



U.S. Securities and Exchange Commission

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

by

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Thank you Conrad, John, and Katrina. Good morning, Chairman Cox and Commissioners. The Division of Corporation Finance and the Office of the Chief Accountant jointly recommend that you adopt amendments to accept, in the filings of foreign private issuers, financial statements prepared in accordance with IFRS as issued by the International Accounting Standards Board without reconciling information to U.S. GAAP. To implement this acceptance, we are recommending amendments to Form 20-F under the Exchange Act, with conforming amendments to certain other forms and rules.

As has been described, acceptance of these IFRS financial statements without a U.S. GAAP reconciliation in filings with the Commission will promote movement toward a single set of global accounting standards, which will help investors by enhancing comparability between investment opportunities. As the earliest possible effectiveness of these amendments will represent an important step toward achieving those benefits, we are recommending that they be applicable to financial statements for financial years ending after November 15, 2007. As such, foreign private issuers whose 2007 financial year has not yet ended will be able to file these IFRS financial statements without a U.S. GAAP reconciliation in the next annual report or registration statement.

Under existing rules, financial statements of foreign private issuers that are contained in SEC filings that are prepared using a basis of accounting other than U.S. GAAP must contain information to reconcile those financial statements to U.S. GAAP. A reconciliation may be presented pursuant to either Item 17 or Item 18 of Form 20-F. That form provides the disclosure requirements for foreign private issuers for both Exchange Act and Securities Act filings. We are recommending amendments to both Items 17 and 18 to permit the filing of financial statements prepared in accordance with IFRS as issued by the IASB without reconciliation to U.S. GAAP when contained in any

foreign private issuer registration statement or annual report.

We note that, as described in the Proposing Release, these amendments would apply to financial statements prepared using "the English language version of IFRS as published by the IASB." To avoid any ambiguity, the final amendments that we are recommending refer instead to the authoritative body of IFRS as "IFRS as issued by the IASB." The authoritative text of the standards is prepared in English by the International Accounting Standards Board.

As Chairman Cox has noted, taking this step is intended to foster the use of IFRS as a set of high-quality, internationally accepted accounting standards. In order to do so, however, it is important to ensure that IFRS truly represent a single set of internationally accepted standards, and not a multiplicity of national standards described using that rubric. For this reason, we recommend that the amendments to accept IFRS financial statements without a U.S. GAAP reconciliation be applicable only to foreign private issuers that state, and whose auditor opines, that the financial statements are in compliance with IFRS as issued by the IASB.

We also recommend providing an optional, temporary transitional provision for any existing registrant from the European Union that currently applies the optional EU accommodation with respect to International Accounting Standard 39, but complies with IFRS as issued by the IASB in all other respects. The IAS 39 accommodation allowed by the EU excludes certain provisions related to hedging in accounting for financial instruments. Under this transition provision, we would allow such a registrant to reconcile its financial statements to IFRS as issued by the IASB for the first two financial years ending after November 15, 2007. Subsequently, that issuer would report in the manner of any other foreign private issuer.

The recommended rules also would apply to interim financial statements. Under the recommended rules, an issuer that files IFRS financial statements for an interim period without reconciliation will be able to do so without providing disclosure under Article 10 of Regulation S-X, provided the interim financial statements comply fully with International Accounting Standard 34 for interim financial reporting.

Regulation S-X contains the form and content requirements for financial statements included in Commission filings. Some of the rules contained in Regulation S-X require an issuer to include the financial statements of another entity, such as those of a significant acquiree or investee. The amendments we are recommending will apply equally in the application of those rules, if the financial statements of the other entity are prepared in accordance with IFRS as issued by the IASB.

We believe that acceptance of IFRS financial statements without reconciliation is implemented by the amendments to Items 17 and 18 of Form 20-F. However, to avoid potential confusion, we also are recommending conforming changes to references to the U.S. GAAP reconciliation contained

in Form F-4, Form S-4, and Rule 701 under the Securities Act, as well as to Rules 1-02, 3-10, and 4-01 of Regulation S-X.

In the Proposing Release, we posed questions on whether we should shorten the 6-month deadline for annual reports on Form 20-F, regardless of whether a U.S. GAAP reconciliation would be included. We did not propose any amendments to the deadline. Commenters indicated a broad array of concerns pertaining to foreign private issuer reporting deadlines that are unrelated to the reconciliation, which the staff is continuing to consider. We therefore are not making any recommendation as to Form 20-F reporting deadlines at this time.

Thank you. I now turn it back over to John White.

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