

September 21, 2007

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

By e-mail: rule-comments@sec.gov

**Re: Acceptance From Foreign Private Issuers of Financial Statements Prepared in
Accordance With International Financial Reporting Standards Without
Reconciliation to U.S. GAAP
(Release No. 33-8818, File No. S7-13-07)**

Dear Ms. Morris:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the above captioned release. NYSSCPA thanks the SEC for the opportunity to comment.

The NYSSCPA's Financial Accounting Standards and SEC Practice Committees deliberated the release and drafted the attached comments. If you would like additional discussion with us, please contact Edward P. Ichart, Chair of the Financial Accounting Standards Committee, at 516-488-1200, Rita M. Piazza, Chair of the SEC Practice Committee, at (914) 684-2700, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



David A. Lifson
President

Attachment

COMMENTS ON SEC RELEASE NO. 33-8818, FILE NO. S7-13-07

**ACCEPTANCE FROM FOREIGN PRIVATE ISSUERS OF FINANCIAL
STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS
WITHOUT RECONCILIATION TO U.S. GAAP**

September 21, 2007

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Comments on SEC Release No. 33-8818, File No. S7-13-07

Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP

GENERAL COMMENTS

The Financial Accounting Standards Committee and the SEC Practice Committee of the New York State Society of Certified Public Accountants welcomes this opportunity to comment on the SEC proposed rule “*Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to U.S. GAAP.*” This section summarizes our primary comments. Answers to specific questions raised in the proposed rule are presented in a separate section below.

We fully support the convergence between the International Financial Reporting Standards (IFRS) and U.S. GAAP. We agree that development of high quality, consistent global accounting standards is essential for the future health of international capital markets. We appreciate the Commission’s commitment to continued progress in this area. However, for the reasons discussed below, we are concerned that the proposal to eliminate U.S. GAAP reconciliation for foreign private issuers is premature.

Significant Differences with U.S. GAAP Remain

As the Commission acknowledges in the proposed rule, convergence of IFRS and U.S. GAAP is far from complete, and significant differences remain. As further discussed below, these differences will create an uneven competitive field for domestic and foreign registrants and will make it difficult for investors to compare the performance of companies from different geographies.

From a broad perspective, IFRS and U.S. GAAP are different in that U.S. GAAP standards are more rules-based while IFRS are more principles-based. In many areas, IFRS lack detailed guidance, which can result in varied and divergent accounting practices. In particular, revenue recognition requirements under IFRS are much less detailed than U.S. GAAP and lack sufficient guidance in many important areas, including software revenue recognition and multi-element arrangements. Although many IFRS

adopters today consider U.S. GAAP in establishing their revenue recognition policies, we believe that the principles-based guidance under IFRS could unintentionally foster abuse. In the absence of U.S. GAAP reconciliation, the greater flexibility allowed under IFRS would give an advantage to foreign filers as compared to their U.S. counterparts.

We also note that several significant areas of IFRS and U.S. GAAP remain unconverged, including consolidations, insurance accounting, fixed assets, and pensions. Some standards are identical or similar in principle but differ with respect to detailed rules, which could result in material differences for individual companies. Examples include business combinations, financial instruments and taxes.

While both frameworks result in high-quality financial statements, without a reconciliation, investors are unable to appropriately compare financial position and operating results, due to differences in standards. Investors need comparability among companies when evaluating potential investment opportunities. The Commission has indicated that only a limited group of “sophisticated” investors find financial statements prepared on the basis of IFRS acceptable for their purposes. However, this does not consider other U.S. capital market participants and potential investors. Until convergence of U.S. GAAP and IFRS is achieved substantially, the reconciliation should be retained. Many users of financial information will continue to need comparable information which can only be obtained by use of the reconciliation.

We also note that due to differences in frameworks, it is not clear whether the Commission’s accounting rules, such as Staff Accounting Bulletins and Financial Reporting Releases, would apply to IFRS users. Before proceeding with the proposed rule, the Commission should evaluate whether accounting guidance issued by the Commission conflicts with IFRS. If such conflicts exist, then the Commission should consider how they should be resolved by IFRS users. Application of SEC accounting rules to IFRS financial statements may result in yet another regional variation of IFRS – “IFRS as adopted for use in the U.S.” – which would conflict with the Commission’s intention to only accept financial statements prepared in accordance with IFRS as published by IASB.

We further note that IASB Chairman Sir David Tweedie stated in his interview published in the July 2007 issue of the *Journal of Accountancy* that U.S. GAAP and IFRS “should be pretty much the same” by 2011 - 2012. If such rapid progress is expected, we see no reason in eliminating the reconciliation before the frameworks are substantially converged.

Inconsistencies in Application of IFRS Around the World

The Commission should carefully consider consistency in use of IFRS around the world before adopting the proposed rule. As principles-based standards, IFRS allow for options in accounting treatment. As a result, interpretation of IFRS around the world varies and is often influenced by countries’ previous local GAAP as well as regional

industry practices. These inconsistencies give rise to what has been termed “IFRS with an accent.”

This issue has been noted in several accounting research reports. For example, research by the KPMG International Financial Reporting Group in January 2007 found that application of IFRS tends to be more affected by a company’s geographical origin and previous GAAP than its industry. A similar report by Ernst & Young in September 2006 stated that IFRS adopters still have “a long way to go to achieve consistency and comparability in all aspects of financial reporting.”

The Commission’s proposal states that “over the years, the Commission staff has acquired a broad understanding of the standards comprising IFRS.” However, it also states that “the staff’s review of IFRS financial statements is limited to a small portion of the total universe of companies that use IFRS.” The limited information reviewed by the Commission raises questions as to whether its comfort with IFRS is warranted. Indeed, we assert that there may be more comparability and consistency among IFRS financial statements of current SEC registrants than in the greater pool of world-wide adopters of IFRS, since IFRS accounting policy choices of current U.S. filers are influenced by the requirement to reconcile to U.S. GAAP. This likely will not be the case if the reconciliation is eliminated, thereby introducing greater variability in accounting policies of foreign private issuers. Before adopting the proposed rule, the Commission should assess the robustness and consistency of IFRS financial statements worldwide, including those of companies not yet registered in the U.S.

We are concerned that U.S. investors may not be fully aware of or understand inconsistencies in application of IFRS around the world. In the absence of a U.S. GAAP reconciliation, this will place an undue burden and risk on the U.S. investing public. IFRS financial statements may become more consistent in the future, as international standards develop further, and as preparers and auditors gain more experience in their application. Until that time, foreign private issuers should continue to be required to reconcile to U.S. GAAP.

Accounting Policy Disclosures of IFRS Filers Must Be Thorough

Given the significant differences between IFRS and U.S. GAAP and the inconsistencies in application of IFRS around the world, it is imperative that financial statements of foreign filers contain robust accounting policy disclosures. Before adopting the proposed rule, the Commission should assess carefully the quality of accounting policy disclosures in the IFRS financial statements. For example, the Financial Reporting Review Panel in the United Kingdom issued a report on review of first-time IFRS financial statements. This report expressed concerns in a number of areas, including adequacy of disclosures of accounting policies, significant judgments, and estimates. We believe that weaknesses in this area would have a negative effect on the ability of U.S. investors to understand and analyze IFRS financial statements.

U.S. GAAP Reconciliation is a significant Incentive for Convergence Process

While we acknowledge the Commission's commitment to convergence between U.S. GAAP and IFRS, we are concerned that the adoption of the proposed rule may have an effect opposite to the one intended. The current requirement to reconcile foreign financial statements to U.S. GAAP is a significant incentive to continue the convergence process. It is also one of the reasons why foreign companies often consider U.S. guidance in selecting their IFRS accounting policies. We note that U.S. GAAP is often viewed in the international community as too detailed and rule oriented. Therefore, if foreign companies are able to access U.S. capital markets without regard to U.S. accounting standards, they may offer less support to the IFRS-U.S. GAAP convergence efforts. We are concerned that removing mandatory reconciliation may stifle the convergence process and render pronouncements by U.S. standard-setters less relevant in the international accounting community.

Foreign Filers Use Jurisdictional Versions of IFRS, as Opposed to IFRS as Published by IASB

The Commission should carefully assess the practical implications of requiring foreign filers to comply with IFRS as issued by IASB in order to use U.S. GAAP reconciliation exemption. Most IFRS adopters use regional variations of IFRS, rather than the original IASB version. While we agree that IASB follows a robust and high quality process in developing its standards, we note that IASB does not have the authority to enforce its standards. Rather, IFRS must be adopted by the appropriate regional regulator before they become law in a particular country. A local regulator may amend IFRS prior to adopting them, such as rendering certain requirements non-mandatory (e.g. IAS 39 carve-outs in the E.U.) or adding application guidance (e.g. Australian equivalents of IFRS). There may also be a significant time lag between issuance of a standard or interpretation by IASB and its adoption in a particular country. Due to such timing differences and amendments, a foreign filer may not simultaneously comply with IFRS as adopted in its country and with the IASB's original version. Consequently, many foreign filers may need to prepare a second set of financial statements and/or obtain a second audit opinion in order to qualify for the U.S. GAAP reconciliation exemption. Some of these filers may choose to present U.S. GAAP reconciliation instead. This brings into question the extent of efficiency gains that would be achieved by adopting the proposed rule.

Alternative Suggestions if the Rule is Adopted

As discussed above, we believe that the Commission's proposal is premature because convergence of IFRS and U.S. GAAP has not been achieved and because preparers, auditors, and the investing public have not gained sufficient experience with IFRS. While the goal is admirable, elimination of the reconciliation requirement should await achievement of at least substantial convergence by the IASB and the FASB. Notwithstanding our overriding comment, should the Commission proceed with its proposal, we offer the following alternative suggestions.

We believe that some measure of comparability is important to users of financial statements. If the reconciliation is eliminated, at a minimum there should be a narrative discussion of the major differences between a foreign private issuer's IFRS financial statements and those prepared under U.S. GAAP. Perhaps a measure of a 10% effect on a suitable performance measure (e.g., net income) would be sufficient. Also, in lieu of a full reconciliation, a foreign private issuer filing with the SEC on the basis of IFRS should provide minimal information such as the amount of net income and stockholders' equity on a U.S. GAAP basis. We recognize that supplying this limited information would reduce significantly the cost savings anticipated by the elimination of the reconciliation. Nevertheless, we believe that comparability among filers is critical for U.S. investors and potential investors.

Additional measures should be taken to ensure that U.S. investors fully understand the accounting principles used in preparation of financial statements. When IFRS are used, the heading of each financial statement should make the basis of accounting clear. Further, the description of accounting policies should be clear and comprehensive. The Commission may wish to consider imposing additional disclosure requirements for IFRS users, for example regarding revenue recognition policies and significant estimates and judgments.

We offer one additional suggestion should the Commission eliminate the reconciliation requirement. We see no conceptual basis for permitting only foreign private issuers the option of using IFRS or U.S. GAAP. Many domestic issuers have significant foreign operations. Indeed, for some U.S. issuers, foreign operations may represent a majority of the consolidated operations. As noted above, we believe that such companies (in fact, all U.S. issuers) will be disadvantaged if they are not allowed to follow IFRS, due to the greater flexibility allowed under IFRS. As such, all issuers should be afforded the same option.

MATTERS ON WHICH SPECIFIC COMMENTS WERE REQUESTED

Q13. Should we put any limitation on eligibility of a foreign private issuer that uses IFRS as published by the IASB to file financial statements without a U.S. GAAP reconciliation? If so, what type of limitations? For example, should the option of allowing IFRS financial statements without reconciliation be phased in? Should only foreign private issuers that are well-known seasoned or large accelerated filers, or accelerated filers, and that file IFRS financial statements be permitted to omit the U.S. GAAP reconciliation?

There should be a phase-in based on the size/sophistication of the issuer, such as allowing seasoned, large accelerated filers to file IFRS financial statements first.

Q14. At the March 2007 Roundtable on IFRS, some investor representatives commented that IFRS financial statements would be more useful if issuers filed their

Form 20-F earlier than the existing six-month deadline. We are considering shortening the deadline for annual reports on Form 20-F. Should the filing deadline for annual reports on Form 20-F be accelerated to five, four or three months, or another date, after the end of the financial year? Should the deadline for Form 20-F be the same as for an issuer's annual report in its home market? Should we adopt the same deadlines as for annual reports on Form 10-K?

The deadline for Form 20-F should be the same as for Form 10-K. However, if a foreign issuer makes its financial information publicly available in its home country or elsewhere before Form 20-F is filed, then it should be required to file Form 8-K disclosing that fact.

Q16. Is there any reason why an issuer should not be able to unreservedly and explicitly state its compliance with IFRS as published by the IASB? Is there any reason why an audit firm should not be able to unreservedly and explicitly opine that financial statements comply with IFRS as published by IASB? What factors may have resulted in issuers, and in particular, auditors refraining from expressing compliance with IFRS as published by IASB?

Smaller registered public accounting firms may be more comfortable with reconciling to U.S. GAAP than with opining on a new set of accounting principles.

Q26. Should issuers that are permitted to omit a U.S. GAAP reconciliation for the current financial year or current interim period be required to disclose in their selected financial data previously published information based on the U.S. GAAP reconciliation with respect to financial years or interim periods?

In the year in which a transition is made by an issuer to IFRS, we believe that the financial statements should include transitional financial information related to prior years' reconciliations.

Q42. Without the reconciliation to U.S. GAAP, should there be concern about member firm requirements to have persons knowledgeable in accounting, auditing and independence standards generally accepted in the United States review IFRS financial statements filed with the Commission? Are there alternative ways in which the concerns may be addressed?

Eliminating the reconciliation requirement may present near term difficulties for personnel at smaller registered public accounting firms and the middle market issuers they serve. Reconciling accounting principles may be easier than applying different principles in the aggregate.

The timing of any implementation should allow for adequate training in IFRS for those schooled in U.S. GAAP. At a minimum, U.S. accountants should be given the same amount of time that was afforded accountants from E.U. countries in their transition to IFRS. The need for training is a substantial unrecognized cost in this process.

A delay in the effective date, coupled with the phase-in process based on the size/sophistication tests noted above, would be a more appropriate approach should the Commission adopt the proposed Rule.