



November 16, 2007

Nancy M. Morris, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-20-07, Concept Release on Allowing U.S. Issuers to Prepare Statements in Accordance with International Financial Reporting Standards

The Association for Financial Professionals (AFP) appreciates the opportunity to comment on the *Concept Release on Allowing U.S. Issuers to Prepare Statements in Accordance with International Financial Reporting Standards*. AFP represents 16,000 finance and treasury professionals employed by over 5,000 corporations and other organizations.

Secure, transparent and efficient global capital markets is a goal shared by AFP members and regulators. In order for U.S. corporations to stay competitive in the global markets, there must be a level playing field which does not disadvantage U. S. companies. An option that would allow U.S. issuers the option to prepare statements in accordance with International Financial Reporting Standards (IFRS) would help assure that U.S. companies are not placed at an unfair disadvantage in the global marketplace. Some U.S. companies are capable of making the transition now, including international U.S. companies that already are required to use IFRS in other jurisdictions. However, the accounting infrastructure for most domestic companies is not yet in place.

Large U.S. corporations operating internationally would most likely receive the greatest benefit from the optional use of IFRS. Yet, today, smaller companies are also becoming involved with non-US business interests. Additionally, AFP believes that over time more small and mid-sized public companies will become interested in IFRS in order to facilitate access to global capital markets and enhanced liquidity. As over 100 other countries have already agreed to convert to IFRS, the U.S. should not remain outside of the accounting global community.

A key concern for AFP is the current lack of educational resources on IFRS at this time. It is important to ensure IFRS will be optional during the early stages of any transition. Further, U. S. standards setters must have meaningful input into the process of setting and revising international accounting standards.

Specific Questions:

1. Do investors, U.S. issuers, and market participants believe the Commission should allow U.S. issuers to prepare financial statements in accordance with IFRS as published by the IASB?

It is the view of AFP that the Commission should only allow U.S. issuers the option to prepare financial statements in accordance with IFRS as published by the IASB if a comprehensive transition plan is developed with the inclusion of all major participants. Major participants would include auditors, regulators, educators, investors, lenders, and the public. Currently, the infrastructure within the United States is not aligned to assure adequate transparency of financial information for investors and other stakeholders. AFP recognizes that IFRS is now the most widely accepted set of accounting standards worldwide and both U.S. GAAP and IFRS are considered high quality accounting standards. Clearly, some U.S. companies, particularly multi-national companies, would benefit from using IFRS. However, we believe that during any transition period, a company electing to report using IFRS should also provide a reconciliation statement that discloses any material differences with U.S. GAAP. Furthermore, it should be clear that financial statements would have to be prepared in accordance with IFRS based on the English version and only those standards published by the IASB (not by any other jurisdiction's variation of IFRS).

2. What would be the effects on the U.S. public capital market of some U.S. issuers reporting in accordance with IFRS and others in accordance with U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? For example, would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Would comparative advantages be conferred upon those U.S. issuers who move to IFRS versus those U.S. issuers who do not? Would comparative advantages be conferred upon those investors who have the resources to learn two sets of accounting principles as compared to those who do not?

Any disruption on U. S. capital markets should be relatively limited. As noted above, global companies would see the greatest benefit if allowed to use IFRS. However, AFP believes that, over time, many small and mid-sized public companies would also benefit from IFRS as it facilitates access to global markets and offers increased liquidity as a result. As AFP stated above, U.S. corporations electing to use IFRS should be required to provide a reconciliation between IFRS and U.S. GAAP for all material differences for a period of time. This disclosure will be necessary until IFRS is either substantially adopted or following a suitable transition period after IFRS and U.S. GAAP are materially converged. A reconciliation would educate investors and other stakeholders of the major differences between the two standards and could act as a measure for regulators.

3. What would be the effects on the U.S. public capital market of not affording the opportunity for U.S. issuers to report in accordance with either IFRS or U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? Would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Alternatively, are there certain types of U.S. issuers for which the Commission should not afford this opportunity?

The effect on the U.S. capital markets if IFRS is not allowed would be to place U.S. companies at a competitive disadvantage in the global markets where the use of IFRS is allowed. Most of our trading partners including Australia, Canada, the European Union, China and Japan are moving to IFRS. It is important that the U.S. capital markets retain its competitiveness within the global markets. The failure to provide the option to convert to IFRS may disadvantage U.S. companies.

4. To what degree would investors and other market participants desire to and be able to understand and use financial statements of U.S. issuers prepared in accordance with IFRS? Would the desire and ability of an investor to understand and use such financial statements vary with factors such as the size and nature of the investor, the value of the investment, the market capitalization of the U.S. issuer, the industry to which it belongs, the trading volume of its securities, or any other factors?

Investors and other market participants will generally be apprehensive about such a significant change unless there is a reasonable education and transition period. Larger multinational corporations with substantial interests in foreign jurisdictions and their auditors should find their investors more open to a change that reduces administrative costs. However, the experience of large, multinational corporations in using IFRS should not lessen the need for education and training of investors, accountants, auditors and other stakeholders in the new standards. AFP believes that with a convergence to global reporting standards, facilitated through IFRS, U.S. companies can be more fairly compared to international competitors, allowing investors an opportunity to make a more informed, balanced investment decision when allocating capital on a global basis.

5. What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements? Would the incentives differ by industry segment, geographic location of operations, where capital is raised, other demographic factors, or the aspect of the Commission's filing requirements to which the U.S. issuer is subject?

As indicated above, companies with global interests would have the greatest incentive and interest in using IFRS. Smaller companies without global interests would have a lesser interest and may have limited ability or desire to use IFRS. Any mandate to move to IFRS would create a heavy burden for these smaller public companies. Further, certain U.S. standards are more complex and specific to certain sectors, such as revenue recognition for software sales. Any transition to IFRS, which affect comparability could put these sectors at a near term disadvantage. We respectfully urge the SEC to consider this in the course of the Commission's evaluation when considering allowing U.S. companies the option of using IFRS.

6. What immediate, short-term or long-term barriers would a U.S. issuer encounter in seeking to prepare IFRS financial statements? For example, would the U.S. issuer's other regulatory or contractual financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?

The greatest barrier for any U.S. issuer is the lack of both internal and external professional staff, such as auditors, who are knowledgeable in IFRS. Regulators and external users of financial statements would also be challenged initially because of inadequate training in IFRS. AFP is concerned that the level of IFRS proficiency within the PCAOB and the SEC may need to be enhanced to fairly assess IFRS reporting. Without an adequate assessment of the impact on domestic markets, it is not clear what impact moving to IFRS may have on existing relationships, such as with loan covenants or other credit arrangements.

7. Are there additional market forces that would provide incentives for market participants to want U.S. issuers to prepare IFRS financial statements?

As indicated above, comparability with global competitors and the ability to use one single set of accounting standards for all global activities would be a significant incentive for some market participants. By moving to IFRS, AFP believes that over time the redundancy of reporting in GAAP at the parent level, while concurrently reporting according to local reporting standards for statutory filings can be eliminated.

8. Are there issues unique to whether investment companies should be given the choice of preparing financial statements in accordance with IFRS? What would the consequences be to investors and other market participants of providing investment companies with that choice?

AFP has no expertise in measuring the impact of IFRS on investment companies.

9. Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of the FASB? If so, why? If not, why not? What effect might there be on the development of U.S. GAAP?

For the short-term, while IFRS is optional, the role of FASB should not substantially change. Regulators should consider FASB in an advisory role to the IASB. Additionally, FASB may need to shift their priorities to become a facilitator of accounting information to investors, issuers and other market participants within the U.S. FASB's role as an educator and as an accounting standard advisor for issues related to the U.S. should increase. They may also retain a role for issuing standards for non-public companies.

10. What are investor's, issuers' and other market participants' opinions on the effectiveness of the processes of the IASB and the FASB for convergence? Are investors and other market participants satisfied with the convergence progress to date, and the robustness of the ongoing process for convergence?

The convergence process has been a healthy exercise in reducing accounting differences. At some future point in time, the convergence project may have less importance. The SEC should consider whether a decision needs to be made that IFRS as presently written is of high enough quality that the convergence program is no longer needed. The next step would be to mandate that, at some future date, all listed companies would be required to use IFRS (as has been done in several other countries already). However, at present, the U.S. investment markets are not prepared to move forward to mandatory use of IFRS.

11. How would the convergence work of the IASB and the FASB be affected, if at all, if the Commission were to accept IFRS financial statements from U.S. issuers, would market participants still have an incentive to support convergence work?

Currently, all U.S. companies are required to file their financial information based on U.S. GAAP as promulgated by the FASB. At some future point in time, additional convergence work should become immaterial and convergence work should be stopped. However, the convergence work of the FASB has created a joint working relationship that allows U. S. views to have some influence on the international standard setting process. Before the convergence work stops and before the SEC approves any changes with respect to domestic companies using IFRS, a change in working relationship with the IASB needs to take place. To date, the IASB has been

dominated by European influences. Until U. S. views and participation becomes more balanced within the IASB organization, the SEC should not approve any changes.

12. If IFRS financial statements were to be accepted from U.S. issuers and subsequently the IASB and the FASB were to reach substantially different conclusions in the convergence projects, what actions, if any, would the Commission need to take?

The choices are either to reach a compromise or to follow the example of the European response to IAS 39 on derivatives, where they provided for a 'carve-out'. The Commission would also have a choice of requiring a note which identifies the differential or require additional information for companies filing with the SEC.

13. Do investors, issuers and other market participants believe giving U.S. issuers the choice to prepare financial statements in accordance with IFRS as published by the IASB furthers the development of a single set of globally accepted accounting standards? Why or why not, and if so, how?

The SEC should not be premature in granting an option to U.S. companies that allows the use of IFRS. This would send a strong global signal that the U.S. unconditionally supports the present international accounting standards setting process. As stated earlier in this letter, increased U.S. representation within the organization setting global standards is necessary and increased representation must be communicated to the U.S. investor public.

14. Are investors, U.S. issuers and other market participants confident that IFRS have been, and will continue to be, issued through a robust process by a stand-alone standard setter, resulting in high quality accounting standards? Why or why not?

It is unclear whether the IFRS would continue to be issued by a robust stand-alone organization which issues high quality accounting standards. As a condition of any change, there must be a restructured IASB where the U.S. views are represented in proportion to the size of our capital markets. At this time, AFP does not believe that adequate consideration has been given to address the needed change in the decision-making process of the IASB to properly represent the interests of the U.S. capital markets.

15. Would it make a difference to investors, U.S. issuers and other market participants whether the Commission officially recognized the accounting principles established by the IASB?

There has been inadequate preparation in the domestic market to officially recognize accounting principles established by the IASB. A significant amount of communication and education needs to take place. The regulatory infrastructure needs to change. AFP believes that once adequate preparations have been made, movement toward a single set of simplified, transparent and comparable global accounting standards would be beneficial for U.S. capital markets and investors.

16. What are investor', U.S. issuers' and other market participants' views on how the nature of our relationship with the IASB, a relationship that is different and less direct than our oversight role with the FASB, affects the Commission's responsibilities under the U.S. securities laws?

U.S. issuers are not familiar with the nature of our relationship with the IASB. U.S. market participants may be uncomfortable with a process that, to date, has not had significant U.S. participation. Further, they may be concerned that their current input into the rulemaking process will be diminished or eliminated. An educational program will need to be initiated to change this view. U.S. market participants need to understand what the legal authority and relationships and how interested parties can influence the rulemaking process.

17. In what ways might the Commission be able to assist in improving investor's ability to understand and use financial statements prepared in accordance with IFRS?

A public education program and marketing strategy should be developed to educate investors on IFRS. In addition, it is important that initial optional financial statements include a mandatory reconciliation for all material differences between the two standards for a period of time or until convergence is substantially complete.

18. What are the incentives and barriers to adapting the training curricula for experienced professionals to address both IFRS and U.S. GAAP? Separate from ongoing training, how long might it take for a transition to occur? How much would it cost?

Education and training in the U.S. is probably the greatest barrier to adoption of IFRS at this time. Universities and Certified Public Accounting (CPA) testing does not include any training or testing on IFRS. This is one reason why the use of IFRS must remain optional for a period of time. Regulators need to meet with CPA testing authorities to set in motion testing on IFRS. Such changes will encourage colleges and universities to revise their curricula to cover IFRS.

State CPA societies and the AICPA will need to introduce CPE training to existing CPAs on IFRS. At a minimum, it will take several years for the higher education establishment and the accounting profession to initiate the necessary infrastructure for training accountants and auditors in IFRS. Further, universities will need to recruit teachers and develop accounting curricula on IFRS.

19. What are the incentives and barriers relevant to the college and university education system's ability to prepare its students for a U.S. public capital market in which U.S. issuers might report under IFRS? What are the incentives and barriers relevant to changing the content of the Uniform CPA Examination? How should the Commission address these incentives and barriers, if at all?

See response to question 18 above.

20. What issues would be encountered by U.S. issuers and auditors in the application of IFRS in practice within the context of the U.S. financial reporting environment?

The biggest issue is the lack of trained accountants and auditors in the application of IFRS. This applies to those within corporations, external auditors and regulatory staff.

21. How do differences between IFRS and U.S. GAAP bear on whether U.S. issuers, including investment companies, should be given the choice of preparing financial statements in accordance with IFRS?

AFP does not have the expertise to respond to this question.

22. What do issuers believe the cost of converting from U.S. GAAP to IFRS would be? How would one conclude that the benefits of converting justify those costs?

There is a significant cost of training and education. However, the benefits for global companies would be considerable. Allowing the use of IFRS would eliminate the need for multiple accounting for U.S. companies and would improve U.S. company competitiveness.

23. Would audit firms be willing to provide audit services to U.S. issuers who prepare their financial statements in accordance with IFRS? How, if at all, would allowing U.S. issuers to prepare IFRS financial statements affect the current relative market shares of audit firms?

In most cases, the Big-4 are already providing these services for the largest companies that operate in multiple jurisdictions. Audit services by smaller CPA firms to their clients may be a greater problem. For small CPA firms and smaller companies, access to IFRS-qualified accountants will be limited, resulting in a short-term burden. This is why it is important for IFRS to be optional and have a gradual introduction for smaller companies and their auditors.

24. What factors, if any, might lead to concern about the quality of audits of IFRS financial statements of U.S. issuers?

There will be some short-term quality issues as corporations and auditors become educated on the application of a different set of reporting standards. A short-term reconciliation requirement should help identify where the problems are and to help educate investors, companies, auditors and regulators on IFRS.

25. Would any amendments or additions to auditing and other assurance standards be necessary if U.S. issuers were allowed to prepare IFRS financial statements?

There should not be a large change to existing auditing standards if U.S. issuers were allowed the option to prepare financial statements using IFRS. The most significant difficulty will be in training auditors in the proper application of IFRS. Further, additional senior auditor level oversight will be needed since IFRS is principles-based, requiring more professional judgment.

26. How could global consistency in the application of IFRS be facilitated by auditors of U.S. issuers?

There are international organizations, such as the International Federation of Accountants (IFAC) that could expand work in helping to establish global consistency. The Big-4 auditors at the highest level are already conversing with each other. Global education programs could assist with the application of IFRS.

27. Do you think that the information sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities regulator's ability to identify and address inconsistent and inaccurate applications of IFRS?

Existing multilateral and bilateral work among securities regulators would and should expand in order to raise the global quality of financial reporting.

28. If the Commission were to consider rulemaking to allow U.S. issuers to prepare IFRS financial statements, are there operational issues relative to existing Commission requirements on which additional guidance would be necessary and appropriate? Would it be appropriate to have differing applicability for U.S. issuers of the form and content provisions of Regulation S-X depending on whether they use IFRS in preparing their financial statements? Are there operational or other issues unique to investment companies? In preparing and auditing IFRS financial statements, should U.S. issuers and their auditors consider the existing guidance related to materiality and quantification of financial misstatements?

AFP does not have the expertise to respond to this question.

29. Should there be an accommodation for foreign issuers that are not foreign private issuers regardless of whether the Commission were to accept IFRS financial statements from U.S. issuers? Should any accommodation depend upon whether the foreign issuer is subject to the laws of another jurisdiction which requires the use of IFRS, or if the issuer had previously used IFRS financial statements in its filings with the Commission?

AFP does not have the expertise to respond to this question

30. Who do commenters think should make the decision as to whether a U.S. issuer should switch to reporting in IFRS: a company's management, its board of directors or its shareholders? What, if any, disclosure would be warranted to inform investors of the reasons for and the timing to implement such a decision? If management were to make the decision to switch to IFRS, do investors and market participants have any concerns with respect to management's reasons for that decision?

The initial switch to IFRS is a significant event. Financial reporting is for reporting information to stockholders and other stakeholders. The decision to make a change should be made by the company's management with a recommendation from its board of directors on whether to make such a change. The goal is to move toward a single set of accounting standards for public companies so the decision is really one of choosing to make the switch early or later. Management should prepare disclosure on the timing of the change to IFRS financial statements, after a standard has been issued by the Commission regarding IFRS.

31. When would investors be ready to operate in a U.S. public capital market environment that allows the use of either IFRS or U.S. GAAP by U.S. issuers? When would auditors be ready? How about those with other supporting roles in the U.S. public capital market (e.g., underwriters, actuaries, valuation specialists, and so forth)? Is this conclusion affected by the amount of exposure to IFRS as it is being applied in practice by non-U.S. issuers?

For all practical purposes, if the company provided a reconciliation of material changes, the U.S. capital markets (including investors) should be ready now. A reconciliation would allow those without knowledge of IFRS to see how the differences impact the financial information and would also educate investors and other users on key differences between IFRS and GAAP.

32. Should the Commission establish the timing for when particular U.S. issuers could have the option to switch from preparing U.S. GAAP to IFRS financial statements? Should market forces dictate when a U.S. issuer would make the choice to switch from U.S. GAAP to IFRS financial statement reporting? If the former, what would be the best basis for the Commission's determination about timing?

The Commission should establish a timetable for companies to give all interested parties time to prepare for the transition. Companies should work within the timetable afforded by the Commission to decide and/or communicate with their investors. It also gives the company and their auditor time to staff as needed. However, no timetable should be established unless a plan is also included which lays out how all parties (investors, regulators, accountants, corporate management) will become educated on the application of IFRS.

33. Should the opportunity, if any, to switch to IFRS reporting be available to U.S. issuers only for a particular period to time? If so, why and for what period? At the end of that period of time, could commenters foresee a scenario under which it would be appropriate for the Commission to call for all remaining U.S. issuers to move their financial reporting to IFRS?

The opportunity to switch to IFRS should not be for a particular period of time. The opportunity to switch should be phased-in based on size and global needs of companies. At some future date, if the conditions discussed above are met, all U.S. issuers should be required to use IFRS. The eventual requirement that all issuers use a single set of standards would establish greater uniformity and reduced confusion.

34. What difficulties, if any, do U.S. issuers anticipate in applying IFRS 1's requirement on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?

Initial transition is always complicated. The European Union went through this when they required all public companies to change from their countries' accounting standard to IFRS. The SEC should look at the EU experience in their transition process.

35. Would it be appropriate for U.S. issuers that move to IFRS to be allowed to switch back to U.S. GAAP? If so, under what conditions?

Generally, companies that switch from U.S. GAAP to IFRS should retain IFRS. However, companies that may be downsizing or have a good business purpose should have the ability to make a formal request to convert back to U.S. GAAP upon regulatory approval. The Commission should also consider whether to permit a switch when there are special circumstances, such as when a company is going from public to private or there is a corporate merger or acquisition.

Thank you for the opportunity to respond to this concept release. AFP looks forward to working with the SEC in providing meaningful information concerning the ability of U.S. domestic company's ability to use IFRS. Please contact John R. Rieger, Director of Accounting and Financial Reporting for any additional information or questions, 301.961.8885, jrieger@afponline.org.



June Johnson



Maureen O'Boyle