the proposed criteria is that it is possible to predict whether comparability between issuers would be achieved. From that assumption comes the structure of the conversion program according to industry, market capitalization, or perhaps an absolute number of issuers. Even if that assumption were correct, the fact that it is an optional program, among other things, would mean that there still would be different sets of standards in use. To the extent that there are disincentives, whether from the structure of the program or inherent in the environment, comparability is not achieved.

Issuers that are ineligible to participate in early adoption because they fail to meet the proposed criteria could be at a competitive disadvantage. One of the advantages cited for moving to IFRS is that peer companies, analysts, and others in some industries are already working with IFRS data. If true, an issuer considering early adoption would consider that fact as part of its internal cost-benefit analysis. If an issuer were to conclude that conversion to IFRS for its industry environment would be on balance beneficial, but it is not allowed to do so because there is not a plurality (or worse, because the available company data is incomplete so it is difficult to determine), or some other criterion is not met, eliminating the option would put the issuer at a competitive disadvantage. It would be impossible to design criteria that would ensure that does not happen in every possible circumstance.

Question 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?

In our view, there are disincentives in the early adoption program that will have a much greater impact than whether one or multiple classification schemes are allowed. If the Commission moves ahead using an industry classification scheme, it might make sense to simply pick one scheme for everyone to use. A single industry classification scheme would be transparent. It also would reduce the time spent by issuers and the SEC staff in determining whether an issuer is eligible for early adoption. Although there may be issuers excluded from participation that would otherwise be deemed eligible if multiple classifications were used, the Commission can perhaps mitigate some of these exclusions through analysis prior to selecting one of the classification systems.

Question 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?

We believe that moving from a plurality of use to a majority of use would be a step in the wrong direction. There does not appear to be a theoretical or practical basis for such a move. It would further an objective of limiting participation and use of IFRS resources; it would not further an objective of enhancing comparability among issuers. Finally, it would not bring us closer to one set of globally accepted accounting standards.

Question 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?

If we accept that there are benefits to early adoption, the issue becomes whether those benefits would increase or decrease with greater use of the option. We speculate that the benefits would *increase* with greater use of the option. The likelihood of becoming aware of issues that should be addressed prior to mandatory implementation increases as the population of issuers using IFRS increases. That likelihood increases only if the program does not discriminate against issuers by size or industry.

We do not think the early adoption program should be limited by size or industry as proposed. We welcome any steps the Commission would take to increase the population of eligible early adopters, especially as more countries and more companies are adopting IFRS here and around the world. Allowing more issuers the option to test drive IFRS rather than limiting early adoption to a select few would have greater benefits for all market participants.

We do not think that the alternative of limiting the group of potential industries and early adopters to those that qualify at such time as the Commission decides to move forward addresses the dynamic nature of today's business environment. We do not know which or how many countries would have adopted IFRS by the time the Commission is able to decide on an early adoption program. Creating a program with sufficient flexibility to address the inevitable changes in circumstances would be preferable, with the constraint that this flexibility should not make the program too difficult to understand or apply.

Question 23

Do commenters have any suggestions about the procedural aspects of the proposed eligibility requirements, e.g., the procedure for obtaining a letter of no objection from the Commission staff or the minimum contents of the required submission? Is such a procedure necessary? Do commenters agree that such a procedure would assist both issuers and investors? Should the procedural aspects of the proposed eligibility requirement be less formal? Should the procedure be similar to that in the no action letter process regarding shareholder proposals under Rule 14a-8 of the Exchange Act? Should the letter of no objection be advisory only? Should obtaining a letter of no objection be optional? Is the method for calculating eligibility clear and appropriate or are there alternative suggestions that should be considered? Should the Commission publish standards or criteria to guide the staff's determination? What do commenters believe the respective role of the Commission and its staff should be in making these eligibility determinations? Should the Commission post on its Web site all submissions and responses, including those for which the staff does not issue a no-objection letter?

While the proposed procedure for formally qualifying for early adoption will be costly for issuers, it is not clear whether the potential benefits will exceed those costs. The qualifying procedure may consume significant resources of different participants, including the Commission staff, company personnel, and potentially other market participants such as consultants and auditors. It is possible that even with its best efforts an issuer could conclude that it is within the requirements only to find out, after expending its and the staff's resources, that it does not qualify. Resources might be expended just trying to determine which classification scheme to use. Or, the facts used to make the determination could shift during the course of the analysis. It is not clear to what extent information about competitors' use of IFRS would factor into an issuer's overall decision to switch to IFRS, but we suspect that much of the other information that would go into a capital budgeting decision would weigh more heavily. But if competitive information turns out to be more relevant than we expect, the additional discipline of scrubbing the information into a request for no action seems unlikely to improve the value of that information in any appreciable manner.

The qualifying procedure as proposed would address, but not necessarily ensure, compliance with the requirements. The Commission notes in the release that the staff obtained data to estimate the number of potentially eligible issuers for early adoption. In doing that, the staff had to make assumptions regarding the bases of accounting used by companies in the potential population. The staff assumed, for instance, that companies from certain countries were reporting using IFRS and that an assertion as to the use of IFRS meant the company was in fact using IFRS. Still, the staff could not obtain sufficient information about the basis of financial reporting used in some cases, due to difficulties in locating or understanding a company's financial statements. Considering these drawbacks, it seems that to publicly disclose the lack of a no-objection letter would be more detrimental to an issuer than any potential benefit to others who haven't yet concluded the evaluation process.

While we do not believe the no-objection letter should be mandatory, we can appreciate that some issuers might want to have the option to obtain one. That could be handled as any other matter addressed pre-filing, without specifying additional procedures. Any useful information that would have been available to the investing public in a posted letter of no objection could be required in the issuer's first filing using IFRS.

If the Commission moves forward as proposed, streamlining the qualifying procedure would be beneficial for all the participants. Establishing guidelines for the staff to follow and, to the extent possible, making them available to issuers making the submission, would perhaps lower the cost of the qualifying process to a certain degree. It would not be useful to engage in extended debate about whether reasonable efforts have been made to determine the sets of accounting standards used by the 20 largest companies in the "industry group," which could be defined in different ways depending on the classification scheme used. Delegating the final decision to the staff, rather than insisting it be made at the Commission level, is important to avoid creating a bottleneck for this procedure. We believe that the commissioners' time would be better spent on other priorities.

Question 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?

There will be opportunities and challenges related to a switch to IFRS for all participants. Although we expect items to surface as a result of the actual implementation, different items may surface from issuers of different sizes in different industries. Certain issuers are likely to realize a cost savings from no longer having to maintain multiple accounting systems, such as a U.S. subsidiary of a foreign parent reporting in IFRS. While that issuer might need to continue dual reporting during the early adoption phase, it would also be receiving benefits, such as improving both the skill sets of its people and its systems. It would ultimately be up to management to determine whether the benefits exceed the costs, but the information garnered from that implementation has the potential to benefit all the market participants involved.

As we've noted in our response to question 25, we do not agree that comparability is the correct criteria for early adoption. Already we do not have comparability: U.S. issuers are using a different set of standards than the foreign private issuers in the U.S. who are using IFRS. Comparisons among U.S. multinationals using U.S. GAAP are not facilitated when other multinationals are using different standards, including IFRS.

Question 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 cut-off be? Should there be a criterion based on the absence of past violations of the federal securities laws or based on shareholder approval?

In the release, the Commission notes that its objective for deciding which issuers should be eligible for early adoption of IFRS is "to identify those categories of U.S. issuers for whom the use of IFRS would promote comparability with their significant industry competitors." As previously stated, we do not think that comparability is the correct objective for early adoption. As we see it, early adoption is like a test drive of the implementation phase by a subset of potential IFRS issuers. The purpose of early adoption should be to determine whether moving to IFRS is workable, whether there are unforeseen problems, and whether those problems can be dealt with in a manner that protects investors while remaining cost effective. We believe that the objective of early adoption should be to gather relevant and reliable information on the practical aspects of IFRS reporting by U.S. issuers. In other words, the Commission should be attempting to identify unforeseen consequences prior to mandating IFRS for all issuers. Early adoption should provide information about potential problems before the mandatory transition, while there is still time to make changes before wholesale implementation. We acknowledge the concerns about the size of the early "testing."

If, as we proposed, the objective for early adoption is indeed information-gathering to inform decision making, the Commission's current proposal for early adoption is far too narrow to realize the potential benefits. The existing proposal excludes a host of issuers that would be using IFRS if they were to become the standards in the U.S. It would be useful to determine what issues those companies would encounter—issues that may be very different from those of the largest issuers in a limited number of industries. We would prefer to see more of a cross section of the broad population of potential IFRS issuers.

We would have no objection, however, to limiting early adoption to issuers with no past violations of the securities laws or to issuers whose shareholders must provide pre-approval to early adopt.

Question 26
Do commenters agree that the proposed required disclosures are appropriate? If not, what disclosures should be provided?

We are not aware of additional disclosures that should be required under the current proposal, but would support additional disclosures if the pre-filing process is more streamlined or eliminated (see response 23, above).

Question 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?

In that situation, we cannot conceive of another alternative but to revert back to U.S. GAAP. U.S. GAAP is and continues to be an excellent set of accounting standards. We believe it is the responsibility of the issuer that chooses to early adopt IFRS to maintain its ability to revert back to U.S. GAAP. To suggest that issuers should consider switching to another basis of accounting would be an unnecessary burden.

Question 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?

According to the release, the Commission assumes that the largest companies are "most likely to be ready to make the transition to IFRS." We are not clear why that would be the case. The reasons for wanting to adopt IFRS are varied, including cost savings, better reflection of economic circumstances, and competitive pressures. Each issuer, regardless of size, needs to draw its own conclusions as to the feasibility of adopting IFRS, which in itself would limit the population of early adopters. If the Commission is concerned about managing the demand for IFRS-related services, we believe that an issuer would include whether it can expect sufficient professional assistance to be available in its cost-benefit analysis. In the unlikely event that an issuer grossly miscalculates the availability of professional assistance, it would be useful to have that information prior to the mandatory date of implementation, in order to consider whether delay would be appropriate at that time. Rather than trying to determine whether additional classes of issuers or industries should be excluded, we believe a better approach is to determine how to include in the pool of early adopters a cross section of the population that would be adopting IFRS.

We are particularly concerned that smaller reporting companies have been excluded, simply as a "limitation on the number of issuers that would be eligible to file IFRS financial statements under the proposed rules." It is not equitable to include disincentives for any given segment of issuers while providing incentives to other segments. The release notes that under the staff's analysis, 110 U.S. issuers would be eligible for early adoption, and the market cap for those companies represents approximately 12 percent of the total U.S. market capitalization. The analysis of early adoption in the context of the percentage of U.S. market capitalization, though useful in understanding the impact on investors, understates the impact on a significant number of companies and other participants. Allowing only 110 public companies out of around 12,000 to early adopt IFRS is not going to motivate a large population of companies, or the professionals that provide services to them, to make the investment necessary to transition on a timely basis.

Question 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 would support a requirement that the first use of IFRS financial statements should cover annual periods. Among other things, that would avoid questions about which statements and other information would be necessary to supplement an interim filing. We do not always expect information developed for an interim period to be as inherently reliable as that developed for an annual period.

We do not believe that the first filing needs to be made in a Form 10-K. With the greater availability of filed financial information on the Internet, it seems unlikely that investors would have difficulty finding the information they need. Still, limiting the initial filing to only one or two forms may facilitate investor analysis by making it easier to find specific information, which may benefit other participants as well. We propose that a company be allowed to use either Form 10-K or Form 8-K for the first filing of its IFRS financial statements. That would facilitate tracking of the IFRS filings by investors and other financial statement users. Securities Act forms could include or incorporate IFRS financial statements provided that a Form 8-K is filed either before or at the same time, assuming that the capital-raising form is not filed after the initial 10-K filing.

We support allowing the transition to IFRS for fiscal years on or after December 15, 2009, although depending on the status of the rulemaking at that time, further consideration may be warranted. Generally, we do not see a need for a delay in allowing the use of IFRS for eligible early adopters. After cost, the primary constraint might be the availability of reliable information for all required periods. Companies will have myriad financial statement issues, such as timing of conversion, recent standard setting, number of years required, quantity of reconciling items, systems implementation issues, availability of knowledgeable professionals, and so on. With all those issues to address, there is no need for additional regulatory disincentives to early adoption.

Question 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.

We think what is described would facilitate the transition to IFRS and address concerns around initial interim reporting under IFRS. We could see the use of Form 8-K that includes IFRS financial statements as another possible alternative, especially if it incorporates a new separate item designated for this purpose. That would potentially avoid any confusion surrounding the use of the amended Form 10-K, as Form 10-K/A should be used only for a select few items.

Question 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?

We support Proposal A, but are strongly against Proposal B. The overarching issue is whether the information provided under Proposal A is sufficient or needs to be supplemented. We agree with the IASB, all the countries that have adopted IFRS as their accounting standards, and the SEC in the case of foreign private issuers using IFRS that the requirements of IFRS are sufficient in this regard. To date, for foreign private issuers at least, we are not aware of market-based demand for additional reconciling information in the nature of Proposal B.

The release discusses three main benefits to requiring the information called for by Proposal B: (i) it facilitates comparisons with U.S. GAAP-reporting companies by investors, (ii) it provides information that is useful for the understanding and education of market participants during the earlier stages of transition to IFRS, and (iii) it forces early adopters to maintain sufficient information, records, and controls to be able to revert back to U.S. GAAP. While we acknowledge the benefits of (i) and (ii), we question whether they really do exceed the cost to provide the multiyear reconciliations. We do not think that anyone is suggesting that only under Proposal B are comparisons with U.S. GAAP reporting companies possible or that understanding IFRS would be accomplished from the reconciliations alone. We believe that the real result of "benefit" (iii) is that market participants might conclude that the Commission would eventually reject IFRS, causing them to decide that it would be better to "wait and see" before committing significant time and resources to conversion.

There are significant costs to maintaining a reconciliation requirement. The high cost of reconciliation has been confirmed in public statements of issuers, such as during the Commission's roundtables on IFRS. In fact, high cost was a factor in the Commission's decision to eliminate the reconciliation requirement for U.S. foreign private issuers. Although providing more information about a company generally benefits investors, the issue is whether that benefit exceeds the costs to the company. Precedent indicates that the benefits are not expected to exceed the costs. Still, it seems inconsistent to say that IFRS are sufficient for some U.S. issuers, as foreign private issuers can now say, but that early adopters must supplement that level of information. We can only presume that some eligible issuers who might have considered early adoption would conclude, based on Proposal B, that the costs to early adopt would be too high. They might also decide to wait for a firm commitment by the SEC to mandate the use of IFRS, which would not be inferred from Proposal B's requirement to maintain U.S. GAAP information to revert back from IFRS.

In our opinion, the disincentive of Proposal B is simply not needed. It is already a requirement that registrants maintain sufficient books and records to allow for accurate financial reporting. Until all issuers are required to use IFRS, there is a very real possibility that U.S. GAAP may once again be a requirement in the future. It would be irresponsible for issuers not to ensure that they have the data for such an eventuality. There are already significant economic disincentives for an issuer that is unable to file required financial information.

Question 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?

It is not unreasonable to suggest that keeping U.S. GAAP books could benefit a company in its transition. We expect that companies will do so voluntarily, so there is no need for a mandate.

Perhaps more importantly, the message that such a requirement sends to all market participants is that the SEC is uncommitted to the change to IFRS. Participants will incur costs; they know that for sure. But the potential benefits are more tenuous. In any scenario, there is always the possibility that the U.S. would revert back to U.S. GAAP. Reverting to U.S. GAAP would not be taken away by a decision now to move to IFRS. Proposal B, however, signals a clear lack of commitment to IFRS by the Commission. We believe that the absence of a firm commitment will be interpreted by issuers as an unacceptable risk. Proposal B increases uncertainty, and therefore risk, for issuers already struggling with difficult resource allocation decisions. As a result, we believe that Proposal B is a strong disincentive to early adoption.

Question 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?

Although Proposal B seems inherently more useful in facilitating a reversion to U.S. GAAP, we do not believe that objective should be accomplished through rulemaking. The need to be able to revert to U.S. GAAP is well publicized and understood by fiduciaries and their advisors in the public arena. The current sanctions against issuers for inability to file financial statements (lack of access to capital markets, books and records violations, and so forth) are sufficient.

Question 39
Under Proposal B, should the proposed U.S. GAAP financial information be audited? Is the proposed role of the auditor appropriate? Should the proposed U.S. GAAP financial information be filed as an exhibit to the Form 10-K annual report, instead of as part of the body of the report? Is the proposed treatment of the information appropriate? For example, should the information be deemed "furnished" and not "filed" for purposes of Section 18 of the Exchange Act? Should we require that the supplemental U.S. GAAP information be contained in the annual report that is prepared pursuant to Exchange Act Rule 14a-3(b)? Should the supplemental U.S. GAAP information appear as a note to the financial statements? Is the proposed role of the auditor appropriate?

If the Commission decides to go forward with Proposal B, it would be helpful if the objectives that Proposal B is designed to achieve were clearly communicated. For instance, if its purpose is to provide information for comparison with U.S. GAAP reporting companies, an audit might be appropriate and reconciliations should be filed, probably in the notes to the financial statements, not as a separate exhibit. If the purpose of Proposal B is merely to impose discipline on companies so that resistance to reverting back to U.S. GAAP does not build up, then an audit would likely not be warranted and the location of the information is less important. We would not be in favor of a change to the auditor's role, as requiring audits of this information would put a strain on available professional resources at the same time that companies' costs to convert are increasing.

Question 40
Under either Proposal, should we provide more guidance as to the form and content of the information called for? Under either Proposal, should we require that additional information be provided, such as a "full reconciliation" as is required under Item 18 of Form 20-F? Is there an intermediate position between the reconciliation under Proposal B and the reconciliation under Item 18 of Form 20-F?

We think Proposal A has worked very well for a lot of companies in many countries, including foreign private issuers in the United States. We do not believe that more guidance would be helpful in applying Proposal A. If the Commission were to move forward with Proposal B, our view is that the guidance in the release is sufficient. If the purpose of the reconciliation is primarily for its decision usefulness, then it would be worth considering whether more guidance, such as expanded implementation guidance, could be helpful. We believe that either Proposal B or an Item 18 reconciliation would hinder a move toward a single set of standards, and facilitate the retention of U.S. GAAP as a second set of standards in the global environment. Therefore, either course would serve as a disincentive to early adoption.

Question 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?

We would view that as consistent with the use and intention of MD&A.

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

We do not believe that the potential benefits, regardless of the objective of Proposal B, would exceed the costs of such a requirement.

Question 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?

We see no discernable benefit to including termination provisions at the outset. If circumstances develop that make the repeal of the early adoption option necessary, the situation should be handled at that time through swift rulemaking. Because it is impossible to know if or when such circumstances would arise, it is not useful to include provisions to terminate something that may in fact be beneficial.

More importantly, including sunset provisions would act as another disincentive to early adoption. Issuers considering early adoption face a series of risks that their investment in conversion might not pay off. There is the risk that circumstances could change to the extent that the mandatory adoption of IFRS in the U.S. must be abandoned. Then there is the risk under the current proposal that the SEC might not decide to move forward with IFRS in 2011. Finally, there is the risk related to the sunset provisions, where it is not through action but inaction that the move to IFRS would reverse. For issuers on the fence regarding early adoption, including a termination provision at the outset has the potential to encourage them to wait and see. We believe that the benefits of early adoption are therefore less likely to be realized if automatic termination provisions are included.

Question 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 the definition is sufficiently clear.

Question 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?

In our view, no ambiguity exists between "IFRS issuer" and "foreign private issuer" in the proposed amendments.

Question 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?

We agree with the changes that are proposed.

Question 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?

We found Rule 13-02 to be well done and most helpful. We believe that aggregating the IFRS provisions into a new Article 13 is the right approach.

Question 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?

We believe that fundamentally the reserve quantities disclosed under the various current disclosure requirements should be consistent with those used for accounting purposes. However, until the IASB completes its development of a comprehensive standard on extractive industries accounting, we believe that the additional disclosure of reserve quantities used for accounting purposes and the pricing assumptions and other considerations used to develop those estimates should be required. Once a comprehensive standard on extractive industry accounting becomes effective, we believe that other reserve disclosure requirements should be revised to conform to the requirements of the standard.

Question 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?

With regard to references to U.S. GAAP, we are in favor of general guidance on disclosures that would not need to be modified with amendments to the referenced pronouncements, whether U.S. GAAP or IFRS. The staff may wish to provide some supplemental educational guidance to assist those companies that do not have a lot of experience or resources.

Question 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?

We believe this approach is appropriate and sufficiently clear.

Question 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?

We believe this approach is sufficiently clear.

Question 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?

We would support any move that makes it easier for companies to report forward-looking information, including expanding the safe harbor to forward-looking information in IFRS financial statements. We would not want issuers to resist switching to IFRS in response to the risk from IFRS requirements having adverse consequences in the U.S. environment. We do not see increased legal risk as fostering the move to a single set of globally accepted accounting standards.

Question 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?

We do not have an objection to the proposed disclosure requirements, except that we do not see the relevance of requiring the date when the issuer submitted its no-objection request to the staff and the date when the staff issued its letter of no objection. If there were different time periods (longer or shorter) among issuers, it might suggest that additional issues needed to be dealt with by one issuer rather than another. Because the disclosure requirements are not that detailed—nor should they be—it seems unfair to highlight the time frame surrounding the clearance process. In our view, the potential for drawing a prejudicial inference outweighs the potential value from highlighting these dates. If someone needs to be aware of those dates, they would likely find them in the posted letter of no objection, which presumably would reference the date of the original submission.

Question 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?

While this disclosure might be helpful to some, we are opposed to making it mandatory. For an issuer, this disclosure would accelerate the point in time when the decision to move to IFRS is made with relative finality, which just adds uncertainty and risk to the decision against what we perceive as a very limited benefit.

Question 60
Is the application of the proposed rules to the preparation of financial statements and financial information described in Sections V.D and V.E above [sic] sufficiently clear? If not, what areas need to be clarified? Are any further changes needed for issuers that prepare their financial statements using IFRS as issued by the IASB?

We believe the changes are sufficiently clear.

Question 61
Under the proposed rules, an IFRS issuer or foreign private issuer may file financial statements of an entity under Rule 3-05, 3-09 or 3-14 prepared in accordance with IFRS as issued by the IASB even though the entity does not meet the definition of "IFRS issuer." Should we also accept financial statements required under Rule 3-05, 3-09 or 3-14 prepared in accordance with IFRS as issued by the IASB without regard to the status of the issuer as an IFRS issuer or foreign private issuer? Should our acceptance depend on characteristics of the entity whose financial statements are being provided, such as that the entity already prepares IFRS financial statements or the entity principally operates outside the United States?

We would support the acceptance of IFRS financial statements required under Rules 3-05, 3-09 or 3-14, regardless of the status of the issuer, on the basis of potentially significant cost savings and because it potentially facilitates movement toward one set of global standards. It may be useful to include requirements that confirm lower costs would be realized, such as that the entity already prepares IFRS financial statements for another purpose.

Question 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 modeled 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?

We think the proposed rule modeled after the instruction in Item 18 is appropriate. To avoid any confusion related to scope, it might be clearer to say, "an issuer that *would be* required to provide disclosure under FASB Statement of Accounting Standards No. 69 . . ." (without the emphasis in the final rule).

Question 64
Is the guidance in this proposal sufficient to avoid any ambiguity about the use of IFRS financial statements in exempt offerings? If not, what additional clarification is needed? Is any revision to forms or rules necessary?

The guidance in the proposal is sufficient to avoid ambiguity about the use of IFRS in exempt offerings.

Question 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?

This section was very thorough and helpful in understanding the issues and their effects.