SIFMA
Securities Industry and
Financial Markets Association

Ms. Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F. Street N.E.
Washington D.C. 20549-1090

Re: File No. S7-13-07; Release No. 33-8818; 34-55998; International Series Release No. 1302; "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:

The Dealer Accounting Committee ("the Committee") of the Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to comment on the above referenced proposal ("the Proposal"), in which the Securities and Exchange Commission ("the SEC" or "the Commission") proposes to accept financial statements prepared by foreign private issuers in accordance with International Financial Reporting Standards ("IFRS"[2]) as published by the International Accounting Standards Board ("IASB"), without reconciliation to U.S. generally accepted accounting principles ("GAAP") (also referred to as "the Reconciliation Requirement"). The Committee also recognizes that the Proposal is a significant milestone on the "Roadmap"[3] and congratulates the SEC on its progress to date.

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[1] The Securities Industry and Financial Markets Association brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA's mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public's trust and confidence in the markets and the industry. SIFMA works to represent its members' interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

[2] Use of "IFRS" throughout this letter refers to IFRS as published by the IASB. The Committee notes that as issuers in many countries are mandated to use IFRS as adopted by the local jurisdiction, the immediate benefit of a proposal to drop the reconciliation requirement for issuers using IFRS as adopted by the IASB is likely to be quite limited.

[3] SEC Press Release No. 2006–17, Accounting Standards: SEC Chairman Cox and EU Commissioner McCreevy Affirm Commitment to Elimination of the Need for Reconciliation Requirements (Feb. 8, 2006).

This letter addresses certain questions raised in the Proposal. It does not address all the questions specified therein because the Committee felt that it should address only those questions to which its responses would carry the most weight.

Overview

The IASB and the Financial Accounting Standards Board ("FASB") have made significant progress converging their respective standards pursuant to the Norwalk Agreement and Memorandum of Understanding. Furthermore, IFRS is a high quality set of accounting standards that provides investors and creditors with transparent and comparable financial information needed to make economic decisions. Consequently, the Committee is very supportive of the Commission's proposal to drop the Reconciliation Requirement. The Committee is also equally supportive of continuing convergence efforts. Substantial progress towards convergence has been made to-date and the Committee encourages continued progress after rescission of the Reconciliation Requirement. Globalization of the world's financial markets has been helped by the movement towards a single set of high quality accounting standards; further integration of those markets is dependent, at least in part, upon continuing progress in accounting convergence.

Response to Questions 1-3:

> *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?*
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> *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?*
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> *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?*

We believe IFRS are high quality standards that provide investors and creditors with transparent and comparable financial information needed to make economic decisions. IFRS usage is required or permitted in over 100 countries around the world[4] and continues to expand throughout areas of proposed adoption and/or local GAAP convergence.[5] IFRS has been and will be adopted by numerous publicly-traded entities, and is currently in use widely. Investors, creditors, and other users already base their economic decisions on those financial statements prepared on the basis of IFRS.

The Committee agrees that IFRS are produced through robust due process. The IASB's independence is the foundation of that process. Financial accounting standards that have the objective of providing clear, understandable information about economic transactions increase the comparability and quality of financial information, lower the cost of capital, improve resource allocation and capital formation, and help increase the rate of economic growth. The objectives could not be achieved if financial accounting standards were promulgated by a standard setter which was not independent and free of political influence. Consequently, it is in the global investor and user communities' best interest that the IASB's independence and freedom from political interference continue to be maintained.

The IASB's due process provides many opportunities for interested constituents to participate in its standard setting process. Constituents have the opportunity to write comment letters, participate in round table meetings, and attend public meetings in which the board members deliberate accounting issues. The IASB's open due process means that all constituents have an opportunity to make their views known. The Committee agrees that the IASB's due process is robust and transparent.

While some differences remain between IFRS and U.S. GAAP, we do not regard the differences as sufficiently material to warrant the continued imposition of the Reconciliation Requirement. As noted, financial statements prepared on the basis of IFRS currently provide information necessary for investors, creditors, and other users to make economic decisions. Consequently, the Committee believes that IFRS financial statements without reconciliation to US GAAP will provide US investors with financial information necessary and sufficient to make economic decisions.

The Committee is satisfied with the efforts to-date of the FASB and IASB to achieve convergence. The Norwalk Agreement and Memorandum of Understanding issued in 2006 provide an appropriate basis for that convergence to be achieved. Some have suggested that the project for accounting convergence will be impaired if the Reconciliation Requirement is rescinded. The Committee disagrees. As a practical matter, we believe that increasing cross-border capital flows will continue the push to minimize differences between U.S. GAAP and IFRS. The capital markets are the

[4] www.iasplus.com

[5] For example, announcements of accelerated convergence with Japanese GAAP, convergence plans announced for India, requirements for listed companies in Brazil to use IFRS, expanded use in China and published implementation plans for Canada demonstrate the rapidly expanding use of IFRS.

ultimate driver of such changes, and will continue to drive for convergence. Financial statement users, preparers, auditors and regulators recognize the value of globally-converged financial accounting standards and will continue to engage standard setters on the need for a single or common solution.

Response to Question 4

> *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 believe that the Commission's work with international regulators has improved the regulatory infrastructure for the global capital markets. Initiatives such as the establishment of the International Organization of Securities Commissions ("IOSCO") IFRS Interpretive Database, the joint work plan with the Committee of European Securities Regulators, and the bilateral agreements with UK and German securities regulators are necessary and appropriate. We are confident that such efforts will only increase in the future, and thereby improve the ability to identify any inconsistencies with respect to the application of IFRS standards.

The Committee notes that the ultimate goal of convergence—one universally accepted set of high quality accounting standards—only can be achieved if securities regulators around the globe cooperate with each other on IFRS interpretive issues. The Committee believes that the SEC and all other securities regulators, through IOSCO, should have an understanding with the IASB about IFRS interpretive issues. That understanding should describe the IASB and IOSCO's mutual objectives as well as how such objectives should be achieved. More specifically, that understanding should contemplate how the IASB and IOSCO will consult on and resolve interpretive issues.

Response to Questions 6-8

> *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?*
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> *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?*
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> *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?*

We do not believe that the Commission should delay dropping the reconciliation requirement until it and other jurisdictions have had more experience with IFRS.

Preparers, users, and auditors all over the world are currently applying, interpreting, and analyzing IFRS. Preparers and auditors have attested to the representational faithfulness of the resulting financial statements, and have policies and procedures in place to ensure sound and consistent application. We also do not believe that the decision to rescind the Reconciliation Requirement should be dependent upon the number of foreign issuers that are regulated under the 1934 Act and which use IFRS, or any similar test. The litmus test should be whether the additional information provided by a reconciliation is needed to protect US investors and to help them make informed investment decisions. The Committee does not believe the reconciliation is necessary because the financial information provided on the basis of IFRS as issued by the IASB is sufficient for US investors to understand the economic activities of the registrant.

The Committee recommends that the Reconciliation Requirement be rescinded as quickly as possible and preferably in time for 20-F filings due in 2008 (i.e., for 2007 financial statements of foreign private issuers with calendar year-ends). The Committee believes that acting promptly to drop the Reconciliation Requirement will act as a powerful encouragement of the convergence process and further demonstrate the Commission's commitment to international cooperation regarding accounting standards.

Response to Question 9

> *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?*

The Committee recognizes that the SEC's role *vis a vis* the FASB is more direct than it is with the IASB. We believe that the SEC and other securities regulators should work directly with the IASB to establish an understanding of how to achieve their mutual objectives. Producing high quality accounting standards and consistent interpretations of those standards is the best protection for investors all over the world. In that spirit, the Committee urges the SEC to provide leadership on that matter at IOSCO and the IASB.

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Conclusion

SIFMA reiterates its support for the Proposal. SIFMA and/or the Committee would be happy to discuss our letter with the Commission or the staff in greater detail. If you have any questions, please contact me at (212) 357-8437.

Sincerely

Matthew L. Schroeder, Chair
Dealer Accounting Committee

cc: The Honorable Christopher Cox, Chairman
The Honorable Paul S. Atkins, Commissioner
The Honorable Roel C. Campos, Commissioner
The Honorable Annette L. Nazareth, Commissioner
The Honorable Kathleen L. Casey, Commissioner