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**Comments on SEC Release Nos. 33-8818 (File No. S7-13-07)**

**Proposal:**
Acceptance from Foreign private issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards (IFRS) without Reconciliation to U.S. GAAP.

**Comment:**
The issue of allowing foreign private issuers to prepare their financial statements in accordance with the English-language version of IFRS as published by the International Accounting Standard Board (IASB) to file those financial statements with the SEC without reconciliation to U.S. GAAP is a controversial one. On the one hand, we cannot disregard the broad impact for domestic accountants and the associate professionals as well as the future development of U.S. GAAP and Financial Accounting Standard Board (FASB). On the other hand, the convergence between U.S. GAAP and IFRS into a single, global system of accounting principles is an inevitable destiny of accounting reporting course. Nevertheless, in the final analysis, I believe that the time of implementing the GAAP convergence is still premature.

***Pros***
Convergence between IFRS and U.S. GAAP has been a long-term goal of accounting standard setters. The elimination of reconciliation requirements is overwhelmingly supported by the foreign private issuers and the foreign companies. The reasons are summarized as follow:

- U.S. GAAP reconciliation requirement has been a substantial burden in considerable time and financial costs for foreign issuers listed in the United States. In the current reconciliation requirement, a foreign private issuer that files its financial statements prepared in accordance with a basis of accounting principles other than U.S. GAAP must disclose and quantify the material differences from the U.S. GAAP requirements. The non-U.S. issuers need extra time to reconcile its financial statements to U.S. GAAP. The current reconciliation process definitely delayed the availability of the financial information to the current and the potential investors. The information may not be relevant or significant to the latest changes of the foreign companies when the reconciliation process was completed. Moreover, there are costs incurred for preparing the reconciliation requirements. Thus, eliminating the existing costly requirements for foreign companies reconcile their IFRS statements with U.S. GAAP is highly demanded.

- The use of both accounting reporting standards could encourage more foreign companies to invest in U.S. capital markets. Minimizing the complicated reconciliation filing requirements in the U.S. stock exchanges, SEC provides a friendly user environment for foreign private issuers and encourages more companies to raise capital in the United States.

- The proposed rule will ultimately diminish the significant barriers of the global capital flows between United States and the countries which using full IFRS. Nearly 100 countries, including all member states of European Union, have adopted IFRS as their national GAAP. By emphasizing the use of IFRS as published by the IASB, SEC offers U.S. investors the foreign investment opportunities without getting familiarity with numerous national accounting standards. U.S. investors will be able to broaden their equity universe and compare foreign financials to US GAAP.

- By adopting IFRS in consideration with the benefits to the international capital markets, the European Union may allow the reciprocal measures for U.S. issuers with securities listed on their regulated EU stock exchanges. If this is the case, the elimination of reconciliation will be an important step toward the creation of high quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting.

- The change will motivate U.S. issuers to request the choice of selecting between the two standards. Domestic companies with significant foreign operations may choose to file IFRS in the United States to simplify their accounting processes and reduce the costs. Those companies can prepare their consolidated financial statements and manage the finances of their foreign subsidiaries by using the parent accounting system which meets both United States' and foreign countries' statutory reporting requirements. The ultimate consequence of a single set of globally accepted accounting which is the long-term strategic priority of both the FASB and the IASB can be foreseen.

- The accounting professionals would more easily work within one single set of accounting standards. Accountants and auditors of the domestic or foreign companies can avoid misinterpretations and discrepancies among different accounting standards and practices.

***Cons***

On the other hand, the proposed rule should consider the opposed side of the argument on the impact of eliminating the reconciliation filing requirements. The arguments are summarized as follow:

- The approach of easing accounting restrictions to attract more business to the nation's exchanges is an irresponsible act. The IFRS has not met the same standards and qualities as U.S. GAAP. According to the report of SEC staff observations in reviewing 100 IFRS financial statements dated July 2, 2007, the inconsistent statement formats and the lacking of standards or interpretations of IFRS are recognized. Although the report did not reach a comprehensive conclusion about the application of IFRS, the insufficient guidance of accounting practices are revealed. It demonstrates the implementation of the convergence is still premature.

- The potential changes could have broad impact for preparers, auditors, users, regulators, colleges and universities, and other interested parties. The proposed rule of eliminating reconciliation requirement will be put into effect in 2009 if the proposal is approved. EU countries have been adopted IFRS over five year period that including the education of all relevant components on the new financial reporting standards. With less than two years notice, SEC creates uncertainty to all related parties.

- Although the proposed rule can save non-U.S. issuers on the costs of preparing the reconciliation to U.S. GAAP, it will shift the costs to other related parties. The affected parties such as accountants, investors, creditors, internal and external auditors, and regulator will incur costs to prepare themselves to understand IFRS financial reporting well enough to perform their duties. This large population may not able to acquire the knowledge of the new standards in short period of time. The impact on domestic accounting professionals who handle the investments of non-U.S. issuers may not be measurable. Moreover, colleges and universities will be required to develop the corresponding educational programs for their students to meet the changes of accounting standards. With the short notice, the college graduates may not able to receive the crucial knowledge for their careers.

- The original intention of the reconciliation filing requirement for non-U.S. issuers was to ensure the comparable financial statements available to investors. Without similar accounting standards and qualities as U.S. GAAP, IFRS financial statements may not provide comparable financial information that allows investors to use it for decision making. Although FASB and IASB as well as SEC are promoting a single set of globally accepted accounting standards, the concerns of overall U.S. investor preparation in reading and understanding IFRS are never addressed. Thus, the financial statements prepared in accordance with IFRS as published by IASB may not decision-useful to investors.

- The different funding sources may influence the independence of FASB and IASB during the standard setting processes that raise convergence issues. According to IASB’s official website, the IASB is funded by International Accounting Standards Committee Foundation which financed its operations through voluntary contributions from a relatively small number of private companies, accounting firms, international organizations and central banks. Meanwhile, FASB's funding is voluntary contributions giving by accounting firms and public companies to produce critical accounting standards. These differences may create different incentives for the two boards.

- The last but not the least, the role of FASB and U.S. GAAP in the international accounting standards and practices may become less crucial and less influencing in the near future.

**Conclusion**

I believe that all accounting professionals should support the drift of promoting one single set of globally accepted accounting standards. By getting United States to commit on the harmonized accounting practices with the rest of the world, both global financial communities and U.S. investors will be benefited from the international harmonization of financial reporting. The proposed rule is one big step toward the ultimate goal of the convergence between IFRS and U.S. GAAP.

However, the roadmap of the GAAP convergence and the harmonization of financial reporting should consider minimizing the impact on the related parties other than the non-U.S. issuers. SEC should take small paces in executing the dual reporting system. Thus, I am strongly recommending the withholding of the reconciliation requirement proposal until the time when IFRS are fully developed and generally accepted by general public.

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