

THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



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

By email: rule-comments@sec.gov

25 September 2007

Dear Ms Morris

FILE NUMBER S7-13-07: 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

The Institute of Chartered Accountants of Scotland's Accounting Standards Committee welcomes the opportunity to comment on the above proposing release.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

We strongly support the SEC's proposal to allow foreign issuers of financial statements prepared in accordance with IFRSs to file without the reconciliation to US GAAP. This is a welcome step in terms of reducing the administrative burden for foreign companies wishing to list in the US. It is also a vital stage in the movement towards international convergence in financial reporting.

In terms of potential variations to IFRS as issued by the IASB, we believe that the development of national interpretations to IFRS as issued by the IASB should be discouraged. We note that the European Commission has requested that IFRS as adopted by the EU be considered equivalent to IFRS as issued by the IASB. However, our strong preference would be for the SEC only to accept financial statements prepared in accordance with IFRS as issued by the IASB, or where financial statements are for some reason issued in accordance with some national (or EU) variation of IFRS as issued by the IASB, then they should be accepted only on the condition that a reconciliation between that version of IFRS and IFRS as issued by the IASB is also presented.

ICAS is committed to the promotion of principles-based financial reporting standards and the development of a single set of global standards. Such standards are vital to the smooth functioning of the international capital markets. Standards that are firmly based on principles rather than being rules-driven are capable of being applied consistently to a wide variety of situations and result in financial information that is clear and understandable.

The Commission should be satisfied that IFRSs are high-quality standards developed under a robust due process. We believe there is sufficient experience of the use of IFRSs amongst preparers, auditors and users to ensure that their application is consistent, and that financial statements prepared under IFRS are understandable and useful to investors and other users.

As more jurisdictions continue to adopt IFRSs, the convergence process between IFRS and US GAAP is increasingly important. With business operating globally, a single set of global financial reporting standards is necessary in order to enhance investor confidence, by facilitating analysis of financial statements on a comparable basis. This ultimately will contribute to a lower cost of capital for businesses and freedom for companies to list on different stock exchanges. This will be of benefit to the US by making it more attractive for foreign companies to list in the US, and providing greater choice for US investors.

While we do not believe that the dropping of the reconciliation requirement should be dependent on any further convergence between IFRSs and US GAAP, the SEC should continue to support convergence between the two sets of standards, and to input to the processes of both the IASB and the FASB, in order to develop high quality standards for global business environment. The convergence process is now at a crucial stage as the IASB begins a more fundamental review of the major concepts underpinning financial reporting. The success of a global set of standards is dependent on the quality of these standards and their ability to be applied to a diverse range of entities and circumstances in a consistent and coherent manner. Therefore there needs to be support for the development of principles-based standards which are transparent and understandable for investors. We would encourage the Commission to engage with the IASB and FASB and support the reduction of accounting complexity and excessively rules-based accounting standards. We welcome the establishment of the SEC advisory committee on improvements to financial reporting as a useful step in this process.

If you wish to discuss any of our comments, please do not hesitate to contact me.

Yours sincerely



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Secretary to the Accounting Standards Committee