

November 13, 2007

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

**Re: Concept Release Numbers 33-8831; 34-56217; IC27924; File Number S7-20-07:
Allowing U.S. Issuers to Prepare Financial Statements in Accordance with
International Financial Reporting Standard**

Dear Ms. Morris:

The International Swaps and Derivatives Association (“ISDA”) and the Dealer Accounting Committee of the Securities Industry and Financial Markets Association (“SIFMA”), collectively, the joint industry working group (“JIWG”), appreciate the opportunity to provide the following comments with respect to the Securities and Exchange Commission’s (the “SEC”) concept release (the “Concept Release”) on allowing U.S. issuers the option to prepare financial statements in accordance with International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board (“IASB”). The JIWG is comprised of leading participants in the securities and privately negotiated derivatives industries and includes most of the world’s major financial institutions. Collectively, the membership of the JIWG has substantial professional expertise and practical experience addressing accounting policy.

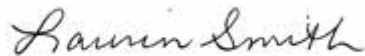
The JIWG firmly believes that IFRS are high quality accounting standards that provide a means for faithful representation of economic events and transactions, and that provide investors and creditors with transparent and comparable financial information needed to make economic decisions. We support the SEC’s proposal to allow U.S. issuers to prepare their financial statements in accordance with IFRS, as we believe doing so (i) will likely lead to improved comparability in financial reporting among global enterprises that report under IFRS and that operate within the same industry sectors, (ii) will, over time, reduce financial statement preparation costs and resources requirements, and (iii) will likely accelerate the efforts being made to converge U.S. generally accepted accounting principles (“U.S. GAAP”) and IFRS. Consistent with the SEC’s recent proposal to permit foreign private issuers to report under IFRS as published by the IASB without a reconciliation to U.S. GAAP, we support providing the same opportunity for U.S. issuers.

The JIWG supports the concept of providing U.S. issuers the opportunity to prepare their financial statements under IFRS and therefore encourages the SEC to expeditiously permit this

alternative. The JIWG strongly encourages the SEC to play an active role in coordinating broader acceptance of IFRS by all interested constituents, for example, lending institutions, credit and equity analysts, taxing authorities, banking regulators, etc. While providing the option for U.S. issuers to report under IFRS is one step in moving toward the goal of convergence, the Financial Accounting Standards Board ("FASB") and IASB should continue to pursue their ultimate goal of harmonizing the accounting under U.S. GAAP and IFRS. As part of its long-term plan for all registrants to report under a single set of accounting standards, we recommend that the SEC consider the level of acceptance of IFRS by constituents, the progress made by the FASB and IASB on convergence, appropriate transition to IFRS, and the administration of certification and licensure for accounting practitioners.

The comments that follow address certain questions raised in the Concept Release but do not address all the questions to which the SEC requested responses. The JIWG's responses address questions most pertinent to preparers of financial statements that operate in the capital markets on a global basis, and who are likely candidates to consider an election to prepare financial statements under IFRS. We hope you find the JIWG's comments informative and beneficial. Should you have any questions or desire any clarification concerning the matters addressed in this letter please do not hesitate to contact the undersigned or Hee Lee, ISDA's external accounting advisor at 212-773-0875.

Sincerely,



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Question 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?

The JIWG supports the SEC's proposal to allow U.S. issuers the option to prepare their financial statements in accordance with IFRS (as published by the IASB), as doing so will likely result in the realization of the following benefits:

- For entities that will report under IFRS, improved comparability in financial reporting among global enterprises operating within the same industry sectors,
- Acceleration of the current efforts to converge U.S. GAAP with IFRS,
- Over time, a reduction in costs and resources associated with preparing two or more sets of financial statements,
- Increased access for U.S. issuers to foreign capital markets that rely on IFRS, increasing the ability to optimize liquidity and to minimize the cost of capital.

Our support for allowing U.S. issuers to prepare their financial statements under IFRS rests on our firm belief that IFRS are high quality accounting standards that provide a means for faithful representation of economic events and transactions, and that provide investors and creditors with transparent and comparable financial information needed to make economic decisions. The JIWG's support for allowing U.S. issuers to report under IFRS is predicated upon the SEC's rescission of the IFRS to U.S. GAAP reconciliation currently required of foreign private issuers. The JIWG believes in a level playing field between foreign private issuers and U.S. issuers.

While the JIWG supports the notion of providing U.S. issuers the option to prepare their financial statements under IFRS, it acknowledges that there are a number of barriers to successfully implementing this proposal (see to the response to question #6 below). While barriers to successfully implementing a plan to permit U.S. issuers to report under IFRS may exist, we do not view these barriers as insurmountable, nor do we foresee any long term harm to the accounting profession, the capital markets or investor confidence. Our view is supported by financial statement users' abilities to utilize financial statements currently prepared under IFRS for economic decision making purposes. Additionally, preparers and auditors alike are generally able to adapt within a reasonable period of time to changes in financial accounting standards. As an example, companies within the European Union ("EU") were required to adopt IFRS within the last few years, and it is our understanding that the adoption of IFRS did not create an unmanageable strain on auditors or preparers, nor did such adoption negatively impact the financial markets.

The JIWG supports the joint efforts of the FASB and the IASB to converge U.S. GAAP and IFRS but acknowledges that it could be some years until such efforts translate into a fully converged or single set of accounting standards. We view the option for U.S. issuers to prepare

their financial statements under IFRS as a catalyst for accelerated convergence, as discussed further in our response to Questions 10, 11, and 13.

Question 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 (e.g., banking, insurance, taxation) or contractual (e.g., loan covenants) financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?

We acknowledge that there are a number of barriers to successfully implementing the SEC's proposal. These barriers include, but are not limited to:

- Significant costs associated with initially adopting, applying, and auditing IFRS,
- Limited acceptance of and application of IFRS by U.S. based constituents, including lending institutions, credit and equity analysts, taxing authorities, banking regulators, insurance regulators, and governmental bodies,
- Potential regulator-specific or jurisdiction-specific interpretations of IFRS,
- Necessary changes to individual state certification and licensure requirements for individuals and firms to practice as public accountants.

In order to fully realize the potential benefits of the Concept Release, we recommend that, simultaneously with its approval, the SEC initiate an effort to ensure the acceptability of IFRS by all relevant U.S.-based constituencies.¹ In this regard, Treasury Secretary Henry M. Paulson Jr.'s initiative to strengthen the competitiveness of U.S. capital markets seems an appropriate vehicle for such an effort. Secretary Paulson has stated that the ever-increasing globalization of capital markets necessarily means that efforts must be undertaken to enhance the comparability of foreign company financial statements.² These views are fully compatible with those of the SEC's staff in announcing publication of the concept release on rescinding the IFRS-to-U.S. GAAP reconciliation, which stated, "the actions announced today represent critical steps toward a future regulatory framework in which IFRS may be used on a stand-alone basis by foreign private issuers and possibly also by U.S. issuers."³

Thus, we strongly encourage the SEC and the Treasury, perhaps operating under the auspices of the President's Working Group on Financial Markets, to establish a task force, including preparers, auditors, taxing authorities, banking regulators, insurance regulators, lending institutions, credit and equity analysts, and others to assist in facilitating the acceptance in the U.S. of financial statements prepared in accordance with IFRS, whether the issuers be foreign or domestic.

¹ Potential problems might arise, for example, if tax or state or local governments insisted upon continued use of U.S. GAAP financial statements. This would substantially dilute the benefit of an IFRS reporting option.

² See "The Key Test of Accurate Financial Reporting is Trust," *Financial Times*, May 17, 2007.

³ *SEC Announces Next Steps Relating to International Financial Reporting Standards*, April 24, 2007; remarks of John W. White, Director of the SEC's Division of Corporate Finance.

Because the use of IFRS could substantially impact the reporting of financial positions and performance of U.S. issuers as well as impact liquidity and solvency measures, such as a bank's leverage ratio or a corporation's loan covenant measures, we also strongly recommend that the SEC play an active role in coordinating broader acceptance of IFRS. More specifically, the JIWG is concerned that, should the SEC provide U.S. issuers the opportunity to report under IFRS, very few banks would be able to realize the benefits of this opportunity unless current banking regulations are modified. For example, due to the remaining differences between IFRS and U.S. GAAP in areas such as derecognition, consolidation and offsetting of derivative fair value amounts, the reported leverage ratios would be appreciably lower for the same positions reported under IFRS versus U.S. GAAP. Absent a change in banking regulations, this would represent a significant barrier to many financial institutions in adopting IFRS.

Another significant barrier to a successful implementation of IFRS reporting in the United States is regulator-specific or jurisdiction-specific interpretations of IFRS. This phenomenon exists today, for example, as the EU has adopted its own version of IFRS under which companies domiciled within the EU are required to report. We strongly recommend that jurisdiction-specific interpretations of IFRS be discouraged. Jurisdiction-specific interpretations will diminish many of the benefits of providing an option for U.S. issuers to report under IFRS, including a reduction in comparability among companies that report under differing interpretations. Jurisdiction-specific interpretations may also impair users' confidence in IFRS financial statements.

Given the principles-based nature of IFRS, we are also concerned that the U.S. could be one of the jurisdictions in which specific interpretations of IFRS are applied. While the Concept Release suggests that interpretations by securities regulators may be limited to interim views on accounting issues not yet addressed by the IASB or International Financial Reporting Interpretations Committee ("IFRIC"), we remain concerned about the willingness to accept the diversity in practice that may result from principles-based standards. We believe that reasonable judgments that are consistent with the principles in IFRS standards should be accepted.

We believe that national securities regulators, including the SEC, should refrain as much as possible from issuing interpretations on narrow technical topics within areas that are broadly addressed in IFRS. In our view, interpretations that are specific to the U.S. are just as harmful to the comparability of and confidence in IFRS financial statements as any other jurisdiction-specific interpretation. Rather, we recommend that the SEC participate in the IASB's existing standard setting process, where the experience and knowledge of the SEC's staff could be of enormous benefit in developing high quality standards and interpretations for all IFRS users. Open communication among the SEC, the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") will successfully resolve financial reporting issues. The SEC should also provide leadership in the International Organization of Securities Commissions ("IOSCO") when attempting to resolve differences in interpretations of IFRS. To this end, we fully support the sentiments expressed by the SEC (and other authorities) in the press release entitled "Authorities Responsible for Capital Market Regulation Work to Enhance the Governance of the IASC Foundation" issued on November 7, 2007.

Questions 10, 11 and 13

What are investors', 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?

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? If the Commission were to accept IFRS financial statements from U.S. issuers, would market participants still have an incentive to support convergence work?

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 JIWG believes that the Norwalk Agreement and Memorandum of Understanding issued in 2006 provide an appropriate basis for convergence to be achieved. The JIWG commends the efforts made thus far by the FASB and IASB on their goal to converge the accounting for the same economic events and encourages these two organizations to continue to work jointly until both sets of GAAP are fully converged. Though progress in converging U.S. GAAP and IFRS has been made, as noted in Robert H. Herz's testimony before the Committee on Banking, Housing, and Urban Affairs on October 24, 2007, the efforts to improve and converge U.S. GAAP and IFRS are far from complete and many differences between the two sets of accounting standards still exist. These differences result in a disparate reporting of the same economic events and transactions. A complete convergence of U.S. GAAP and IFRS based on the current process may take many years, thus, coupled with the growing use and acceptance of IFRS globally, the JIWG strongly believes there is a compelling argument to accelerate the efforts to converge U.S. GAAP and IFRS. We reiterate our support for the SEC's proposal and our belief that it is a vehicle for furthering convergence.

We strongly encourage the SEC to continue to support the convergence efforts of the FASB and IASB and the objectives outlined in the Norwalk Agreement. We also believe that further efforts may be needed in order to foster timely convergence, such as a long-term plan that incorporates consideration of the level of acceptance of IFRS by constituents, the progress made by the FASB and IASB on convergence, an appropriate transition to IFRS, and the certification and licensure requirements for individuals and firms to practice as public accountants. In light of our support for a single set of accounting standards, we ask the SEC to discourage the addition of significant projects to the FASB's agenda that will not result in convergence with IFRS.

The JIWG supports the long-term convergence of U.S. GAAP with IFRS and the development of one universally accepted set of high quality accounting standards. As a practical matter, we believe that increasing cross-border capital flows will continue the push to minimize differences between U.S. GAAP and IFRS and that one potential catalyst for convergence is wider acceptability of IFRS in the U.S. The capital markets are the ultimate driver of such changes and will continue to drive for convergence. We believe financial statement users, preparers, auditors and regulators recognize the value of globally-converged financial accounting standards and will continue to engage standard setters on the need for a single, common solution.

Question 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?

JIWG members have been observers of the IASB's standard setting activities over many years, and have worked closely with staff and Board members in particular in relation to the IAS 32 and IAS 39 improvements project and the development of IFRS 7 which collectively address the recognition, measurement and disclosure of financial instruments. We believe the IASB is committed to its goal of developing a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements. During this period we have also witnessed an increase in the IASB's co-operation with national standard setters and an increased focus on achieving convergence in accounting standards around the world.

The IASB's consultation procedures have been clearly laid out in a Due Process Handbook which was the subject of a consultation in 2004 and 2005. Furthermore the Trustees of the International Accounting Standards Committee Foundation have established a special committee, the Trustees' Procedures Committee, with the task of regularly reviewing and, if necessary, amending the procedures of due process in the light of experience and comments from the IASB and constituents.

We also note that the press release entitled "Trustees Announce Strategy to Enhance Governance, Report on Conclusions at Trustees' Meeting," issued on November 6, 2007, stated that the Trustees will continue to enhance the IASB's governance arrangements and public accountability and that the Trustees will begin a series of consultations with key stakeholders on these proposals in the build up to the Constitution Review, which is scheduled to start in 2008. We believe that these consultations will continue to ensure that the IASB's standard setting process is robust, accessible and transparent.

We strongly support independent accounting standard setting bodies being insulated from political motivation and influence. The SEC and other securities regulators should work directly with the IASB to establish an understanding of how to achieve their mutual objectives.

Producing high quality accounting standards and consistent interpretations of those standards is the best protection for investors all over the world. In that spirit, the JIWG urges the SEC to provide leadership on that matter at the IOSCO and the IASB. As noted above, we fully support the sentiments expressed by the SEC (and other authorities) in the press release entitled "Authorities Responsible for Capital Market Regulation Work to Enhance the Governance of the IASC Foundation" issued on November 7, 2007.