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September 21, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File No. S7-13-07

Dear Ms. Morris:

The American Bankers Association (ABA) appreciates the opportunity to comment on the Securities and Exchange Commission's (the Commission) proposed rule, *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S. GAAP* (the proposal). ABA brings together all categories of banking institutions to best represent the interests of the rapidly changing industry. Its membership – which includes community, regional, and money center banks and holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest banking trade association in the country.

ABA is tentatively supportive of the proposal to eliminate the current Commission requirement for foreign private issuers to reconcile their financial statements prepared in accordance with International Financial Reporting Standards (IFRS) to U.S. GAAP. We have several observations and concerns, which are discussed below.

Observations

We have several important observations that we would like to share before addressing the questions in the proposal:

1. In theory, convergence to a single set of global accounting standards is a worthy goal. In practice, this may be easier to achieve than to maintain. Thus, the differences between U.S. GAAP and IFRS could grow over time, re-establishing the need for reconciliation. For example:
   - Convergence, once achieved, does not guarantee ongoing convergence as long as there remain multiple standard setters worldwide, multiple enforcers of the standards, and differences in the ways that businesses operate. Future divergence could lead back to a reconciliation requirement.
   - If one truly believes that IFRS are more principles-based than U.S. GAAP, then convergence to principles-based accounting standards would require regulators and auditors to adopt a principles-based approach to auditing and regulation. Many problems in the past have been caused by enforcers of standards "interpreting" the standards anew. Thus, maintaining convergence will largely depend on the Commission's willingness to move to principles-based enforcement.
   - Litigation risk in the U.S. is significantly greater than that in many other parts of the world. Accounting standard-setters, auditors, the enforcers of the standards, and many preparers tend to prefer rules-based accounting in order to

mitigate this litigation risk. This may currently serve as the greatest barrier to convergence and would likely require legislative reform. Maintaining convergence may be difficult without appropriate litigation reform.

2. The Commission may need to determine whether "close enough" is acceptable as opposed to full convergence. It may well be. However, the Commission will also need to enforce on a consistent basis among registrants. ABA understands that the convergence of the two sets of standards takes time and that the goal is to arrive at the single best possible set of global accounting standards. We do, however, have mixed views about this approach. On one hand, it should be the intent of the Commission to establish deadlines to eliminate material differences between U.S. GAAP and IFRS standards in a timely manner in order to ensure that investors are not harmed by differences. On the other hand, there are many problems with convergence, such as the costs for U.S. companies if U.S. GAAP changes significantly just for the sake of convergence. This would justify the argument that "close enough" convergence may be warranted. The amended rules must necessarily contemplate the future establishment of substantially different accounting guidance in order to address preemptively the problems this could cause and risks it would provide investors and users.
3. If the Commission does not eliminate the reconciliation to U.S. GAAP for foreign private registrants, will the rest of the world begin requiring U.S. companies to reconcile to IFRS in order to register on foreign exchanges?

Questions

Do investors, issuers and other commenters agree that IFRS are widely used and have been issued through a robust process by a stand-alone standard setter, resulting in high-quality accounting standards?

Although we believe that the IASB could improve its process, we agree that, generally, the due process observed by the International Accounting Standards Board (IASB) is sufficiently robust, that the IASB is independent, and that the standards developed therein are high-quality. The IASB does, however, state that its rules are principles-based, which could be problematic in the U.S. as described above.

Should convergence between U.S. GAAP and IFRS as published by the IASB be a consideration in our acceptance in foreign private issuer filings of financial statements prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation? If so, has such convergence been adequate? What are commenters' views on the processes of the IASB and the FASB for convergence? Are investors and other market participants comfortable with the convergence to date, and the ongoing process for convergence? How will this global process, and, particularly, the work of the IASB and FASB, be impacted, if at all, if we accept financial statements prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation? Should our amended rules contemplate that the IASB and the FASB may in the future publish substantially different final accounting standards, principles or approaches in certain areas?

Convergence, or rather exceptions to convergence, should be considered in the elimination of the reconciliation due to its potential to cause significant differences between reports by similar companies in the same industry and across industries.

Whether or not the U.S. GAAP/IFRS reconciliation is eliminated, the Commission should develop a detailed breakdown of IFRS and U.S. differences – in plain English – to help users. This will also help preparers, auditors, and others to understand better the differences in the financial statements, which could help reduce need for the reconciliation. Even if the reconciliation is eliminated, this document would be useful in understanding the potential impact.

Such a document could help avoid situations where investors or other users of financial statements read IFRS differently from U.S. GAAP and treat similarly situated preparers differently due to different filing bases.

Do you agree that the information-sharing infrastructure being built in which the Commission participates through both multilateral and bilateral platforms will lead to an improved ability to identify and address inconsistent and inaccurate applications of IFRS? Why or why not?

ABA supports the efforts to establish a system for resolving inconsistencies between securities regulators' understandings of IFRS and U.S. GAAP. Our concern is that without a sufficiently speedy process for resolution, problems may arise when differences in opinion between regulators interfere with the timely filing of financial information or even result in restatements long after a filing has been accepted by the home country or foreign regulator.

The IASB Framework establishes channels for the communication of regulators' and others' views in the IFRS standard-setting and interpretive processes. How should the Commission and its staff further support the IFRS standard-setting and interpretive processes?

The Commission's views are important globally. Although historically the Commission's views on proposed U.S. standards have not been not made public, we believe that any positions taken by the Commission on global accounting standards and enforcement should be discussed by the Commission rather than simply by the staff, and they should be made public.

Without the reconciliation to U.S. GAAP, should we be concerned about member firm requirements to have persons knowledgeable in accounting, auditing and independence standards generally accepted in the United States review IFRS financial statements filed with the Commission?

If this question is whether an entity's financial statements must be audited based on IFRS and then reviewed by an auditor or internal employee who is familiar with U.S. GAAP, our answer would be, "No." Once the reconciliation is eliminated, it would be up to the Commission to enforce based on IFRS. Thus, the Commission would need to ensure that its staff is sufficiently trained in IFRS.

If progress does not continue towards implementing a single set of high quality globally accepted accounting standards, will investors and issuers be served by the absence of a U.S. GAAP reconciliation for financial statements prepared using IFRS as published by the IASB?

If investors are not able to compare U.S. GAAP and IFRS, it is likely that they will put additional pressure on the Commission to choose between the two.

Where will the incentives for continued convergence lie for standard setters, issuers, investors and other users of financial statements if the reconciliation to U.S. GAAP is eliminated for issuers whose financial statements are prepared using IFRS as published by the IASB?

If a competitive disadvantage is created by the use of different standards, then users and preparers will be motivated to eliminate differences.

Thank you for taking the time to consider our comments. Please contact Charlie Gilman, ABA's Accounting Policy Advisor (202.663.4986), or me with any questions.

Sincerely,

Donna J. Fisher

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