



U.S. Securities and Exchange Commission

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

by

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In July, the Commission issued for public comment a proposal to amend Form 20-F and Regulation S-X. In that proposal, we solicited input on the acceptance of financial statements from foreign private issuers prepared on the basis of the English language version of IFRS as published by the IASB without a reconciliation to U.S. GAAP. We also sought comment on a number of areas including the notion of a single set of global accounting standards, the IASB as standard setter, the potential effect that acceptance of IFRS financial statements without a U.S. GAAP reconciliation may have on convergence, and the ability of investors to understand and use IFRS financial statements.

The Commission received approximately 125 letters in response to the Proposing Release. Commenters included investors, analysts, foreign and U. S. issuers, business associations, accounting and law firms, credit rating agencies and regulators. The vast majority of commenters agreed that the use of high-quality, internationally accepted accounting standards was an important and worthwhile goal. Those that supported the proposed amendments agreed that IFRS were suitable to be such standards. They also believed that accepting IFRS financial statements would promote and continue to encourage the convergence work of the IASB and the FASB. While other commenters supported the goal of internationally accepted accounting standards, they believed it is premature for the Commission to make a policy decision to accept IFRS financial statements without a U.S. GAAP reconciliation at this time.

Some commenters that supported the acceptance of IFRS financial statements indicated that the reconciliation is highly technical and not widely understood. These commenters expressed confidence in the quality of application of IFRS in practice. Commenters that expressed concern with the proposed amendments believe the reconciliation provides quantitative and

qualitative evidence that the convergence process is not sufficiently complete. They also believe the process of preparing the U.S. GAAP reconciliation improves the quality of financial reporting. At the same time some institutional investors commented that they are familiar and comfortable with IFRS financial statements and believe investors are already making use of IFRS financial statements.

A few commenters identified concerns relating to the organization, governance and operation of the IASB. These commenters felt that improvements were needed to enhance the geographic diversity of the board, and to better align its membership with investor interests.

Many commenters that supported the proposal also urged the Commission to make amendments that go further than those we proposed. These commenters suggested that the Commission also accept from foreign private issuers financial statements prepared using either jurisdictional adaptations of IFRS or any home country GAAP with a reconciliation to IFRS as issued by the IASB.

Commenters that supported the proposed amendments varied in their suggestion of an effective date for the amendments. Some believed the amendments should be effective for filings covering the 2008 financial year. Others felt that the amendments should be effective at the earliest possible date. There was almost unanimous support for the application of the proposed amendments to all foreign private issuers.

The staff gave consideration to all of these comments and the thinking behind them in formulating its recommendation to the Commission. I now turn it over to Conrad Hewitt to discuss the nature and basis for the staff's recommendation.

<http://www.sec.gov/news/speech/2007/spch111507kak.htm>