

April 3, 2009

Ms. Elizabeth Murphy
Secretary, Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Reference No. S7-27-08

Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers

Dear Ms. Murphy:

Deloitte & Touche LLP is pleased to comment on the *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers* (the “proposed roadmap”), issued by the Securities and Exchange Commission (SEC or the “Commission”).

OVERALL COMMENTS AND CONSIDERATIONS

As noted in our comment letter¹ on the Commission's Concept Release *Allowing U.S. Issuers to Prepare Financial Statements in Accordance With International Financial Reporting Standards*, we strongly support the ultimate goal of having a single set of high-quality globally accepted accounting standards and believe that IFRSs are that set of standards.

The need for a single set of high-quality globally accepted accounting standards has been highlighted by the current financial crisis, which has demonstrated how interconnected the world's capital markets are. Recent events also have shown the importance of having transparent financial statements. Markets allocate capital best when participants can make judgments about the merits of various investment opportunities on the basis of transparent and reliable financial information. Financial markets and investors, regardless of geographic location, depend on financial information to function effectively. IFRSs are uniquely positioned to fill that need globally. The leaders of the “Group of Twenty” countries recently have reinforced this notion in response to the current financial crisis.

¹ See File Reference No. S7-20-07.

We support the steps that the SEC has already taken toward the acceptance of IFRSs in the U.S. capital markets, including allowing foreign private issuers to use IFRSs in their SEC filings without a reconciliation to U.S. GAAP. In our view, IFRSs are of high quality and are sufficiently comprehensive to provide transparent financial information. We also support a standard-setting process that addresses the ongoing needs of financial statement users and makes relevant improvements to standards. To that end, we are supportive of the convergence efforts of the IASB and FASB in developing the highest quality standards.

As with any important policy decision, the Commission will need to consider and weigh various factors in deciding whether to mandate IFRSs for all U.S. issuers. More specifically, the Commission will need to consider recent developments relating to the financial crisis, including the loss in confidence in the U.S. capital markets, the development of capital market alternatives outside the United States, and the impact on global competitiveness. Also, there have been ongoing questions about U.S. financial reporting, including the complexity of U.S. GAAP and the need to have standards that are less reliant on detailed rules and bright lines. While some may argue that, in light of recent events, this is not the time to make fundamental changes in financial reporting requirements, we believe that these very events reinforce the need to rethink the approach to financial reporting.

We support the objective in the proposed roadmap of transitioning all U.S. issuers to IFRSs but have a number of observations and recommendations regarding how the proposed roadmap can be improved. The most important of these recommendations are (1) the current need for the SEC to be more definitive about its plan to transition all U.S. issuers to IFRSs in the future and (2) the removal of the significant disincentives for early adopters of IFRSs.

APPROACH TO ADOPTION OF IFRSs IN THE UNITED STATES

Because of the significant implications a transition to IFRSs will have for all U.S. financial reporting stakeholders, we understand the SEC's need to take a measured approach before deciding whether to require a mandatory transition to IFRSs. However, significant uncertainty regarding the SEC's future decision about IFRSs has been and will continue to be problematic for preparers, users, auditors, and academia because they will be hesitant to commit resources to transition to IFRSs before the Commission makes a final decision.

In light of and as a consequence of this uncertainty, the proposed 2011 decision date and proposed phase-in timeline would result in a shorter timetable for many public companies to prepare for the mandatory conversion than would exist absent this uncertainty. This shorter timetable could potentially cause a significant increase in conversion costs as companies compete for resources and could undermine the quality of the conversions. To alleviate some of this uncertainty, it is important that the Commission explicitly state in the final roadmap that it plans to eventually transition all U.S. issuers to IFRSs. We believe that most of the "milestones" included in the proposed roadmap are implementation issues, and while their progress is important for establishing the appropriate **timing** of an IFRS mandate, they should not be determinative of whether an IFRS mandate should occur at all. Until the SEC commits to a definitive plan, constituents will be unwilling to take the necessary steps to prepare for an orderly and successful transition to IFRSs.

As discussed below, we believe that there should be a single milestone — relating to the accountability and funding of the IASB — that should be considered a gating condition and that therefore must be achieved for the SEC to establish early and mandatory transition dates.

Some have argued that there is no need for the SEC to transition U.S. issuers to IFRSs because convergence will eventually result in the two sets of standards being identical. We do not agree with this argument and note that the convergence efforts never contemplated making the resulting standards identical. While the convergence efforts between the FASB and IASB have resulted in moving U.S. GAAP and IFRSs closer, recent experience suggests that the convergence objective may not be met because of differences in views about certain fundamental standards on accounting topics such as lease accounting, business combinations, and consolidations. In light of the current financial crisis, we believe it is important to have one set of high-quality global standards. Besides creating a truly level playing field for issuers around the globe, having a single set of standards will eliminate the potential for arbitrage between U.S. GAAP and IFRSs, and lessen the potential for political interference in the standard-setting process. Without future SEC rulemaking that adopts IFRSs, we will most likely never reach a point at which there is a single set of high-quality globally accepted accounting standards.

Furthermore, the SEC's plan should eliminate any uncertainty that early adopters of IFRSs would have to revert back to U.S. GAAP. In our view, if the SEC wants eligible issuers to early adopt, it must make it clear to these issuers that they will not be required to revert back to U.S. GAAP under any circumstances. We have had discussions with a number of issuers that would be eligible under the criteria in the proposed roadmap. Many of these issuers have said they are not willing to incur the costs of early adopting IFRSs given the possibility that the Commission could require them to revert back to U.S. GAAP. Other requirements of the proposed roadmap that issuers believe are disincentives to early adoption are the two comparative years of IFRS financial statements in the year of adoption, and an ongoing unaudited reconciliation between IFRSs and U.S. GAAP. We believe the Commission must remove these disincentives if it truly expects a meaningful number of eligible U.S. issuers to early adopt IFRSs.

GATING CONDITION AND IMPLEMENTATION ISSUES

The proposed roadmap sets forth certain “milestones” (i.e., gating conditions) that, if achieved, could lead the Commission to decide to require the eventual use of IFRSs by U.S. issuers. While we believe there is merit in establishing goals that should be accomplished in connection with transitioning all U.S. issuers to IFRSs, we consider most of these milestones to be implementation issues rather than prerequisites to making a final decision about mandatory adoption.

Gating Condition

We believe the only gating condition that must be achieved before the SEC sets early and mandatory dates of transition to IFRSs relates to the funding and accountability of the International Accounting Standards Committee Foundation (IASCF). We believe that the IASB must remain independent and objective. The recent financial crisis has shown the importance of having independent standard setters. While outside political influence will always exist to a certain extent, a governance process that ensures that all constituent needs are heard and

considered is critical. Outside influences would be moderated if all jurisdictions, including the United States, are required to use IFRSs. With the support of the United States and the achievement of the gating condition, we believe the IASB would be well positioned to be the independent, global standard setter.

We agree that the newly established Monitoring Board will enhance the accountability of the IASCF. The Monitoring Board will provide a forum for the interaction between the world's securities authorities and the IASCF Trustees. In addition, we believe that the Monitoring Board could assist the IASCF with its goal of developing a funding system that is secure, stable, and broad-based. A global funding mechanism for the IASB, other than through private contributions, should be developed that is commensurate and consistent with the role of the IASB as the independent, global standard setter. With appropriate funding, the IASB would continue to have the resources for a full-time Board as well as the staff required to address an increased workload.

We believe that progress on this gating condition in the near term should be sufficient so that the SEC could soon set early and mandatory transition dates upon its achievement.

Implementation Issues

We believe the remaining milestones and other areas of consideration in the proposed roadmap are important, but we do not view them as prerequisites to a future decision about a mandatory transition date. Rather, as the SEC rolls out its plan for mandatory adoption of IFRSs, it should treat such remaining milestones and considerations as implementation issues in the context of continual process improvement monitored over time. Additional comments and observations regarding certain of the implementation issues are noted below:

- *Improvement in accounting standards* — We support the continued convergence efforts between the FASB and IASB as well as the continued improvement in IFRSs; however, we do not believe that convergence or improvements in any particular area should be a precondition to requiring U.S. issuers to use IFRSs. We believe that IFRSs are a high-quality set of standards but acknowledge that the projects identified in the Memorandum of Understanding (MoU) represent areas in which additional standard setting is necessary and that deserve ongoing focus within both accounting frameworks. However, the boards should be realistic about what can be accomplished by 2011 and should focus on higher-priority projects, particularly in light of the current financial crisis.

To the extent that changes to U.S. GAAP are made between now and the time by which U.S. issuers are required to use IFRSs, we believe the outcome of the FASB's and IASB's joint projects should focus on issuing identical guidance in U.S. GAAP and IFRSs, not just converged guidance. The elimination of differences in both sets of accounting standards will reduce transition issues and costs by eliminating the need of having to adopt two different standards in a short period, will create a level playing field, and will eliminate the potential for arbitrage between U.S. GAAP and IFRSs. As part of its implementation considerations, the Commission should be cognizant of the progress that other national standard setters are making toward a single set of high-quality globally accepted accounting standards. We note that certain standard setters for other countries

that are transitioning to IFRSs have adopted IFRSs verbatim as their countries' local GAAP. We believe the FASB should consider whether to adopt certain IFRSs that are not part of the MoU before the mandatory conversion date to ease the transition for U.S. issuers. We also encourage the IFRIC to thoroughly review its interpretive process and make necessary improvements.

- *Education and training* — Given the globalization of the world's capital markets as well as the continuing transition of companies around the globe to IFRSs, there is a strong incentive for all constituencies to educate themselves about IFRSs. A final roadmap that includes a definitive plan to transition U.S. issuers to IFRSs also will provide the most effective motive for U.S. participants to become trained and educated on IFRSs. While there will be challenges in educating companies about IFRSs, many companies will be able to leverage their existing training and consultation infrastructure. For example, our global network, Deloitte Touche Tohmatsu, has established "IFRS accreditation standards" applicable to professionals in all member firms that serve companies using IFRSs. In addition, we have formed the IFRS University Consortium to help provide colleges and universities with IFRS materials. To date, about 250 schools have joined the consortium. We believe setting a definite mandatory date for transition to IFRSs as soon as the gating condition is achieved would encourage acceleration of efforts by all constituencies toward increased IFRS education and training.
- *Global regulatory infrastructure* — In using IFRSs, U.S. issuers and auditors, as well as regulators and users, will need to adapt to an accounting and financial reporting framework that requires more judgment and less reliance on bright lines. Therefore, as also noted in our comment letter on the Concept Release, we believe a global regulatory infrastructure that facilitates faithful and consistent IFRS application around the world is important. U.S. regulators should consider appropriate changes in the U.S. legal and regulatory environments to lessen the possibility that others may use hindsight and preferences to unnecessarily challenge and overturn reasonable professional judgments of preparers and auditors under IFRSs. In this regard, we encourage the Commission to implement the recommendations of the SEC's Advisory Committee on Improving Financial Reporting relating to the use of judgment, which was reiterated in the SEC's fair value study.

We acknowledge and support the efforts of the SEC and its European and other international counterparts to develop a formal process for resolving these types of issues through the SEC/CESR Work Plan and IOSCO, respectively. We believe that such a process will help lessen the development of jurisdictional versions of IFRSs on a global basis. We also support the bilateral efforts between the SEC and other regulators to address divergent IFRS practices. It is important that the decisions and outcomes resulting from these multilateral and bilateral platforms be effectively communicated to the market on a timely basis. Therefore, we encourage the Commission to continue its dialogue with global counterparts as the United States focuses on IFRS implementation.

TIMING OF MANDATORY ADOPTION OF IFRSs

The proposed roadmap contemplates potential mandatory adoption of IFRSs for U.S. public companies beginning with filings for 2014 year-ends for large accelerated filers, 2015 year-ends for accelerated filers, and 2016 year-ends for nonaccelerated filers. Given the implementation issues that would need to be addressed to achieve a smooth transition to IFRSs in the United States, we believe that the overall proposed timeline of five to seven years from now is reasonable and achievable, subject to our comments herein.

Our experience in working with companies across the globe that have implemented IFRSs suggests that a prudent and thoughtful implementation takes time. Issuers should have sufficient time to appropriately plan and assess the impact of IFRSs on their accounting policies, internal processes and controls, regulatory and statutory reporting, technology infrastructure, and organizational issues such as tax, treasury, and cash management; legal matters and contracts; compensation and human resources; and communication issues.

Responsible companies will want to have the appropriate processes and systems in place by the date of transition (i.e., the beginning of the earliest period presented in the company's first IFRS financial statements). Under the timetable in the proposed roadmap, large accelerated filers would, therefore, only have one year or less after establishment of a firm date to transition to IFRSs. This is because in 2014, large accelerated filers would need audited IFRS statements for the years ending 2012, 2013, and 2014. That compressed timetable may result in higher costs and place undue strain on the ability to thoughtfully implement IFRSs.

Therefore, we believe that the Commission should allow 18 to 24 months between the point at which it decides to require mandatory transition to IFRSs and the earliest date of transition. The table below illustrates our suggested target implementation dates, which are based on when the decision is made to establish a mandatory transition date:

Decision Made to Establish Mandatory Transition Date	Earliest Date of Transition (Opening Balance Sheet Date)	Earliest Reporting Date of First IFRS Financial Statements	
		One Year Comparative	Two Year Comparatives
By 6/30/2010	1/1/2012	12/31/2013	12/31/2014
By 6/30/2011	1/1/2013	12/31/2014	12/31/2015
By 6/30/2012	1/1/2014	12/31/2015	12/31/2016

PROPOSAL FOR EARLY USE OF IFRSs

We support having an interim period before mandatory adoption during which certain U.S. issuers would have the option to use IFRSs. An early option period would allow the U.S. and global

infrastructure to continue to develop and would facilitate investor education, auditor effectiveness, regulator enforcement, and the willingness of market participants to make judgments under IFRSs. We believe this knowledge sharing would benefit all constituents and facilitate a smoother transition to IFRSs for companies adopting later. It also would allow companies that are most affected by the movement toward IFRSs globally to benefit from using a single financial reporting standard for both global and local reporting purposes.

The proposed roadmap contains several disincentives relating to early use of IFRSs by eligible issuers. These include the possibility of early adopters of IFRSs having to revert back to U.S. GAAP, the requirement to provide two comparative years of IFRS financial statements, and the proposed ongoing unaudited reconciliation between IFRSs and U.S. GAAP. We believe that the SEC must remove these disincentives before any significant number of U.S. issuers could reasonably be expected to early adopt IFRSs.

Although the proposed roadmap would permit certain U.S. issuers to early adopt IFRSs without considering any milestones, we believe the gating condition, as described above, should be achieved before the establishment of an early option date. This will provide extra motivation to the IASCF and IASB to continue to work toward achieving this condition as well as to continue with the convergence efforts. In addition, while we understand that the early option was intended to allow the gathering of additional information about the application of IFRSs and provide greater comparability for companies in industries that predominantly use IFRSs, we believe that those goals can still be met given that the gating condition will most likely be achieved in a relatively short period.

Eligibility Requirements

The proposed roadmap would limit the U.S. issuers permitted to early adopt IFRSs to those that:

- Are among the top 20 companies in their industry globally, as measured by market capitalization.
- Operate in an industry in which IFRSs are the predominant accounting standards used among the top 20 largest listed companies worldwide in their industry.

We agree that U.S. issuers operating in industries in which IFRSs are the predominant accounting standards would gain an advantage by early adopting IFRSs. However, we do not believe that enough U.S. issuers will be eligible to early adopt IFRSs — partly because the criteria in the proposed roadmap are too restrictive. In addition, we have heard from issuers that would consider early use of IFRSs but that would not meet the criteria. Expanding the eligibility criteria would help the SEC achieve the objectives of an early option period by (1) improving the comparability between companies in an industry, (2) enhancing U.S. issuers' competitive advantage in the global markets, and (3) helping the Commission gain experience from eligible U.S. issuers' adoption of IFRSs.

Therefore, we believe that the Commission should consider expanding the eligibility criteria to include all accelerated filers. These issuers are currently complying with both the management

reporting and auditor attestation requirements related to internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. Such compliance would lead to greater confidence in the governance and accountability within their organizations as they transition to IFRSs. The Commission may also want to consider expanding the eligibility criteria to include U.S. issuers that file using IFRSs in another jurisdiction or those that are subsidiaries of a foreign parent that uses IFRSs. Regardless of which criteria are used to determine eligibility, we encourage the Commission to clearly indicate which issuers are eligible or provide readily available information that an entity needs to determine eligibility. We support the flexibility within the proposed criteria, but believe that the effort in determining whether an entity meets the criteria may further deter entities from electing the early option. We believe that having a sufficient number of issuers that are eligible, and that are reasonably expected, to early adopt IFRSs is important to maximizing the benefits of early use.

Financial Statement Periods Presented

We do not agree with the proposal to require three years of audited IFRS financial statements in the initial year of IFRS adoption. The Commission is deviating from the requirements of IFRS 1, *First-time Adoption of International Financial Reporting Standards* by requiring an additional year of financial information in the first IFRS financial statements. We believe that the Commission should allow U.S. issuers to provide only one year of comparative information in the year of adoption for a total of two years of IFRS financial statements. This is consistent with the requirements of IFRS 1 and the previous Commission accommodation regarding first-time adoption of IFRSs by foreign private issuers. It also would make the transition timeline more reasonable, further incentivizing issuers that wish to early adopt IFRSs.

U.S. GAAP Information Proposals

For eligible U.S. issuers that elect to early adopt IFRSs in their financial statements, the proposed roadmap requests input on two proposals with respect to U.S. GAAP disclosures in those IFRS filings. Proposal A requires reconciled information pursuant to IFRS 1. Proposal B requires information pursuant to IFRS 1 as well as, on an annual basis, unaudited supplemental U.S. GAAP financial information covering a three-year period.

We strongly support Proposal A and believe that Proposal B would represent a disincentive to early adoption because it further raises the possibility of needing to revert back to U.S. GAAP and introduces a significant ongoing cost. As noted earlier, we believe that the Commission should establish a date certain for mandatory use of IFRSs by U.S. issuers as soon as the gating condition is achieved and should focus on the implementation of IFRSs. Aside from the potential reversion issue, we do not believe that the benefits of providing such information are worth the costs of maintenance. Furthermore, Proposal A would result in similar reporting requirements for domestic issuers and foreign private issuers using IFRSs.

PROPOSED AMENDMENTS TO SEC RULES AND REGULATIONS

The Commission has taken steps to improve the use of its rules and regulations by proposing a new definition of an IFRS issuer and creating a new Article 13 to aggregate the requirements for

April 3, 2009

Page 9

such an issuer. We commend the Commission on taking this important first step but reiterate our belief that a more comprehensive modification of guidance ultimately is required. Our comment letter responding to File No. S7-13-07 suggests analyzing all nonfinancial statement disclosure requirements that contain references to U.S. GAAP.

We also believe that the Commission should address the implications of forward-looking disclosures contained in IFRS financial statements (e.g., IFRS 7, *Financial Instruments: Disclosures*, requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk that may contain forward-looking information). Under the Commission's current requirements, forward-looking disclosures included in the financial statements are not covered by safe harbor provisions. Given the nature of these types of disclosures under IFRSs, we encourage the SEC to use its rulemaking authority to extend the statutory safe harbor protections to the forward-looking information required in IFRS financial statements.

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The appendix of this letter contains our detailed responses to specific questions raised in the proposed roadmap. We have summarized the applicable questions under the following headings in responding to these questions:

- Use of IFRSs by all U.S. Issuers.
- Early Use of IFRSs by U.S. Issuers.
- Completeness and Clarity of Proposed Amendments.

We appreciate the opportunity to comment on the proposed roadmap. If you have any questions concerning our comments, please contact Bob Kueppers at (212) 492-4241, Jim Schnurr at (203) 761-3539, or D. J. Gannon at (202) 220-2110.

Yours truly,

/s/ Deloitte & Touche LLP

cc: Chairman Mary L. Schapiro
Commissioner Luis A. Aguilar
Commissioner Kathleen L. Casey
Commissioner Troy A. Paredes
Commissioner Elisse B. Walter
James L. Kroeker, Acting Chief Accountant
Shelley Parratt, Acting Director, Division of Corporation Finance

APPENDIX

RESPONSES TO SPECIFIC QUESTIONS IN THE PROPOSED ROADMAP

A. USE OF IFRSs BY ALL U.S. ISSUERS

Response to Question 1

We strongly support the ultimate goal of having a single set of high-quality globally accepted accounting standards that all U.S. issuers would use and believe that IFRSs are that set of standards. In our view, IFRSs are high-quality and are sufficiently comprehensive to provide transparent financial information. Today, more than 110 countries either require or permit the use of IFRSs; it is likely that this number will continue to increase over the next several years.

U.S. investors, U.S. issuers, and U.S. markets may benefit from moving to a single set of high-quality globally accepted accounting standards in the following ways:

- U.S. investors may benefit because they will have (1) more transparent information that better reflects the economics of transactions and events and (2) an increased ability to compare the performance of similar companies regardless of where those companies are domiciled or the country or region in which they operate.
- U.S. issuers may benefit in the following ways:
 - *Greater consistency in reporting* — IFRSs allow for the development of a consistent set of accounting policies for both local statutory and consolidated reporting, which improves the comparability of financial information and tax planning.
 - *More efficient use of resources* — IFRSs may facilitate the development of centralized processes through a shared-services approach, allowing for the efficient use of resources and reducing reliance on local resources for local statutory accounting. They also may facilitate the development of standardized training programs and may eliminate divergent accounting systems, reducing third-party fees related to local statutory reporting.
 - *Improved controls* — IFRSs allow for more control over statutory reporting, thereby reducing risks associated with penalties and compliance problems at the local level. Many local statutory reports are prepared on the basis of manual conversion from U.S. GAAP. Often, there is no worldwide owner for statutory reporting.
 - *Better cash management* — Dividends that can be paid from subsidiaries are based on local financial statements. A change from local GAAP to IFRSs can have significant effects on cash dividends, allowing consistent worldwide use of a standard that can improve cash flow planning.
- U.S. markets may benefit by (1) lowering the barriers to capital formation while maintaining the quality of financial reporting and (2) facilitating cross-border capital flows.

Responses to Questions 2 and 12–13

Of the milestones set forth in the proposed roadmap, we believe the only one that must be achieved before the SEC establishes early and mandatory transition dates to IFRSs relates to the funding and accountability of the IASCF. We believe that the IASB must remain independent and objective.

The recent financial crisis has shown the importance of having independent standard setters. We believe that the structural enhancements implemented by the IASCF Trustees in recent years have improved the IASB's deliberative process. We support the creation of the Monitoring Group as a way of establishing a direct link between the IASC Foundation and very senior members of official institutions with a legitimate interest in accounting standard setting and transparency in financial reporting. Such a group is a necessary component for ensuring broad acceptance of IFRSs worldwide.

We believe that an independent funding regime is a critical component and should be resolved before U.S. issuers are required to transition to IFRSs. A global funding mechanism for the IASB, other than through private contributions, should be developed that is commensurate and consistent with the role of the IASB as the independent global standard setter.

We believe that the milestones in the proposed roadmap other than the gating condition are important, but we do not view them as prerequisites to a future decision about a mandatory transition date. Rather, we believe the Commission should treat these remaining milestones as implementation issues and should establish a process for monitoring them over the next several years.

In addition to the milestones and considerations in the proposed roadmap, we believe a global regulatory infrastructure is important to facilitate faithful and consistent IFRS application around the world. U.S. regulators should consider appropriate changes in the U.S. legal and regulatory environments to lessen the possibilities that others may use hindsight and preferences to unnecessarily challenge and overturn the reasonable professional judgments of preparers and auditors under IFRSs.

We believe that the Commission should regularly provide progress reports to the public on the gating condition so that U.S. constituents can understand the potential timing of future SEC rulemaking. The Commission should reach out on a regular basis to different constituencies through roundtables and meetings to solicit input on their state of readiness.

Responses to Questions 3 and 4

We believe it is important that the Commission explicitly state in the final roadmap that it plans to eventually transition all U.S. issuers to IFRSs. This will help alleviate the significant uncertainty regarding the SEC's future decision about IFRSs and will be an impetus for U.S. issuers to commit resources to transition to IFRSs before the Commission makes a final decision.

We believe a decision made in 2011 will not give large accelerated filers enough time to prepare IFRS financial statements using an adoption date of 2014 if two comparative years of IFRS

financial statements are required. A calendar-year-end large accelerated filer would have to prepare an opening balance sheet under IFRSs as of January 1, 2012, allowing a very short period of preparation time between the decision date in 2011 and the date of transition. We believe the Commission should allow 18 to 24 months between the decision establishing a mandatory adoption date and the date of transition (i.e., the first year that IFRS financial statements need to be presented). See our cover letter for a table that illustrates our proposed timing.

We have concerns about the date that U.S. issuers would determine their filing status for purposes of determining their IFRS reporting date. We believe that an issuer should not be required to wait until the second quarter of 2014 to determine its filing status because that may not give the issuer enough lead time to properly adopt IFRSs. For example, an issuer that is uncertain about its filing status and determines in 2014 that it is a large accelerated filer would have little time to prepare its 2012, 2013, and 2014 IFRS financial statements. Therefore, we believe the Commission should permit a U.S. issuer to determine its first IFRS reporting date as of the same date that the SEC decides on mandatory adoption.

We support a staged transition on the basis of the existing definitions of large accelerated filer and accelerated filer. We also believe the period between stages should be limited to one year to minimize the period during which there is dual reporting in the United States for public companies.

Responses to Questions 5, 9–11, and 14

The Commission should encourage the convergence efforts between the FASB and IASB from now until when mandatory adoption occurs. Substantial convergence between U.S. GAAP and IFRSs before all U.S. issuers are required to adopt IFRSs would ease the transition for U.S. issuers that have yet to adopt IFRSs. We believe the Commission should focus on the progress made on the projects identified in the Memorandum of Understanding (MoU) between the FASB and IASB. The boards should be realistic about what can be accomplished by 2011 and should focus on higher-priority projects, particularly in light of the current financial crisis.

We believe that an objective of the joint projects between the FASB and IASB should be to issue identical guidance in U.S. GAAP and IFRSs, not just converged guidance. The elimination of differences between the two sets of accounting standards will reduce transition issues and costs by lessening the need of having to adopt two different standards in a short period, create a level playing field, and eliminate the potential for arbitrage between U.S. GAAP and IFRSs. As part of its implementation considerations, the Commission should be cognizant of the progress that the boards are making toward the completion of the MoU projects. We note that the standard setters for other countries that are transitioning to IFRSs have decided to adopt IFRSs verbatim as their countries' local GAAP. We believe that the FASB should consider whether to adopt certain IFRSs that are not part of the MoU to ease the transition for U.S. issuers. We also encourage the IFRIC to thoroughly review its interpretive process and make necessary improvements.

Responses to Questions 6–7 and 28

Although we believe that the ultimate goal should be to have all U.S. issuers transition to IFRSs, there are significant differences between investment company accounting under U.S. GAAP and that under IFRSs. In our view, the IASB needs to develop additional guidance on investment company accounting before transitioning these companies to IFRSs. We agree that until the IASB develops guidance that applies to such companies, it is appropriate for the Commission to exclude them from the scope of the proposed roadmap.

Response to Question 8

We do not believe that requiring U.S. issuers to prepare IFRS financial statements will have any effect on the availability of audit services or on the concentration of market shares among certain audit firms. Many member firms of our global network currently provide audit services to companies preparing IFRS financial statements, including foreign private issuers. In addition, U.S. professionals engaged on audits of subsidiaries of foreign multinationals that report under IFRSs have experience in applying IFRSs. Our challenge is to increase the knowledge and expertise of the remaining U.S. member firm personnel to meet the needs of U.S. issuers adopting IFRSs. We have been able to leverage our existing training and consultation infrastructure. In addition, we are able to leverage a significant number of personnel of other member firms in countries that have already adopted IFRSs to assist in the transition in the United States.

Response to Question 15

We agree that when management develops and applies an accounting policy about a topic on which IFRSs are silent, disclosure of the accounting policy should be required to the extent that it is important to financial statement users. However, because IAS 1, *Presentation of Financial Statements*, already requires such disclosures, we would expect them to be included in the IFRS financial statements.

B. EARLY USE OF IFRSs BY U.S. ISSUERS

Responses to Questions 16–25 and 27

We agree that in the period between now and when U.S. issuers are required to file using IFRSs, giving U.S. issuers the option to use IFRSs in preparing their financial statements would facilitate movement toward a single set of standards. An early option period would allow the United States and global infrastructure to continue to develop and facilitate investor education, auditor effectiveness, regulator enforcement, and the willingness of market participants to make judgments under IFRSs. We believe this knowledge sharing would benefit all constituents and facilitate a smoother transition to IFRSs for companies adopting later. It also would allow companies that are most affected by the movement toward IFRSs globally to benefit from using a single financial reporting standard for both global and local reporting purposes. Some have expressed concerns about an early adoption period because of the resulting dual reporting in the

United States. We do not share these concerns because there is currently dual reporting in the United States since many foreign private issuers report using IFRSs.

Although the proposed roadmap would permit certain U.S. issuers to early adopt IFRSs without consideration of any milestones, we believe the gating condition, as described in our cover letter, should be achieved before the establishment of an early option date. This will provide extra motivation to the IASCF and IASB to continue to work toward achieving this condition as well as continuing with the convergence efforts. In addition, while we understand that the early option was intended to gather additional information about the application of IFRSs and provide greater comparability for companies in industries that predominantly use IFRSs, we believe that those goals can still be met given that the gating condition will most likely be achieved within a relatively short period.

The proposed roadmap contains several disincentives to early use of IFRSs by eligible issuers. These include the possibility of early adopters of IFRSs having to revert back to U.S. GAAP, the requirement to provide two comparative years of IFRS financial statements in the year of adoption, and the proposed ongoing unaudited reconciliation between IFRSs and U.S. GAAP. We believe that the SEC must remove these disincentives before any significant number of U.S. issuers would reasonably be expected to early adopt IFRSs.

In addition, we do not believe enough U.S. issuers will be eligible to early adopt IFRSs, partly because the criteria are too restrictive. We believe expanding the eligibility criteria will help the SEC better achieve the objectives of an early option period by (1) improving the comparability between companies in an industry, (2) enhancing U.S. issuers' competitive advantage in the global markets, and (3) increasing the Commission's experience with costs and benefits associated with IFRS adoption by U.S. issuers. Therefore, we believe that the Commission should consider expanding the eligibility criteria to include all accelerated filers. These issuers are currently complying with both the management reporting and auditor attestation requirements related to internal control over financial reporting as required by Section 404 of the Sarbanes-Oxley Act of 2002. Such compliance would lead to greater confidence in the governance and accountability within their organizations as they transition to IFRSs.

The lessons learned by all accelerated filers are valuable experiences that can be leveraged by the Commission when making future decisions about a transition to IFRSs. The Commission may also want to consider expanding the eligibility criteria to U.S. issuers that file using IFRSs in another jurisdiction or a U.S. issuer that is a subsidiary of a foreign parent that uses IFRSs. Broadening the base of eligible companies would allow each registrant to make its own decision about whether the cost and effort necessary to transition from U.S. GAAP to IFRSs outweigh the benefits.

Regardless of which criteria are used to determine eligibility, we encourage the Commission to clearly indicate which issuers are eligible or provide readily available information needed for an entity to determine eligibility. We support the flexibility within the proposed criteria, but believe that the effort in determining whether an entity meets the criteria may deter entities from electing the early option. We believe that having a sufficient number of issuers that are eligible, and that are reasonably expected, to early adopt IFRSs is important to maximizing the benefits of early use.

Response to Question 26

Under our approach, the criteria would be expanded to all accelerated filers. This approach eliminates the ambiguity regarding which U.S. issuer is eligible to early adopt IFRSs and the need for the proposed disclosures and no-objection letter. However, if the SEC moves forward with its proposed approach on the basis of specified criteria, we agree with the proposed disclosures.

Responses to Questions 29 and 33

We believe that a U.S. issuer adopting IFRSs for the first time should be allowed to follow the guidance in IFRS 1; therefore, we do not agree with limiting the first IFRS filing to annual reports on Form 10-K. We believe that a U.S. issuer that adopts IFRSs for the first time and that has interim reporting requirements should be able to use IFRSs in its interim reports during the year of transition. This will allow issuers flexibility in when they commence reporting IFRS financial information during the year they will initially be filing annual IFRS financial statements. Concerns about the limited interim disclosure requirements will be alleviated through the application of the requirements under paragraph 46 of IFRS 1, which requires enhanced interim financial statement disclosures or cross-references to another document when the most recent annual financial statements do not disclose information material to understanding the current interim period.

We acknowledge that a U.S. issuer may be unable to comply fully with IFRSs for interim financial information during the transition year because the standards and interpretations effective as of the reporting date are not fully known. We believe that to address this issue, the SEC should consider alternative bases of presentation for U.S. issuers such as those discussed by the Center for Audit Quality's International Practices Task Force at its May 17, 2005, meeting concerning foreign private issuers.

We also believe that a company filing financial statements with the Commission in preparing for an initial public offering should be able to adopt IFRSs anytime after the establishment of the mandatory transition dates.

As discussed in the body of our cover letter, we believe the gating condition relating to the funding and accountability of the IASCF should be achieved before the establishment of an early option date. In addition, we believe the SEC must eliminate the significant disincentives included in the proposed roadmap if it wants eligible issuers to early adopt IFRSs. These disincentives include the possibility of early adopters having to revert back to U.S. GAAP, the proposed two comparative years of IFRS financial statements in the year of adoption, and the proposed ongoing unaudited reconciliation between IFRSs and U.S. GAAP.

Response to Question 30

U.S. issuers will need enough time to properly address the various issues involved in an IFRS implementation. The requirement to include two comparative years of IFRS financial statements in the year of adoption would make implementation very difficult for many companies and

would increase its costs. Therefore, the Commission should allow U.S. issuers to provide one comparative period of IFRS financial statements, which is consistent with the requirements of IFRS 1 and with the requirements for foreign private issuers using IFRSs.

Response to Question 31

We do not expect U.S. issuers to experience any unique difficulties in applying the requirements of IFRS 1.

Responses to Questions 34, 38, and 39

We support Proposal A in the proposed roadmap. This proposal recognizes IFRSs as a high-quality set of globally accepted accounting standards, is consistent with the requirements under IFRS 1, and makes the reporting requirements for domestic issuers consistent with the requirements for foreign private issuers using IFRSs. We believe Proposal B represents a significant disincentive to early adoption since it further raises the possibility of needing to revert back to U.S. GAAP and introduces a significant ongoing cost. Aside from the potential reversion issue, which we do not agree with, we do not believe that the benefits of providing such information are worth the costs of maintenance. With respect to reversion, we believe the SEC's plan should not include the possibility of early adopters of IFRSs having to revert back to U.S. GAAP. In our view, if the SEC wants eligible companies to early adopt, it must make it clear to these issuers that they will not have to revert back to U.S. GAAP under any circumstances.

We believe that if the SEC proceeds with Proposal B, the reconciliation should not be audited or included in the IFRS financial statements.

Response to Question 40

We believe that the information in Proposal A is sufficient for financial statement users to understand the adjustments made in transitioning from U.S. GAAP to IFRSs.

Response to Question 41

We do not believe that it is necessary for either proposal to require that the issuer's "Management's Discussion and Analysis of Financial Condition and Results of Operations" prepared under Item 303 of Regulation S-K contain a discussion of the reconciliation and the differences between IFRSs as issued by the IASB and U.S. GAAP. We believe the information in either proposal is sufficient for financial statement users to understand the adjustments made in transitioning from U.S. GAAP to IFRSs.

Response to Question 42

We do not believe supplemental U.S. GAAP information should be required for quarterly periods covered by IFRS financial statements.

Response to Question 43

We do not believe the option to report under IFRSs should automatically terminate as of a date certain. We believe eligible issuers should have the option to early adopt IFRSs up until the time they are required to transition to IFRSs.

C. COMPLETENESS AND CLARITY OF PROPOSED AMENDMENTS

Responses to Questions 46–47

Yes, the criteria for issuers eligible to file financial statements in accordance with IFRSs are clear from the proposed definition of “IFRS issuer.” The reasons for the distinction between IFRS issuer and foreign private issuer are also clear.

Responses to Questions 48, 50–53, 62, and 65

We believe it is important for the Commission to identify areas in which U.S. GAAP pronouncements are referenced and address the implications, if any, of using IFRSs. Our comment letter responding to File No. S7-13-07 suggests analyzing all nonfinancial statement disclosure requirements that contain references to U.S. GAAP.

Response to Question 49

We are not aware of any reason why an issuer would be unable to assert compliance with IFRSs as issued by the IASB and obtain the necessary opinion from its independent auditors. Many member firms of our global network currently provide audit services to companies preparing IFRS financial statements.

Response to Question 54

We agree that the proposed approach is sufficiently clear on how to address general caption data, segment data, and schedule information outside the financial statements.

Response to Question 55

We believe that the number of years of required selected financial data based on IFRSs should coincide with the number of years presented in the IFRS financial statements.

Response to Question 56

We believe the Commission should address the implications of forward-looking disclosures contained in IFRS financial statements (e.g., IFRS 7, *Financial Instruments: Disclosures*, requires disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk that may contain forward-looking information). Under the Commission’s

current requirements, forward-looking disclosures included in the financial statements are not covered by safe harbor provisions. Given the nature of these types of disclosures under IFRSs, we encourage the SEC to use its rulemaking authority to extend the statutory safe harbor protections to the forward-looking information required in IFRS financial statements.

Response to Question 57

Yes, the proposed disclosure in Form 10-K is sufficient in prominence and content to indicate to investors that the issuer has changed its basis of financial reporting. In addition, the footnotes to the financial statements will include the disclosures regarding transition and first-time adoption pursuant to IFRS 1.

Under our approach, the criteria would be expanded to all accelerated filers. This approach eliminates the ambiguity regarding which U.S. issuer is eligible to early adopt IFRSs and the need for the proposed disclosures and no-objection letter. However, if the SEC moves forward with its proposed approach on the basis of specified criteria, we agree with the proposed disclosures. Such disclosure would serve as additional information for financial statement users.

Responses to Question 58–60

We believe that an issuer should disclose on Form 8-K that it will file IFRS financial statements. This filing should occur only after the issuer becomes eligible for the early option and the issuer decides it will indeed file IFRS financial statements. The information should be limited to the fact that the issuer will be filing IFRS financial statements and the transition date. The Commission should also consider requiring the issuer to provide disclosures similar to those under SAB 74 leading up to IFRS adoption. Such disclosure would help improve the transparency of the issuer's transition to IFRSs.

Response to Question 61

We agree with the proposed rules that would allow an IFRS issuer or foreign private issuer to file financial statements of an entity under Rule 3-05, 3-09, or 3-14 prepared in accordance with IFRSs. We do not believe the approach for a foreign private issuer should differ from that for an IFRS issuer.

Response to Question 63

We believe that like foreign private issuers, an IFRS issuer engaging in oil- and gas-producing activities should continue to comply with the disclosure requirements of FASB Statement No. 69, *Disclosures About Oil and Gas Producing Activities*.

We do not believe there is any compelling reason to change this requirement for an IFRS issuer. However, we suggest that the Commission consider alternative ways of presenting this information. For example, the Commission may wish to consider whether this information should be disclosed outside the financial statements in a separate schedule rather than as an unaudited note to the financial statements.

Response to Question 64

The guidance in this proposal is sufficient.

Response to Question 67

We believe it is very difficult to estimate the costs of implementation for a large group of companies because implementation costs will vary not only by size of company but according to other factors, such as the nature of a company's financial accounting systems and its degree of centralization. In our experience, companies that have adopted IFRSs could have been managed their costs of implementation better if they had greater up-front consultation and more time. Suggestions for reducing costs included better training, starting sooner, better initial assessment, better project management, and better communication with subsidiaries. The short timetable contemplated in the proposed roadmap and the current uncertainty of the SEC's future plans are inconsistent with these suggestions and will most likely result in a significant increase in implementation costs. We believe that to help reduce these costs, the SEC needs to alleviate the uncertainty by explicitly stating in the final roadmap that it plans to eventually transition all U.S. issuers to IFRSs. Until the SEC commits to a definitive plan, constituents will be unwilling to take the necessary steps to prepare for an orderly transition to IFRSs.