FEI Urges SEC to Accept International Accounting Standards As the Only Alternative to U.S. GAAP

MORRISTOWN, N.J., June 23/ -- Financial Executives Institute's (FEI) Committee on Corporate Reporting (CCR) today raised several concerns about the Securities and Exchange Commission's (SEC) Concept Release on International Accounting Standards (IAS) and called for the SEC to reconcile U.S. GAAP (Generally Accepted Accounting Principles) with IAS.

"Trading on foreign exchanges by U.S. investors will continue to grow in importance as American portfolio managers look to emerging markets for higher investor returns," said Philip Ameen, Chairman of CCR. "An investor-oriented approach to accounting, like IAS, would ensure that investor decisions on allocation of capital between U.S. and foreign companies will be based on financial information that is at least reasonably comparable.

"At present, IAS represent a reasonably comprehensive set of standards that can serve as a global 'passport' for companies to register and trade on foreign markets. The SEC has the chance to lead the charge for globally accepted IAS, which would help foster a liquid, integrated and truly global capital market system that will define the future."

In the U.S., foreign registrants are granted a number of important concessions under existing securities law. For example, foreign registrants are not required to file interim financial reports with the SEC unless they make such information available in their home countries. The interim reports do not have to be reconciled to U.S. GAAP.

"If foreign companies have a choice to follow U.S. GAAP or IAS, U.S. companies should have the same choice," said Ammen. "The acceptance of the IAS is the only permissible alternative to U.S. GAAP that would likely improve the present state of affairs by permitting the SEC to standardize on two bodies of accounting standards rather than the forty or so permitted today."

FEI supports the SEC's acceptance of IAS for use in U.S. capital markets, provided that it:

- Limits the choices of frameworks available to foreign registrants to two: U.S. GAAP or IAS.
- Requires foreign registrants to comply fully with the same regulations that apply to U.S. public companies, including reporting U.S. or IAS GAAP financial statements for all interim periods,
- Actively supports processes that will accelerate the development of a single set of global accounting standards that will be used in all securities markets,
- Ensures that U.S. and foreign registrants are treated equally in all respects under federal securities law, including the right of all registrants to follow IAS standards,
- Requires these changes be effected over a time frame no greater than five years and do not "grandfather" existing foreign registrants.

The Committee on Corporate Reporting (CCR) monitors developments and issues relating to accounting/auditing/external reporting, including policies, rules, regulations, and standards, and communicates these to members, FASB, the SEC and other regulatory bodies.