23 September 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington
USA

Dear Ms. Morris:

Submission on SEC Proposed rule - File Number S7-13-07: Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP.

There are many valid points brought up by this proposal. Two positive points that I feel are:
1. The eligibility requirements
2. Benefits to foreign private issuers

The eligibility requirements being proposed to eliminate the need for U.S. GAAP reconciliation contained in item 17 or 18 of Form 20-F is fair and direct for all parties involved.

First, it limits the group to foreign private issuers, which are in full compliance with the English language version of IFRS as published by the IASB. Financial statements that elect to follow this proposal must also footnote their financial statements that they are in full compliance with IFRS as published by the IASB without reservations. This footnote by itself leaves no doubt for the reader to understand and recognize that the financial statements are written using IFRS.

Secondly, as the FASB and IASB are working together to create transparency between the two accounting standards, the accounting reports whether U.S. GAAP or IFRS will be translatable for U.S. investors. It will take time for the U.S. investors to become familiar with IFRS statements, but it is part of the learning experience and sacrifices needed in harmonizing convergence of global accounting standards.

Thirdly, the IFRS is written by the IASB, a stand-alone, privately funded accounting standard-setting body. The IFRS is independent and bias free. To ensure the neutrality of the standards, the IASB is overseen by the IASC Foundation. The IASC Foundation is another stand-alone organization responsible to select the members for the IASB from nine countries and ensure that the IASB is not dominated by any particular constituent. This ensures that the IFRS is neutral and fair to all constituents.

The benefits to foreign private issuers are great. As stated in the proposal, just addressing the paperwork reduction act, paperwork burden will decrease for foreign issuers by 3,861 hours of company time and save approximately $4.6 million of outside professional services.[i] In terms of filing Form 20-F, foreign issuers would save approximately $4.3 million in information collection costs and a total annual costs attributed to the preparation of Form 20-F by outside firms by $740 million.[ii] Similarly, for Form F-1, total annual costs savings of $22 million[iii]; Form F-4, total annual costs savings of $29 million[iv]; Form S-4, total annuals costs savings attributed to the preparation by outside firms by $83.85 million[v]. These annual savings will greatly benefit the foreign issuers and will help the U.S. economy and foreign economies as well. Foreign companies will not have to invest so heavily in accounting services and redirect the money that is saved to the investors, shareholders and companies. Time will also be saved in terms of person-hours spent on gathering and preparing the reconciliation information, preparation of the reconciliation forms and time filing the appropriate forms to satisfy the reconciliation provision.

With positive points, there will always be negative points. This proposal is no exception to the rule. Two points, which must be mentioned, are:

1. Accounting for Insurance Contracts and Extractive Activities
2. Non Standardized Income Statements

Accounting for insurance contracts and extractive activities currently lack accounting standards according to this proposal.[vi] Insurance accounting practices vary widely between countries because there is no IFRS on insurance contracts.

In terms of extractive activities, capitalizing costs and the manner in which they are capitalized are not addressed. This may mislead investors as information may be used to depreciate or inflate values unintentionally.

To this date, there is no change in this IFRS area and no timeframe set to address these issues. However, with time, I am sure it will be addressed as the FASB and IASB see the need and requirement.

Using multiple formats of income statements is another item not addressed by the IFRS. This allowance of using multiple formats for income statements may confuse readers of these reports. Without a standard, it would be easy to unintentionally hide information. This issue, however, will be addressed soon in the near future through the joint project by the FASB and IASB. This project will address the issues related to how information is presented and how the income statement format is standardized.

In conclusion, I support this proposal and feel that it would benefit both the foreign issuers as well as the investors alike. As long as the rules are followed and the IASB and FASB continue their endeavor to converge the accounting systems, projects such as this that were once thought impossible are made possible. The benefits outweigh the sacrifices and it is a step towards a world of accounting transparency and harmony. With over a hundred countries using IFRS, it is time for the U.S. to accept the international standard of accounting reports. As with any issue, no proposal can satisfy everyone at anytime. In the long run, investors will have an easier time translating the reported financial statements, foreign issuers will save money in the long run by cutting cost in reconciliation fees paid to inside and outside accountants, and more foreign issuers will be eager to file financial statements with the U.S. and do business with the U.S. This provides a win-win situation for both the U.S. and foreign countries that benefit directly from this proposal.

Thank you very much for allowing me to comment on this proposal.

Sincerely,
Li Zhang

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[i] United States, United States Securities and Exchange Commission, Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP - 33-8818.pdf, (Securities Exchange Commission, 2007) 84.
[ii] Securities Exchange Commission 86
[iii] Securities Exchange Commission 87
[iv] Securities Exchange Commission 89
[v] Securities Exchange Commission 90
[vi] Securities Exchange Commission 51