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Maverick

September 24, 2007

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

Comment Letter re: File Number S7-13-07
Via email: rule-comments@sec.gov

Dear Ms. Morris:

Maverick Capital, a registered Investment Advisor, is a manager of private investment funds with over $23 billion of gross assets under management. Our assets are invested in the public equities of companies in the U.S., Europe, Asia, and Latin America, among other regions. Our goal is to preserve as well as to grow our investors' capital. Maverick's investment style requires in-depth, fundamental research into every current and potential investment in our portfolio. Therefore, timely, accurate, comparable and complete financial reporting is of the utmost importance to us. Maverick appreciates the opportunity to comment on the Commission's proposed rule regarding *Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S. GAAP.*

While we are supportive of the SEC's goal ultimately to eliminate the reconciliation requirement for foreign private issuers who prepare financial statements in accordance with IFRS and to progress to one set of global standards, we believe the current proposal is premature. The reconciliation provides incremental information to investors that would be lost if the reconciliation requirement were eliminated. Many of these reconciling items arise because IFRS is not yet comprehensive and because it is not uniformly applied across regions. As auditors and preparers become more expert in applying IFRS, as IFRS becomes a more comprehensive set of standards, and as companies comply with recently issued standards whose implementation was delayed by IASB's moratorium, we would hope that the incremental information provided by the reconciliation diminishes significantly. Until then, we believe that the removal of the reconciliation harms investors and removes relevant information not available through other sources.

In addition, the multiple versions of "endorsed" IFRS pose real hazards to the investor. The current poor disclosure as to which IFRS requirements have been selectively excluded imperils all investors. Consequently, we support the proposal's requirement that issuers be required to state in a prominent footnote to the financial statements unreservedly and explicitly that its financial statements are in compliance with IFRS as published by the IASB (excluding the IASB's proposed IFRS for Small and Medium-sized Entities).

Our reasons are discussed in more detail in the remainder of the letter.

US investors currently receive incremental information from the reconciliation that would be unavailable otherwise

The information provided in the reconciliation enables investors to identify subtle and not so subtle differences in standards for purposes of forecasting cash flows and earnings and valuing the companies in which we invest. Of note, and concern to us, is that frequent material reconciling differences represent areas of earnings management about which former SEC Chairman Arthur Levitt spoke in his September 28, 1998 speech "The Numbers Game." Without the reconciliation, investors will not benefit from the protections and improvements in GAAP that have been achieved since then. Some examples follow.

Restructuring accruals. US GAAP requirements for recording charges related to employee terminations and other personnel costs in a restructuring are more restrictive than those prescribed by IFRS. Through the benefit of the reconciliation we can see where "big baths" are possibly being taken and "cookie jars" are potentially being filled. For example, one European IFRS preparer accelerated accruals for employee terminations representing 25% and 16% decreases in net profits in 2006 and 2005, respectively. We might have expected that as the US GAAP guidance discussed in the reconciliation requires accrual only upon employee acceptance of a termination offer, that the amount recorded in 2005, say, would reverse in 2006. This has not happened. Instead the adjustment to equity reflected the cumulative charges recorded under IFRS in 2005 and 2006. Said differently, this company has accrued material charges for employee terminations since 2005 that as of December 31, 2006 not one employee has accepted.

Revenue Recognition. Refer to comments in the next section.

Variable interest entities. The US introduced consolidation requirements for variable interest entities (VIEs) in response to Enron's ability to keep significant assets and liabilities off its balance sheets. Investors receive more and better information about a company's exposures when it consolidates entities for which it has the majority of risks and rewards. We receive this incremental information in the IFRS/US GAAP reconciliation that has resulted in increased consolidation of VIEs.

Gains on Sale. Investors benefit from understanding the portion of earnings generated by recording gains on sales of property when the seller has significant continuing involvement with that "sold" property.

Loan loss provisions. In addition to comments in the section discussing diversity in practice, investors receive incremental information through the reconciliation when IFRS preparers record assets (and reduce expense) that represent the expected recovery of written-off balances from portfolios of smaller-balance homogeneous loans. This is a practice that is not followed in the US.

Deferral of costs. Investors benefit from understanding that costs such as subscriber acquisition costs may be amortized under IFRS over a period that exceeds the contract term. One IFRS preparer employs a period for amortizing costs that exceeds the contract terms by 4 – 8 times, thus reducing the net loss reported.

<u>Other incremental information</u>

Macro hedging. IAS 39, *Financial Instruments: Recognition and Measurement,* and FASB Statement 133, *Accounting for Derivative Instruments and Hedging Activities,* differ in what qualifies as an exposure that can be hedged. Consequently, the reconciling item provides analysts with a basis for starting the discussion with management as to their hedging practices, effectiveness, duration, and so forth.

IFRS does not yet comprise a comprehensive body of accounting standards

Insurance contracts. The IASB has not yet established accounting policies for insurance contracts with which companies must comply. As a consequence, significant diversity in practice exists for companies representing 60% of the $2.3 trillion global insurance market capitalization (40% is within the US and Bermuda).

Extractive industries. The IASB has not yet developed requirements for companies in extractive industries. Guidance that does exist for exploration for and evaluation of (E&E) mineral resources permits IFRS preparers to continue past policies regarding expenditures and does not conform the accounting. Comprehensive guidance for companies in extractive industries on accounting and reporting for expenditures before, during and after E&E does not exist.

Common control transactions. IFRS does not address the accounting for transfers of net assets or exchanges of equity interests between entities under common control. As a consequence, the reconciliation provides US investors with the insight into a source of 9.6% of one IFRS financial institution's pre tax earnings: gain reported on "sale" of a subsidiary which under US GAAP is a capital contribution transaction among entities under common control.

Revenue recognition. IFRS provides general principles for revenue recognition however meaningful differences arise given the different interpretations at more detailed, transactional level. For example, in the absence of specific IFRS guidance diverse practices exist for vendor and customer incentives, connection fees, and multiple element arrangements, among others. The absence of more specific IFRS revenue recognition guidance provides avenues for the types of manipulation that occurred in the US during the 1990's-early 2000's. Through the reconciliation we can identify IFRS preparers who are accelerating the recognition of revenues, such as "up front" or connection fees. One IFRS preparer reported pre-tax earnings that were higher by 7% to 11% in each of the last 3 years due to the acceleration of customer connection fee revenues.

Minority interests puttable back to the group. IFRS, while prescribing treatment as a liability (vs. equity) for minority interests with puts, does not address subsequent measurement and allocation of profits to the minority interests recorded as a liability. The absence of guidance has resulted in misleading presentation of earnings available to the group's equity holders in that some IFRS preparers calculate earnings per share without allocating earnings to minority interests recorded as liabilities.

Preparers' and auditors' experience with IFRS implementation is yet in its infancy. Regional differences in interpretation and application are prevalent. The IASB's 3-year moratorium on new standards means that many new, converged standards have yet to be applied.

We do not believe that there is sufficient comparability among companies using IFRS as published by the IASB to forego the reconciliation. There has been insufficient time for established country biases to be converged across regions. Each of these can result in identical companies being valued quite differently as assets, liabilities, and future cash flows would appear different. As examples, we have found:

Synthetic instrument accounting. Although not permitted by IAS 39, IFRS preparers in Singapore and in Australia have used synthetic instrument accounting to report the effects of total return swaps.

Loan loss provisions. Loan loss provisions by Spanish Banks generate a reconciling item even though the guidance for loan loss provisioning between IFRS and the US is converged.

Consolidation. We are observing disparate judgments regarding control for purposes of consolidation, with some evidence of country bias, even though the facts appear quite similar.

Recognition of deferred tax assets. We believe that country biases exist in assessing the probability that a deferred tax asset will be utilized and thus should be recognized. For example, we understand that in one European country, no deferred tax asset is permitted to be recognized if will not be utilized within 3 years. Clearly, projections of a company's future cash flows could differ significantly not because of underlying fundamentals but because of carryover biases that continue to exist in practice.

The reconciliation process has helped reduce diversity in practice through the early identification of interpretive differences.

We believe that the process of preparing the reconciliation from IFRS to US GAAP has resulted in the early identification of interpretive differences that has benefited all investors and companies—not just US investors and foreign private issuers—and has resulted in more comparable implementation than would otherwise have been achieved. Since the moratorium has delayed the implementation of a number of additional new or converged standards, we would expect that the process of reconciliation will continue to benefit IFRS reporting by all.

Convergence of FASB and IASB standards has not been achieved and future convergence efforts likely would be diminished if not cease altogether.

While the IASB and the FASB have committed significant resources to converging their bodies of accounting standards, significant work remains to be done. We believe that neither IFRS nor SFAS (Statements of Financial Accounting Standards issued by the FASB) are of a sufficiently high quality that the convergence effort should stop. More can be achieved and the reconciliation provides a reminder of issues that remain.

We are also concerned that the IASB may be returning to its predecessor's past practice of issuing standards that contain choices for accounting. The IASB's imminent make-over of its Business Combinations standard permits a choice for measuring minority interest in a business combination. That choice not only will result in noncomparability in the accounting for similar transactions among and within companies but will invite transaction structuring that inflates key investor metrics, for example, return on equity. In the absence of continued pressure to converge, standards with similar choices and deficiencies may become more prevalent. Investors would not be well served.

We appreciate the opportunity to comment on this proposal. If we can provide additional information, please contact Jane Adams at (212) 418 6915 or jane.adams@maverickcap.com.

Sincerely,

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Managing Partner

Jane B. Adams
Managing Director