Accountants and Business Advisors

Grant Thornton

September 24, 2007

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

RE: 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
Release Nos. 33-8818; 34-55998
International Series Release No. 1302

Dear Ms. Morris:

Grant Thornton LLP appreciates the opportunity to comment on the above-referenced proposal. We support the proposal to eliminate the reconciliation requirement for foreign private issuers preparing financial statements in accordance with the English-language version of IFRS as published by the IASB. We have responded to certain questions included in the Proposed Rules in the accompanying Appendix. Our comments on the issues may be summarized as follows:

- We support moving to one set of high-quality, globally accepted accounting standards.
- We believe the SEC will continue to have sufficient influence in standard setting.
- We support the IASB as the standard setter for global standards.
- We support limiting the elimination of the reconciliation requirement to companies that express compliance with the English-language version of IFRS as published by the IASB.
- We do not believe the elimination of the reconciliation requirement will slow convergence between IFRS and U.S. GAAP.
- We do not believe the proposal should be delayed until market participants have more experience, more companies use IFRS, comparability increases, differences narrow, or because there are subject matter areas still to address.
- The option to eliminate reconciliation should be available to all eligible companies, regardless of size or experience with IFRS.
- Reporting periods for all registrants should eventually conform to the requirements for U.S. registrants.

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- Interim reporting should be in accordance with IFRS only, without reconciliation.
- Non-financial statement disclosure requirements should be written generally, with references to IFRS provided as supplemental guidance.
- Forward-looking information should be encouraged.
- Application guidance would be useful in the areas of materiality and significant subsidiary testing.
- The SEC should be as active as possible in education efforts.
- The SEC should be as transparent as possible in its regulatory information-sharing activities and the manner in which the staff will approach reviews.
- The SEC should eliminate the reconciliation requirement for U.S. subsidiary registrants that prepare (and file) IFRS financial statements, such as for reporting to a foreign parent.
- The SEC and the PCAOB should begin an active dialogue on the merits of allowing audits to be conducted in accordance with the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB).

If you would like to discuss our comments, please contact Gary Illiano, Partner-in-Charge, Accounting and Auditing, at (212) 542-9830 or gary.illiano@gt.com.

Very truly yours,

Grant Thornton LLP

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Appendix — Responses to Request for Specific Comments

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?

We would be very comfortable with IFRS as a global set of standards. We believe that IFRS are high-quality standards. While no set of standards can be completely principles-based (objectives-oriented) or rules-based, we believe that IFRS have struck a reasonable balance in the level of judgment required for their interpretation. Also, IFRS are sufficiently dynamic, so in those areas where the right balance is lacking, improvements are produced as part of the deliberative process. We believe that the IASB's process is sound and will continue to be so. With a structure not unlike the FASB, and a reasonable plan to provide sufficient funding in the future, the IASB has our full support. Given the number of countries that now require or allow IFRS, together with the convergence efforts here in the U.S., it seems to us that IFRS are not just widely used, but widely accepted as well.

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 wholeheartedly support the convergence efforts of, among others, the IASB and the FASB, as well as the SEC's support for the process. Much progress has been made, plans for more progress have been laid out, and the process is continuing in a productive fashion. We applaud the efforts of all involved.

The level of convergence should be a consideration in the proposed rulemaking. One hundred percent convergence is unrealistic. The real issue is, what level of convergence is needed to overcome the lack of comparability between different accounting systems? Put another way, how much divergence can we tolerate yet still believe that investors will be protected and markets will function effectively? These determinations require judgment. If the differences remaining between

the systems are not too numerous and are understood by the market participants, then it would seem we have reached an appropriate level of convergence to move forward. Referring to the recent experience of foreign private issuers filing with reconciliation, and in light of the staff's review and analysis, we support a conclusion that the differences are not too numerous and are understandable.

From a rulemaking perspective, it seems most reasonable to contemplate that with the inherent diversity in the world, there will be instances where different approaches to the accounting for transactions or events will be the result. Rulemaking would be more effective if it allowed for some diverse application, within reason. Provided those circumstances stay at a manageable level, which is a level where they are not too numerous and are understood by the various market participants, we will have reached a level of convergence that is acceptable for allowing the use of IFRS as well as U.S. GAAP initially, and perhaps eventually IFRS on an exclusive basis.

Regarding the process of convergence, it appears to have developed sufficient momentum to carry on, regardless of whether the reconciliation requirement is eliminated or not. Convergence is taking place not just in the U.S., but in many countries around the world, including those with significant economies. Standard setters and regulators have developed plans to proceed with convergence, which makes it more likely that they will continue. The IASB and FASB jointly developed standard on business combinations will be issued shortly, with other joint projects (including the Framework) in process or contemplated. It seems that we have already reached the tipping point where convergence will continue incrementally until the acceptance of one set of global standards, most likely IFRS, eventually occurs.

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?

Comparability is desirable when it facilitates investor understanding and confidence, as well as capital flows across jurisdictions. We do not believe that in all cases comparability should be achieved, such as at the expense of relevance. The recently converged (to SFAS 131) IFRS 8, *Operating Segments*, is an example of where information about a business and its activities from management's perspective is more relevant than standardized information requirements, even though such information will not always be comparable to other entities.

We agree that the issue is whether there is sufficient comparability. We see that comparability among the companies using IFRS is not 100 percent, but it is sufficient to allow U.S. investors to have access to what investors in many countries around the world have found to be workable. With the good faith application by most companies, the oversight of auditors and regulators, and information

sharing and education via the Internet, we believe U.S. markets are sufficiently protected to allow U.S. investors the opportunities that would be available if more foreign securities were offered here.

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?

We support the coming together of the various market participants to determine the appropriate application of IFRS in the best interests of all. Individual circumstances aside, consistent application of IFRS is in the best interest not just of companies, but of all the market participants. It provides for comparability among entities across time and location. It promotes understanding and confidence, resulting in efficient capital markets. Because information can move about the globe like never before, it seems wise to take advantage through open sharing of interpretive information to the greatest extent possible. Not exclusively, but especially through the Internet, we are today seeing more helpful information on the application of IFRS than would have been possible a few years ago.

While we support moving forward with information sharing among regulators, we would encourage transparency through the use of any mechanisms available to disseminate the results to a wide audience, as the Commission currently does through posting of comment letters on the web, staff accounting bulletins, telephone interpretations, and so on. We believe that the information sharing infrastructure among regulators is important for several reasons, including the fact that it addresses inconsistent application of IFRS. We are concerned that there may be considerations that will prevent many market participants, in particular preparers and auditors, from obtaining the information being shared by the regulators. With that lack of transparency comes two concerns. One is that rulemaking will develop from regulatory interpretations that don't enjoy sufficient due process. The other is that useful guidance will be missed by those companies and auditors that don't have the ability to learn the results of the regulator's deliberative process.

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

Although we agree that readiness of the constituents should be considered, we do not believe at this time that the elimination of the reconciliation requirement should be delayed to allow for more IFRS experience. More experience is always desirable, but it is difficult to know what would be a sufficient level of experience to allow IFRS to be used in the U.S. We have been, and we believe our peers have been as well, developing expertise in IFRS over the past several years. We believe that we will be in a position to address the issues that will arise as a result of the elimination of the reconciliation requirement. We believe others are similarly situated. Actually, we believe the elimination of the

reconciliation requirement will focus attention and resources on the development of IFRS capabilities faster than if the reconciliation continues. We see this as helping to move us closer toward the objective of having one global set of accepted accounting standards.

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 think the proposed rules should be adopted as soon as possible. Trying to determine the number of companies that would be filing using IFRS is too speculative to justify delay. A sufficient number of registrants use IFRS. Canada, which comprises a large number of foreign registrants, is moving toward full adoption of IFRS. It would be unproductive to base any deferral on speculating about how many companies are currently not filing in the U.S. but would file if they could use IFRS statements.

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?

The Commission should continue to make its views known as it does currently.

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?

We believe the Commission will be sufficiently influential, even if the means available are less direct than they are currently. We do not believe the SEC will tolerate activities counter to its mission of investor protection and efficient U.S. markets, regardless of who sets accounting standards. As auditors, we take our role in supporting that mission very seriously.

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?

While we believe there *may* be merit to a phase-in based on size or experience in the context of the Commission's Concept Release on allowing U.S. registrants to use IFRS, we do not believe a phase-in period is necessary for the elimination of the reconciliation. Foreign private issuers can always

reconcile to U.S. GAAP, as the decision to omit the reconciliation is voluntary. Although some believe that larger companies have greater resources to devote to the proper application of IFRS, we do not believe that is automatically the case. Given the potential cost savings from allowing companies to use IFRS without reconciliation to U.S. GAAP, we would be opposed to smaller entities being penalized by any delay in their ability to implement the proposed rules. Further, we do not believe that a minimum experience requirement would be appropriate. Aside from potential difficulties in determining meaningful experience criteria, we are not persuaded that the experience of providing stand-alone IFRS statements would necessarily be improved through some period of experience providing a reconciliation from IFRS to U.S. GAAP.

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?

Our view is that eventually all registrants, foreign and domestic, should be providing the same information that is required of U.S. registrants currently. However, we do not think accelerated deadlines for foreign private issuers should be a condition for the elimination of the reconciliation. We would support a delay, and an eventual phase-in, of requirements for foreign private issuers that match U.S. deadlines, to allow foreign issuers time to concentrate on developing systems and capabilities to provide more current information.

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?

Our view is that if an issuer uses IFRS as published by the IASB, it should not have to reconcile annual or interim financial statements.

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 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 believe it is reasonable to require the unreserved statement of compliance with IFRS as published by the IASB. We support the overarching objective of development and acceptance of one set of global accounting standards. The requirement that companies follow IFRS rather than jurisdictional adaptations furthers that objective. There may be circumstances where local law or regulation would not be satisfied if an issuer states its compliance with IFRS as published by the IASB, so its statement of compliance would need to be appropriately modified. Those circumstances will need to be addressed by the standard-setters, regulators, and others. At some point it may be more cost beneficial for an issuer to prepare a reconciliation of its required GAAP to U.S. GAAP than to prepare statements that comply with IFRS as published by the IASB, especially if the issuer is already preparing the reconciliation. Since that option still exists, we do not believe there is a reason to delay eliminating the reconciliation for those issuers that can express the proposed required statement of compliance.

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 worldwide), 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?

See our response to question 13, above.

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 would be in favor of allowing interim information that complies with IAS 34 without requiring that it also comply with Article 10. It is always difficult to know whether costs exceed benefits for additional requirements beyond what has resulted from a deliberative standard-setting process. Even though advances in technology have made information available more quickly, we do not believe that our regulatory structure requires interim information to be as informative as that required for annual reporting. This is an area where it might be useful to see what the reaction of the various constituents is to allowing interim information to be included that only faithfully meets the requirements of IAS 34. If problems or difficulties surface, subsequently requiring compliance with Article 10, or whatever additional requirements the Commission might deem necessary, would of course be an option.

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?

We do not believe there should be a delay in eliminating the reconciliation requirement because there are subjects still to be addressed. There will always be areas to be addressed, because we will never reach perfection in accounting standards. We believe that IFRS have progressed to the point where they represent high-quality standards that can be effectively applied. IFRS continue to develop; they continue to improve. The process will allow for appropriate consideration of the gaps in guidance in due course.

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?

We would be in favor of general disclosure guidance that would not need to be modified with amendments to the referenced pronouncements, whether they are U.S. GAAP or IFRS. Perhaps the staff could indicate supplementally which IFRS guidance it would expect companies to look to in complying with the general requirements. We believe this would provide a helpful benefit, especially to those issuers who are transitioning to IFRS without a lot of experience or extra resources.

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?

We would support any move that makes it easier for companies to provide forward-looking information, including expanding the safe harbor for forward-looking information in IFRS financial statements. We would not want foreign issuers to avoid availing themselves of any accommodation out of liability considerations not faced by domestic filers. We do not see this as a greater threat because the company is non-U.S.

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?

The Commission should be clear in how it expects registrants using IFRS, and their auditors, to approach materiality considerations. We believe that materiality judgments can be difficult and complex at times. We would support guidance on materiality, and review of its application, that is sufficiently accommodating to allow for financial reporting to most accurately reflect the salient transactions and events in a cost beneficial manner.

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?

If the interim financial statements are prepared under IFRS, they should not have to be reconciled. See also our response to question 23, above.

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 would be in favor of an indefinite period. We see no benefit to limiting the accommodation to five years. If it becomes evident that the accommodation is no longer appropriate, informed rulemaking at that time would be available.

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

We do not believe that would be necessary. First-time adopters should focus on correct implementation of IFRS, without the additional burden of considering additional U.S. GAAP reconciliations.

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?

Application guidance regarding the significance tests might be useful to preparers and others.

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 believe it is time for another look at these requirements. The need for knowledge of U.S. GAAP may be changing, ISAs should be considered (see our response to question 46, below), and independence concerns should be the purview of audit committees.

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 would encourage the SEC to take as active a role as possible in educating the investing public about the benefits of a single set of quality standards, and why acceptance of IFRS advances that goal.

It would be helpful if the SEC would discuss as a policy matter how it plans to have the staff address those areas where professional judgment is clearly required to effectively apply IFRS. Market participants may assume, rightly or wrongly, that the staff will have a particular predisposition in its reviews of IFRS filings. While consistent application really is in everyone's best interest, there is no way to allow for many different circumstances without judgment. If a protocol could be developed that would guide the staff's approach to review, especially one that includes a hierarchy of guidance and explicitly allows the staff adequate room to accept reasonable judgments, then constituents around the globe would take comfort from a general understanding of the approach the SEC plans to use. Without that, uncertainty as to how the U.S. regulator will interpret professional judgments may keep foreign companies from embracing the proposal, slowing the overall progress toward one set of global standards.

We would encourage the elimination of the reconciliation requirement for U.S. subsidiaries of foreign companies that prepare their financial statements in accordance with IFRS. It is consistent with the

move toward a single set of standards, and it provides the same information that a foreign private issuer would be allowed, so it would be consistent with the regulations for comparable companies. What's more, it would provide an easily realized cost reduction through eliminating the need for dual reporting. Beyond the potential cost savings, we see this as moving us closer to a single set of global standards.

Another potential impediment to acceptance of IFRS is the requirement to complete the audit using U.S. GAAS. We believe the time has come for the SEC and the PCAOB to consider to what extent, if any, the use of ISAs by foreign private issuers filing in the U.S. provides sufficient assurance as to the adequacy of the financial reports. We commend the work of the IAASB toward development of a single set of high-quality, globally accepted auditing standards.

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