To: U.S. Securities and Exchange Commission

From: Terry Warfield, PhD, Associate Professor of Accounting, University of Wisconsin – Madison

September 21, 2007

Re: File # S7-13-07: Proposed Rule to Eliminate the Reconciliation Requirement for Foreign Private Issuers (FPI), that file using International Financial Reporting Standards (IFRS).

I write to provide input on the proposal to eliminate the reconciliation requirement for FPI that file using IFRS. In brief, I oppose the elimination of this requirement at this time; I encourage the Commission and Staff to delay implementing such a rule until we have better assurance that such a change will not result in an erosion of protections for investors in U.S. capital markets. In addition, I share the concerns of many that elimination of the reconciliation requirement likely will result in a delay, if not a complete halt, of the development of a complete set of high quality global accounting standards for use in cross-border listings in U.S. and other international capital markets.

With respect to investor protection, some commentators have posited that elimination of the reconciliation has merit because it will lower the filing costs of FPI who are already filing in the U.S. or other FPI who are contemplating a filing in the U.S. markets. By reducing costs, which may result in expanded listings, U.S. investors will arguably have expanded investment opportunities. Note that the net benefit of such a development can only be realized if the quality of the reports of the existing or new FPI are of high quality and give investors the information they need to evaluate these investment opportunities. I posit that it is too soon to come to a conclusion on this cost-benefit analysis.

For example, there is some evidence suggesting that the quality of reports prepared under IFRS is sufficient to meet the standards for listing in the U.S. As a result, no reconciliation is needed. However, it is not clear that evidence – based on prior experience with the filings of companies subject to the reconciliation – is relevant to assessing whether investors could be harmed when a new set of FPI begin filing in the U.S. without reconciliation. In research parlance, there is selection bias that makes it difficult to extrapolate the results based on these prior IFRS filers. To the extent that these companies have characteristics (high quality audits, good corporate governance, etc.) that also contribute to the overall quality of their financial reporting, it would be dangerous to conclude that the reporting of new FPI, who will come to U.S markets once the reconciliation is dropped, will meet the financial reporting quality standards expected by U.S. investors.

In fact, we have minimal experience with which to assess the quality of IFRS reports. This is in part due to the relatively recent expanded adoption of IFRS in response to the EU directive beginning in 2005. Indeed, while the Staff in its recent review of IFRS filings was careful not to make any reporting quality conclusions, the Staff nonetheless documented numerous areas that require registrant attention. And these comment letters were generated for FPI already subject to the reconciliation requirement. What predictions can we make about the quality of reports of the new wave of FPI that will come to U.S. markets in the absence of the reconciliation? And does the Commission have sufficient resources to effectively monitor the quality of these yet to be evaluated reports upon which U.S. investors rely?

The elimination of the reconciliation also could have unintended negative consequences for achieving the objectives of the "Roadmap" to the development of a unified set of international financial statements that companies can use in cross-border filings. Such a set of high quality standards should also reduce the costs of raising capital -- both for FPI and U.S. registrants.

To date, based on actions in response to the "Norwalk" agreement and the memorandum of understanding (2006) - and with the support of the SEC - the FASB and IASB are making progress on a number of fronts to converge their standards, thereby resulting in the desired complete set of high quality global accounting standards. For example, recent standards on asset exchanges, accounting changes, and the fair value option are examples of high quality converged standards. However, much work remains to be done. In this regard, the Boards are working on important projects related to revenue recognition, leases, pensions, and the conceptual framework. These are important projects and require significant effort and commitment by the Boards to complete their work and develop high quality converged standards. Thus, to meet the objectives of the Roadmap, the Boards also need the support of their various constituencies to keep the focus on the development of converged accounting standards, which when complemented by other financial reporting elements (auditing, enforcement, interpretation) will result in a high quality international accounting and reporting infrastructure.

However, some international constituencies may not share the same long term goal for international accounting and reporting. That is, once some gain access to U.S. markets, based on the existing IFRS and without reconciliation, there will be incentives to abandon the long-term objectives inherent in the "Road Map". I encourage the Commission to adhere to its mandate that IFRS must be complete and of high quality, before the reconciliation requirement is rescinded. This will keep the focus on completing the important convergence process, and at the same time, help maintain investor protections as converged high quality standards are applied to the filings of FPI. In addition to supporting the convergence efforts of the FASB and IASB, I believe the Commission must also redouble its efforts to promote improvement of other elements of the financial reporting infrastructure, including high quality international auditing and robust enforcement and interpretation functions. Some progress has been made in these areas but further enhancements are needed before U.S. investors can have confidence in the quality of financial reports upon which resource allocation decisions are based.

Thank you for considering my input into your deliberations of this important issue.