



## U.S. Securities and Exchange Commission

### Speech by SEC Staff: Opening Remarks at the SEC Open Meeting

*by*

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Washington, D.C.  
June 20, 2007

Thank you Conrad and John. Good morning, Chairman Cox, Commissioners. The Division of Corporation Finance and the Office of the Chief Accountant recommend that you publish for public comment a proposal to accept, in the filings of foreign private issuers, financial statements prepared in accordance with the English language version of International Financial Reporting Standards, or IFRS, as published by the International Accounting Standards Board without reconciliation to generally accepted accounting principles as used in the United States. To implement this, we recommend that you propose amendments to Form 20-F under the Exchange Act, with conforming amendments to certain other rules and forms. We are not recommending any amendment to current requirements regarding the reconciliation to U.S. GAAP for foreign private issuers that file financial statements prepared using a basis of accounting other than, or that are not in full compliance with, the English language version of IFRS as published by the IASB.

As the Chairman has noted, the proposed acceptance of financial statements prepared in accordance with IFRS as published by the IASB is intended to foster promotion of IFRS as a single set of globally accepted accounting standards. A common set of accounting standards is expected to benefit investors by helping them to better understand and compare foreign investment opportunities without needing to gain familiarity with a myriad of national accounting standards. To realize these benefits, it is important to demonstrate that IFRS represents, in fact, a single set of global standards. It is for this reason that we recommend that the proposed amendments apply only to financial statements prepared in accordance with IFRS as published by the IASB. Under existing rules, any financial statements contained in filings with the Commission that are prepared using a basis of accounting other than U.S. GAAP must contain a reconciliation of differences to U.S. GAAP. A reconciliation may be presented pursuant to either Item 17 or Item

18 of Form 20-F, which sets forth the disclosure requirements for foreign private issuers under both the Exchange Act and the Securities Act. We are proposing amendments to both Item 17 and Item 18 such that financial statements prepared in accordance with IFRS as published by the IASB could be filed without reconciliation to U.S. GAAP when contained in any foreign private issuer registration statement or annual report.

Regulation S-X contains the form and content requirements for financial statements included in filings with the Commission. A number of rules contained in Regulation S-X require an issuer also to include the financial statements of another entity, such as those of a significant acquiree or investee. The amendments we are recommending would apply equally in the application of those rules, if the financial statements of the other entity are prepared in accordance with IFRS as published by the IASB. Regulation S-X would generally continue to apply to all issuers, including those who, under the proposed amendments, would be permitted to file financial statements without a U.S. GAAP reconciliation.

Because Items 17 and 18 of Form 20-F set forth the requirements for any reconciliation to U.S. GAAP to be included in filings with the Commission, we believe acceptance of IFRS financial statements without reconciliation is largely implemented by the amendments to those items. However, to avoid any ambiguity we also are recommending conforming amendments to the references to U.S. GAAP reconciliation contained in Form F-4, Form S-4, and Securities Act Rule 701.

In addition to posing questions on these proposed amendments, the release solicits comment on a number of other related topics, including whether we should address any areas in which IFRS does not provide guidance, and whether we should shorten the 6-month deadline for annual reports on Form 20-F, whether a U.S. GAAP reconciliation would be included or not.

We are recommending that these proposals be open to public comment for a period of 75 days after their publication in the Federal Register. Thank you. I now turn it back over to John White.

*<http://www.sec.gov/news/speech/2007/spch062007mdc.htm>*