

September 21, 2007

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

**Re: File Reference No. S7-13-07  
Proposed Rule, Acceptance From Foreign Private Issuers of Financial Statements  
Prepared in Accordance With International Financial Reporting Standards  
Without Reconciliation to U.S. GAAP**

Dear Ms. Morris:

Deloitte Touche Tohmatsu (DTT) and its member firms are pleased to comment on the proposed rule, *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP*, issued by the Securities and Exchange Commission (SEC or the “Commission”).

The Commission is proposing to eliminate the requirement to reconcile to U.S. generally accepted accounting principles (GAAP) for foreign private issuers that:

- Prepare financial statements that comply fully with the English language version of International Financial Reporting Standards (IFRSs).<sup>1</sup>
- Make a statement of unreserved compliance with IFRSs.
- Have their auditors opine about compliance with IFRSs.

We agree with the Commission’s proposal to eliminate the U.S. GAAP reconciliation for foreign private issuers that use IFRSs and believe that it is an important step toward developing a single set of globally accepted accounting standards. We note, however, that there may be issues in certain jurisdictions with the proposal that use of IFRSs is required if a company wishes not to reconcile to U.S. GAAP. In European countries, for example, endorsement or approval of IFRSs by local authorities is required before such standards can be applied. Consequently, when a foreign private issuer is required to

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<sup>1</sup> In this letter, IFRSs refer to those published by the International Accounting Standards Board (IASB), unless otherwise noted.

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follow the “jurisdictional version” of IFRSs in describing how it has prepared its financial statements, it may not be able to make an explicit and unreserved statement of compliance with IFRSs because certain standards have not yet been endorsed or approved by the local authority.

Given these constraints, we believe that the Commission should consider allowing foreign private issuers that use local GAAP (including jurisdictional IFRSs) to reconcile to IFRSs instead of U.S. GAAP, which would give them a choice of one of the following:

- U.S. GAAP.
- IFRSs.
- Local GAAP (including jurisdictional IFRSs) reconciled to either U.S. GAAP or IFRSs.

This approach would make IFRSs and U.S. GAAP equally prominent. In addition, we believe that this approach is superior to the one proposed because it would require the SEC to continually evaluate all differences between IFRSs and jurisdictional versions of IFRSs that arise as result of endorsement processes by local authorities. This evaluation would ensure that such differences (i) do not deter from the overall quality of IFRSs, and (ii) are not motivated by circumstances that are not consistent with the establishment of high-quality global accounting standards. When local GAAP (including jurisdictional IFRSs) are used, we believe that the reconciliation to either U.S. GAAP or IFRSs should be in accordance with the current requirements of Items 17 and 18 of Form 20-F.

With regard to technical amendments to the Commission’s rules and regulations, the proposed rule incorporates IFRSs provisions into the SEC instructions of Form 20-F through a broad-based approach. For example, several non-financial statement disclosures in the Commission’s rules and regulations refer to specific U.S. GAAP pronouncements. Instead of referring to the applicable IFRSs, the proposed rule instructs the user to “follow the appropriate provisions of IFRSs that contain the principles embodied in the referenced U.S. GAAP items.”

In a reporting framework that allows for the use of IFRSs, we suggest that the Commission reconsider its current approach to non-financial statement disclosures. We note that IFRSs often have provisions that can be identified and that are similar to the principles embodied in the referenced U.S. GAAP. However, sometimes the principle or rule embodied in the referenced U.S. GAAP pronouncement may not be readily apparent, or may not even be included in IFRSs. In addition, certain definitions in U.S. GAAP may be different in IFRSs.

For these reasons we believe it important for the Commission to identify areas where U.S. GAAP pronouncements are referenced and address the implications, if any, of using IFRSs. We believe that this issue becomes more important as the SEC considers giving U.S. companies the option to use either U.S. GAAP or IFRSs.

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For our specific comments on the proposed rule, please see the attached appendix, which is divided into the following subheadings:

- Overall approach.
- Technical amendments.
- IFRS practice and standard setting.
- General policy considerations.

The appendix contains questions, reprinted directly from the proposed rule, followed by our detailed responses to the questions.

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We appreciate the opportunity to comment on the proposed rule. If you have any questions concerning our comments, please contact either Jim Schnurr at 203-761-3539 or D.J. Gannon at 202-220-2110.

Yours truly,

/s/ Deloitte Touche Tohmatsu

cc: Chairman Christopher Cox  
Commissioner Paul S. Atkins  
Commissioner Annette L. Nazareth  
Commissioner Kathleen L. Casey  
Conrad Hewitt, Chief Accountant  
John W. White, Director of the Division of Corporation Finance

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**OVERALL APPROACH**

**Question 2 — 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?**

We believe that convergence should be one of many considerations in the Commission's acceptance of IFRSs. We note that the objective of the convergence process is the development of a single set of high-quality global accounting standards that are widely accepted and supported. In our view, the IASB and FASB have provided the proper environment to issue such standards. We believe that IFRSs are of sufficient quality to consider elimination of the U.S. GAAP reconciliation for foreign private issuers preparing financial statements in accordance with, or reconciling them to, IFRSs. While there may be ongoing differences between IFRSs and U.S. GAAP, we believe that as long as the resulting standards are of sufficient quality and the financial statements are transparent, investors and issuers will be well served.

The Commission and other market participants should be realistic about the speed of the convergence efforts undertaken by the national accounting standard setters and the IASB. The world's national accounting standard setters (including the FASB) and the IASB are no longer competitors but are working as partners toward the common goal of developing a set of high-quality global accounting standards.

We believe that convergence should focus on developing broad, not narrow, principles resulting in common accounting outcomes that are consistent with the overall substance of the transaction or event. We also stress the importance of having a common conceptual framework to use as a basis for developing such principles.

See our response to Question 24 below relating to convergence at the interpretive and enforcement levels.

**Question 6 — Should the timing of our acceptance of IFRS as published by the IASB without a U.S. GAAP reconciliation depend upon foreign private issuers, audit firms and other constituencies having more experience with preparing IFRS financial statements?**

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No. In our experience, there is sufficient knowledge and expertise in applying IFRSs and preparing IFRS financial statements. We note that in the concept release, *International Accounting Standards*, the SEC emphasized the importance of supporting high-quality accounting standards with an infrastructure ensuring that those standards are rigorously interpreted and effectively applied. The primary elements noted for such an infrastructure were:

- Effective, independent, and high-quality accounting and auditing standard setters.
- High-quality auditing standards.
- Audit firms with effective quality controls worldwide.
- Profession-wide quality assurance.
- Active regulatory oversight.

We continue to agree that such an infrastructure is necessary to ensure consistent, faithful application of IFRSs globally. We also note that each of the above items either has been, or is being, addressed.

**Question 7 — Should the timing of any adoption of these proposed rules be affected by the number of foreign companies registered under the Exchange Act that use IFRS?**

We do not believe that adoption of the proposed rule should be predicated on the number of foreign companies registered under the Exchange Act that use IFRSs. We note that in just a few short years, IFRSs have been used by thousands of entities in over 100 countries, with additional countries switching to IFRSs as their national GAAP.

**Question 13 — Should we put any limitations on the eligibility of a foreign private issuer that uses IFRS as published by the IASB to file financial statements without a U.S. GAAP reconciliation? If so, what type of limitations? For example, should the option of allowing IFRS financial statements without reconciliation be phased in? If so, what should be the criteria for the phase-in? Should only foreign private issuers that are well-known seasoned issuers, or large accelerated filers, or accelerated filers, and that file IFRS financial statements be permitted to omit the U.S. GAAP reconciliation?**

No. We support elimination of the U.S. GAAP reconciliation requirement for all foreign private issuers that use, or reconcile financial statements to, IFRSs, and we do not believe there should be any exclusions or limitations on eligibility. We do not see a need to phase in elimination of the U.S. GAAP reconciliation. We note that elimination of the U.S. GAAP reconciliation for smaller issuers would perhaps be more important than that for large or accelerated filers since smaller issuers may incur a higher relative cost burden as a result of the U.S. GAAP reconciliation requirement. In addition, exclusions and

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limitations would increase the complexity of the rules, which is contradictory to the central tenet of consistency that convergence is trying to convey.

**Question 15 — Although reconciliation to U.S. GAAP of interim periods is not ordinarily required under the Exchange Act, foreign private issuers that conduct continuous offerings on a shelf registration statement under the Securities Act may face black-out periods that prevent them from accessing the U.S. public capital market at various times during the year if their interim financial information is not reconciled. Even if commenters believe we should continue the U.S. GAAP reconciliation requirement for annual reports that include IFRS financial statements, to address this issue should we at least eliminate the need for the U.S. GAAP reconciliation requirement with respect to required interim period financial statements prepared using IFRS as published by the IASB for use in continuous offerings? Should we extend this approach to all required interim financial statements?**

See our response to Question 13 above. We support elimination of the U.S. GAAP reconciliation requirement for all foreign private issuers that use IFRSs.

**Question 17 — If the proposed amendments are adopted, should eligible issuers be able to file financial statements prepared using IFRS as published by the IASB without a U.S. GAAP reconciliation for their first filing containing audited annual financial statements? If the amendments are adopted, what factors should we consider in deciding when issuers can use them? For example, should we consider factors such as the issuer's public float (either in the United States or world wide), whether the issuer has issued only public debt, or the nature of the filing to which the amendments would be applied? Will investors be prepared to analyze and interpret IFRS financial statements without the reconciliation by 2009? If not, what further steps, including investor education, may be necessary?**

We believe that all eligible issuers should be able to file financial statements prepared using, or reconciled to, IFRSs without a U.S. GAAP reconciliation once the proposed rule is effective. If, for example, the rule were to become effective on February 15, 2008, then we believe that any eligible financial statements included in a filing with the SEC made on or after February 15, 2008, would not need to be reconciled to U.S. GAAP.

In addition, we do not believe that limiting factors, such as the issuer's public float, whether the issuer has issued only public debt, or the nature of the filing, are necessary. We think that such factors would result in inconsistencies and unnecessary complexity in the application of the Commission's rules.

**Question 24 — Are there accounting subject matter areas that should be addressed by the IASB before we should accept IFRS financial statements without a U.S. GAAP reconciliation?**

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No. We note, however, that perhaps the most significant obstacle to having a single set of high-quality global accounting standards is divergent views on how those standards should be applied. We believe it important that convergence efforts also be made at the interpretive and enforcement levels. See our responses to Questions 3 and 5 below under “IFRS Practice and Standard Setting.”

**Question 26 — Should issuers that are permitted to omit a U.S. GAAP reconciliation for their current financial year or current interim period be required to disclose in their selected financial data previously published information based on the U.S. GAAP reconciliation with respect to previous financial years or interim periods?**

No. We believe that the inclusion of previously published U.S. GAAP information should be permitted, but not required.

**Question 28 — Should foreign private issuers that prepare financial statements in accordance with IFRS as published by the IASB 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?**

We believe that all foreign private issuers engaging in oil- and gas-producing activities should continue to comply with the disclosure requirements of FASB Statement No. 69, *Disclosures About Oil and Gas Producing Activities*. We note that many foreign private issuers in the extractive industries already have adopted the disclosure requirements of Statement 69 for their local financial reporting. In other cases, there may be similar information disclosed under local requirements.

Therefore, we do not believe there is any compelling reason to change this requirement for foreign private issuers that prepare financial statements in accordance with IFRSs. However, we suggest that the Commission consider alternative ways of presenting this information. For example, instead of including such information as an unaudited note to the financial statements, it may be worth considering whether this information should be disclosed outside the financial statements in a separate schedule or as part of Industry Guide 2.

**Question 31 — If a first-time IFRS adopter provides, in a registration statement filed during the year in which it changes to IFRS, three years of annual financial statements under a Previous GAAP and two years of interim financial statements prepared under IFRS as published by the IASB, should we continue to require that the interim financial statements be reconciled to U.S. GAAP?**

No. Given the SEC’s proposal to accept IFRS financial statements without reconciliation to U.S. GAAP, we do not believe that all interim financial statements included by a first-time adopter in a registration statement filed during the transition year should be reconciled to U.S. GAAP.

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**Question 33 — Should the Commission extend the duration of the accommodation contained in General Instruction G for a period longer or shorter than the proposed five years? Would seven years, ten years or an indefinite period be appropriate? If so, why?**

We support indefinite extension of the accommodation contained in General Instruction G. While we recognize that setting a certain period for the accommodation may encourage and potentially accelerate movement toward IFRSs, we believe that this accommodation should be available to any issuer making a first-time transition to IFRSs. To remove this accommodation after a certain period may create inequality for those that decide to move to IFRSs after the period, which may hinder the progression toward a single set of global standards.

**Question 34 — Should any extension of the accommodation to first-time adopters be tied in any way to U.S. GAAP reconciliation? If so, how?**

No. See our response to Question 33 above.

#### **TECHNICAL AMENDMENTS**

**Question 18 — Do we need to make any other changes to Items 17 or 18 or elsewhere to implement fully the proposed elimination of the reconciliation requirement for issuers using IFRS as published by the IASB?**

While the Commission has noted in footnote 80 of the proposed rule that it does not read Item 17(b) as imposing U.S. GAAP requirements on financial statements prepared using IFRSs, we believe that the text may suggest otherwise. Therefore, for clarity we suggest that Item 17(b) of Form 20-F be amended to refer to financial statements prepared in accordance with IFRSs.

**Question 19 — Is any revision necessary to clarify that the provisions relating to issuers that use proportionate consolidation contained in Item 17(c)(2)(vii) would not apply to IFRS financial statements that are not reconciled to U.S. GAAP under the proposed amendments? If so, what changes would be appropriate?**

We do not believe that any revision is necessary.

**Question 20 — Is the IAS 21 accommodation still useful for non-IFRS issuers? Is it clear that an issuer using IFRS would not need to provide disclosure under Item 17(c)(2)(iv)? If not, what changes would be necessary to make it clear?**

The Commission notes in the proposed rule that not many foreign private issuers use the accommodation in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. While this may be the case, we nonetheless believe that the accommodation is still useful for foreign private issuers that rely on it; therefore, we recommend that it not be eliminated.



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We agree that it is clear that an issuer using IFRSs would not need to provide disclosure under Item 17(c)(2)(iv).

**Question 27 — With regard to references to U.S. GAAP in non-financial statement disclosure requirements, should we amend the references to U.S. GAAP pronouncements that are made in Form 20-F 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?**

In a reporting framework that allows for the use of IFRSs, we suggest that the Commission reconsider its current approach to non-financial statement disclosures. We note that IFRSs often may have provisions similar to the principles embodied in the referenced U.S. GAAP pronouncement. Sometimes, however, the principle or rule embodied in the referenced U.S. GAAP pronouncement may not be readily apparent or may not even be included in IFRSs. In addition, certain definitions referenced in U.S. GAAP may be different in IFRSs.

For these reasons, we believe it important for the Commission to identify areas where U.S. GAAP pronouncements are referenced and address the implications, if any, of using IFRSs. We believe that this issue becomes more important as the SEC considers giving U.S. companies the option of using either U.S. GAAP or IFRSs.

In addressing this issue, the Commission may wish to assess each reference to a U.S. GAAP pronouncement to determine those instances in which:

1. Similar guidance exists in U.S. GAAP and IFRSs.
2. No guidance exists in IFRSs.
3. The guidance in U.S. GAAP and IFRSs is different.

For U.S. GAAP references in the first category above, the Commission may wish to include the corresponding reference to IFRSs. Alternatively, it may wish to describe the underlying concept without referring to a specific U.S. GAAP or IFRS pronouncement.

Items in the second category above would need to be reconsidered (e.g., Item 5(E) of Form 20-F refers to “variable interests,” which is not a term used in IFRSs). The Commission should determine whether the non-financial statement disclosure requirement is applicable for issuers using, or reconciling to, IFRSs. Alternatively, if the Commission concludes that the information disclosed is relevant, then it may want to consider using the U.S. GAAP notion as a basis for the disclosure or describe the underlying concept without referring to a specific U.S. GAAP pronouncement.

Regarding the third category above, the SEC would need to consider the implication of having different definitions under IFRSs versus U.S. GAAP (e.g., the definition of

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“related parties”). Depending on the nature and significance of the difference, the Commission may want to reconsider the applicability of the disclosure or describe the underlying concept without referring to a specific U.S. GAAP or IFRS pronouncement.

**Question 35 — Are the proposed changes to Rules 3-10 and 4-01 sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, what other revisions would be necessary?**

We believe that the proposed changes are sufficient.

**Question 36 — Are there other rules in Regulation S-X that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the application of those rules be unclear if there were no changes to those rules, and what changes would be suggested in order to make them clear?**

See our response to Question 27 above.

**Question 37 — Is the application of the proposed rules to the preparation of financial statements provided under Rules 3-05, 3-09, 3-10 and 3-16 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 published by the IASB?**

We believe that the application of the proposed rule to the preparation of financial statements provided under Regulation S-X, Rules 3-05, 3-09, 3-10, and 3-16, is sufficiently clear. If the Commission does not allow foreign private issuers to reconcile to IFRSs, as suggested earlier, then we believe it should at least consider allowing acquirees, investees, and guarantors preparing financial statements using local GAAP to reconcile those financial statements to IFRSs for purposes of Rules 3-05, 3-09, 3-10, and 3-16.

We also note the proposed rule’s provision that significance tests should be determined on the basis of the primary financial statements, which assumes that IFRSs or U.S. GAAP are used. If the Commission allows foreign private issuers to use local GAAP (including jurisdictional IFRSs) reconciled to either U.S. GAAP or IFRSs, then significance testing should be based on either U.S. GAAP or IFRSs, depending on which GAAP the financial statements are reconciled to.

With regard to the acquisition of a foreign business by a U.S. issuer, historically the significance tests under Regulation S-X, Rule 1-02 (w) have been performed using U.S. GAAP amounts. Under the proposed amendments, if a U.S. issuer acquired a foreign business whose financial statements were prepared in accordance with IFRSs, then the financial statements filed under Regulation S-X, Rule 3-05 would not need to include a U.S. GAAP reconciliation. However, notwithstanding this accommodation, it would still be necessary to reconcile the historical financial statements of the acquired business to U.S. GAAP solely to perform the significance test. As proposed, a foreign private issuer

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using IFRSs would face a similar requirement to determine the significance of its acquisition of a business that does not prepare financial statements using IFRSs. We believe the Commission should consider revising Rule 1-02(w) of Regulation S-X to address these situations. For example, the SEC may wish to modify the rule to allow the significance test of a business with a different basis of accounting to be performed using pro forma amounts (i.e., based on the pro forma adjustment of the acquired company's historical financial information to reflect the registrant's purchase accounting under either U.S. GAAP or IFRS, as applicable).

**Question 38 — Are the proposed changes in Forms F-4 and S-4, and in Rule 701, sufficient to avoid any ambiguity about our acceptance of IFRS financial statements without reconciliation? If not, how should we revise those forms or rule?**

We believe that the proposed changes are sufficient.

**Question 39 — Under Part F/S of Form 1-A relating to offerings conducted under Regulation A, Canadian issuers may use unaudited financial statements that are reconciled to U.S. GAAP. Should we amend Form 1-A to permit the use by Canadian companies of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation? Does the fact that financial statements under Form 1-A are not required to be audited militate in favor of retaining a U.S. GAAP reconciliation whenever a Canadian issuer uses a GAAP other than U.S. GAAP?**

We understand that Canadian public entities may be required to follow IFRSs beginning in 2011. Assuming the rules for Canadian companies are changed to provide for use of IFRSs, for clarity we suggest that Form 1-A be amended to permit the use of IFRSs without reconciliation. We do not believe it is relevant that such financial statements are not required to be audited.

**Question 40 — Are there other rules or forms under the Securities Act that should be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the rules or forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?**

No.

**Question 41 — Should Schedule TO and Schedule 13E-3 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the rules or forms be unclear if there were no changes to those Schedules, and what changes would be suggested in order to make them clear?**

No.

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**Question 43 — Should Form 40-F or F-10 be specifically amended to permit the filing of financial statements prepared in accordance with IFRS as published by the IASB without a reconciliation to U.S. GAAP? If so, how would the forms be unclear if there were no changes to those forms, and what changes would be suggested in order to make them clear?**

We do not believe that these forms should be specifically amended, since they refer to the requirements of Form 20-F, which will be amended.

**IFRS PRACTICE AND STANDARD SETTING**

**Question 1 — 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?**

Yes. We note that in just a few short years, thousands of entities in over 100 countries have started to use IFRSs, with additional countries switching to IFRSs as their national GAAP. In other cases, countries have or will continue to converge their local standards with IFRSs.

We believe that the education, diversity, and objectivity of the IASB, which comprises well-established, knowledgeable members from various countries, allow for the issuance of high-quality accounting standards. We also believe that IFRSs currently are of sufficient quality to be accepted as a basis of financial reporting by foreign private issuers without reconciliation to U.S. GAAP. See also our response to Question 2 above under “Overall Approach.”

**Question 3 — Is there sufficient comparability among companies using IFRS as published by the IASB to allow investors and others to use and understand the financial statements of foreign private issuers prepared in accordance with IFRS as published by the IASB without a U.S. GAAP reconciliation?**

Most companies that are applying IFRSs (including jurisdictional versions) only have done so for a year or two. We recognize the efforts undertaken by companies in moving from local standards to IFRSs. In our experience, there has been diversity in the application of IFRSs among companies. While some level of diversity in application is expected and inherent in a principles-based accounting framework such as IFRSs, we note that the diversity has been wider than it ultimately should have been. We do expect such divergent practices to narrow as IFRSs matures and companies, auditors, and others identify and address application and interpretive issues.

Ultimately successful implementation of IFRSs will depend on having a more consistent application and greater transparency in the judgments being made in applying the standards. Accounting standards may be easier to bring together than the cultural differences and perspectives underlying the interpretation and application of standards.

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We note that in some cases the overall perspective of financial reporting has not changed with the introduction of IFRSs. Sometimes the positions taken relate to past practice in a particular country and the local view is that IFRSs are no different. While this may be appropriate in some instances, for example, where the standards are silent and companies are required to develop their own accounting policy applying the IFRS hierarchy, it is not in others. In an effort to narrow divergent practices, we believe that convergence efforts also should be made at the interpretive and enforcement levels. We encourage existing national interpretive bodies and regulators to work together to avoid producing competing IFRS interpretations; otherwise more divergences will be created.

**Question 4 — 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?**

Yes. We have seen evidence of varying regulatory approaches to IFRSs by regulatory agencies. While local regulatory practices need to be respected, such practices should be converged. We support the SEC's efforts to resolve these issues through the formation of the SEC/CESR Work Plan with its European counterparts. We also support the bilateral efforts between the SEC and other regulators in addressing divergent IFRS practices.

We believe it important that the decisions and outcomes resulting from these multilateral and bilateral platforms be effectively communicated to the market on a timely basis.

**Question 5 — What are commenters' views on the faithful application and consistent application of IFRS by foreign companies that are registered under the Exchange Act and those that are not so registered?**

See our response to Question 3 above. In our experience, the financial statements among companies using IFRSs have been diverse across countries, whether these companies are registered or not. On the whole, the application of IFRSs has been less diverse and more transparent in the financial statements of registered companies versus companies not registered. We believe this is the case given the increased scrutiny by the SEC staff and additional disclosures required by the SEC's rules.

We believe that the focus should be on the overall principle being interpreted or applied. This often will result in establishing a different perspective from what was the case with local GAAP. This means thinking about the most faithful application of the standard. It is critical that all participants concur that accounting under IFRSs must be in accordance with the "spirit of the standard". Clearly, this can create tensions over interpretation and threaten consistent application. The challenge for the regulators, companies, and auditors is to ensure that while different outcomes may exist in the application of IFRSs, such outcomes are within the conceptual parameters of the standard.

**Question 16 — Is there any reason why an issuer should not be able to unreservedly and explicitly state its compliance with IFRS as published by the IASB? Is there**

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**any reason why an audit firm should not be able to unreservedly and explicitly opine that the financial statements comply with IFRS as published by the IASB? What factors may have resulted in issuers and, in particular, auditors refraining from expressing compliance with IFRS as published by the IASB?**

We note that in certain jurisdictions, there may be issues with the proposal to requiring use of IFRSs. For example, European countries require endorsement or approval of IFRSs by local authorities before such standards can be applied. Consequently, when a foreign private issuer is required to follow the jurisdictional version of IFRSs in describing the basis on which its financial statements are prepared, it may not be able to make an explicit and unreserved statement of compliance with IFRSs because certain standards have not yet been endorsed or approved by the local authority.

While we support the SEC's proposal and the goal of developing a single set of globally accepted accounting standards, we recognize the practical implications of requiring use of IFRSs. Given these constraints, we believe the Commission should consider allowing foreign private issuers that use local GAAP (including jurisdictional IFRSs) to reconcile to IFRSs instead of U.S. GAAP. Consequently, foreign private issuers would have the choice of using one of the following:

- U.S. GAAP
- IFRSs.
- Local GAAP (including jurisdictional IFRSs) reconciled to either U.S. GAAP or IFRSs.

This approach would make IFRSs and U.S. GAAP equally prominent. This also would be consistent with the equivalence initiative in Europe.

In cases in which local GAAP (including jurisdictional IFRSs) are used, we believe that the reconciliation to either U.S. GAAP or IFRSs should be in accordance with the current requirements of Items 17 and 18 of Form 20-F.

**Question 21 — Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS as published by the IASB?**

No. Our experience has been that foreign private issuers that prepare their annual financial statements in accordance with IFRSs either prepare interim financial statements in accordance with IAS 34, *Interim Financial Reporting*, or would have the available information to do so.

**Question 22 — Do foreign private issuers that have changed to IFRS generally prepare interim financial statements that are in accordance with IFRS, and do they make express statements to that effect?**

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See our response to Question 21 above. Foreign private issuers that use IFRSs and prepare interim financial statements would do so in accordance with IFRSs (IAS 34).

**Question 23 — How significant are the differences between IAS 34 and Article 10? Is the information required by IAS 34 adequate for investors? If not, what would be the best approach to bridge any discrepancy between IAS 34 and Article 10? Should issuers be required to comply with Article 10 if their interim period financial statements comply with IAS 34? Should we consider any revision to existing rules as they apply to an issuer that would not be required to provide a U.S. GAAP reconciliation under the proposed rules?**

We do not believe that the differences between IAS 34 and Article 10 of Regulation S-X are significant; we think that the information required by IAS 34 is adequate. Therefore, we suggest that the Commission revise the proposed rule to accept interim financial statements prepared in accordance with IAS 34.

**Question 30 — Are there issues on which further guidance for IFRS users that do not reconcile to U.S. GAAP would be necessary and appropriate? Should issuers and auditors consider guidance related to materiality and quantification of financial misstatements?**

With regard to materiality and misstatements, we note that foreign private issuers generally have looked to the guidance in SEC Staff Accounting Bulletin No. 99, codified as SAB Topic 1.M, “Materiality.” We expect that this would continue for foreign private issuers using IFRSs.

## **GENERAL POLICY CONSIDERATIONS**

**Question 8 — 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?**

As discussed in our response to Question 4 under “IFRS Practice and Standard Setting,” we believe it important that the decisions and outcomes resulting from multilateral and bilateral regulatory platforms be effectively communicated to the market on a timely basis. We note that companies and auditors may have formal and informal discussions with regulators about IFRS application and interpretive issues. We believe these discussions are helpful and should continue. We also encourage regulators to communicate effectively with the IASB and its staff on issues that may need resolution. Part of this communication would be any necessary action by the IASB or its interpretive body (International Financial Reporting Interpretations Committee — IFRIC) to address the issues raised. If the IASB process were not to resolve or address the issue, then we believe it would be necessary for regulators to consider providing the appropriate guidance.

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**Question 9 — How should the Commission consider the implication of its role with regard to the IASB, which is different and less direct than our oversight role with the FASB?**

While the Commission does not have direct oversight over the IASB, members of the staff attend IFRIC meetings as observers and participate in the Standards Advisory Council. The Commission also has an indirect role through its direct oversight of the FASB and the convergence of IFRSs and U.S. GAAP. We note that the IASB has demonstrated, and continues to demonstrate, a willingness to meet with regulators and other stakeholders charged with oversight responsibilities.

These roles should be sufficient in the short to medium term. In the longer term, there may be a need to reconsider the oversight and funding of the IASB and, specifically, the role of regulators.

**Question 14 — At the March 2007 Roundtable on IFRS, some investor representatives commented that IFRS financial statements would be more useful if issuers filed their Form 20-F annual reports earlier than the existing six-month deadline. We are considering shortening the deadline for annual reports on Form 20-F. Should the filing deadline for annual reports on Form 20-F be accelerated to five, four or three months, or another date, after the end of the financial year? Should the deadline for Form 20-F be the same as the deadline for an issuer’s annual report in its home market? Should we adopt the same deadlines as for annual reports on Form 10-K? Why or why not? Would the appropriateness of a shorter deadline for a Form 20-F annual report depend on whether U.S. GAAP information is included? If a shorter deadline is appropriate for foreign private issuers that would not provide a U.S. GAAP reconciliation under the proposed amendments, should other foreign private issuers also have a shorter deadline? Should it depend on the public float of the issuer? The terms “accelerated filer” and “large accelerated filer” are defined in Rule 12b-2 under the Exchange Act.**

We believe the issue of amending the filing dates for foreign private issuers should be addressed in a separate release. In light of the Commission’s proposal to eliminate the U.S. GAAP reconciliation, we encourage the SEC to consider such an initiative and suggest an approach that would be tied to local reporting filing dates, not to exceed six months from year end. We understand that certain foreign private issuers may need additional time to translate their financial statements into English and prepare any incremental disclosures under Form 20-F. We think that having an SEC filing requirement within 30 days of the local filing date is reasonable.

**Question 29 — 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?**



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Yes. We believe that there is a broader issue that the Commission should address regarding the inclusion of forward-looking information in footnotes to audited financial statements. We believe that it would be appropriate to provide a safe harbor relating to such information. For example, disclosures under IFRS 7, *Financial Instruments: Disclosure*, include forward-looking information as part of the audited financial statements. We note, however, that even more forward-looking information may be included in future IFRSs.

**Question 32 — Would a U.S. GAAP reconciliation be a useful bridge from Previous GAAP financial statements to annual financial statements prepared under IFRS as published by the IASB that are not reconciled to U.S. GAAP?**

No.

**Question 42 — 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? Are there alternative ways in which concerns may be addressed?**

We note that the existing procedures for certain filings by SEC registrants<sup>2</sup> (Appendix K procedures) were developed at a time when audits of foreign private issuers were performed by non-U.S. firms that did not employ many individuals that were knowledgeable about U.S. GAAP, U.S. generally accepted auditing standards (GAAS), and SEC independence matters. Under the Appendix K procedures, the “SEC filing reviewer” would assist the non-U.S. firm engagement team in evaluating differences between the requirements in the U.S. with respect to GAAP, GAAS, and independence and the requirements used in the home country.

After the development of the Appendix K procedures, several changes have occurred in the global financial reporting environment, including changes made by audit firms in the performance of audits of global companies. See our response to Question 6 above under “Overall Approach.”

Accordingly, we believe that the Appendix K procedures should be modified to eliminate the requirement for the SEC filing reviewer to address audit and independence issues; rather, the review should be limited to U.S. GAAP issues. Consequently, if the financial statements are not prepared in accordance with, or reconciled to, U.S. GAAP, then we do not believe the Appendix K procedures should apply to those filings.<sup>3</sup>

**Question 44 — If progress does not continue towards implementing a single set of high quality globally accepted accounting standards, will investors and issuers be**

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<sup>2</sup> See paragraph .01(a) of Appendix K, SECPS Section 1000.45.

<sup>3</sup> We do not believe that any changes are necessary to paragraphs .01(b) *Inspection Procedures*, and .01(c) *Disagreements* of Appendix K.

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**served by the absence of a U.S. GAAP reconciliation for financial statements prepared using IFRS as published by the IASB?**

We note that convergence is a process to facilitate the development of a single set of global standards. National accounting standards and IFRSs will evolve through the convergence efforts of national accounting standard-setting bodies and the IASB to create similar, but not necessarily identical, standards. While there may be ongoing differences between IFRSs and U.S. GAAP, we believe that as long as the resulting standards are of sufficient quality and the financial statements are transparent, then investors and issuers will be well served.

**Question 45 — 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?**

We believe that the world's capital markets will continue to demand high-quality global accounting standards. This, coupled with the ongoing commitment of the world's standard setters to continue their convergence efforts, should be sufficient to ensure that convergence continues.

**Question 46 — Are there additional interim measures, beyond the proposed elimination of the U.S. GAAP reconciliation from IFRS financial statements that would advance the adoption of a single set of high-quality globally accepted accounting standards? If so, what are they? Who should undertake them? We request comment from the point of view of registrants, investors, accountants, accounting standard setters, users of financial statements and other market participants. With regard to any comments, we note that such comments are of greatest assistance to our rulemaking initiative if accompanied by supporting data and analysis of the issues addressed in those comments.**

We believe that giving U.S. companies the option to use IFRSs for SEC reporting purposes would advance the adoption of a single set of high-quality globally accepted accounting standards.

As discussed in our responses to Questions 3, 4, and 5 under "IFRS Practice and Standard Setting," and Question 8 above, we believe that there should be a continued focus on convergence, particularly at the interpretive and enforcement levels. All market participants — regulators, standard setters, investors, preparers, and auditors — have a role to play in this regard.