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Convergence between US GAAP and IFRS: Acceptance of IFRS by the US Securities and Exchange Commission (SEC)

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Abstract

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15 November 2007, to allow foreign private issuers to prepare their financial statements using IFRS as issued by the IASB without reconciling to US GAAP.

Notes

1. Europe in the context of this paper refers to the countries constituting the European Union. This paper concentrates on European companies but it is not just a European issue. The items discussed generally are applicable to all foreign private issuers around the world.
2. Foreign private issuer according to SEC Regulation C - Registration Rule 405: US residents do not hold a majority of the shares; or if US residents do hold a majority of the shares, then (a) a majority of its directors and officers are not US citizens or residents, (b) its business is administered from outside the USA and (c) a majority of its assets are located outside the USA.
3. Registration of Securities of Foreign Private Issuers Pursuant to Section 12 (b) or (g) and Annual and Transition Reports Pursuant to Section 13 and 15 (d).
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9. The re the financial
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11. See the 2007: 'Termina s Under

Section 12 (g) and Duty to File Reports Under Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934'.

12. 'Sustaining New York's and the US' Global Financial Services Leadership':

http://www.senate.gov/~schumer/SchumerWebsite/pressroom/special_reports/2007/NY_REPORT%20_FINAL.pdf

or 'Capital Market Competitiveness Study' headed by Hal Scott:

<http://www.capmksreg.org/>

13. As stipulated in Sections 12, 13 and 15 of the Securities Exchange Act of 1934.

14. See instructions to Item 17 of Form 20-F: <http://www.sec.gov/about/forms/form20-f.pdf>

15. In accordance with SEC Regulation S-X Rule 2-02 public accounting firms need not refer explicitly in their audit reports to the audit of the reconciliation. In practice, there are several instances where public accounting firms refer to the audit of the reconciliation.

16. <http://www.sec.gov/divisions/corpfin/33act/index1933.shtml>

17. SEC Regulation S-X sets forth the form and content of and requirements for financial statements filed with the SEC: <http://www.sec.gov/about/forms/regs-x.pdf>

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23. SEC Concept Release No. 34-42430 on International Accounting Standards as of 16 February 2000.

24. 'Norwalk Agreement': <http://www.fasb.org/news/memorandum.pdf>

25. SEC Release 2002-154: <http://www.sec.gov/news/press/2002-154.htm>

26. <http://www.sec.gov/news/speech/spch040605dtn.htm>

27. SEC Release 2006-17: <http://www.sec.gov/news/press/2006-17.htm>

28. See <http://www.sec.gov/news/speech/2007/spch020907klc.htm>

29. See also SEC announcement of 24 April 2007 regarding the plan of a release proposal in 2007 regarding the elimination of the reconciliation.

30. The current timeframe of approximately four months will probably increase to eight months due to the establishment of the new Standards Advice Review Group (SARG) and the involvement of the European Parliament in the EU-adoption process.

31. Speech of SEC Commissioner Roel C. Campos: 'SEC Regulation Outside the United States', 8 March 2007, <http://www.sec.gov/news/speech/2007/spch030807rcc.htm>

32. <http://www.sec.gov/about/offices/oia.htm>

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Reporting Council (FRC) signed a protocol on 25 April 2007 for implementing the work



plan between the SEC and the CESR to share information on application of IFRS by issuers listed in the UK and the USA.

38. Speech by SEC staff: 'The Promise of Transparency - Corporation Finance in 2007', 29th Annual Conference of Securities Regulation and Business Law, Dallas, Texas on 23 February 2007.

39. 'SEC Staff Observations in the Review of IFRS Financial Statements' as of 2 July 2007.

40. SEC Release 2005-72: 'SEC Staff to Begin Publicly Releasing Comment Letters and Responses': <http://www.sec.gov/news/press/2005-72.htm>

41. 'Staff Comments on Annual Reports Containing Financial Statements Prepared for the First Time on the Basis of IFRS':
www.sec.gov/divisions/corpfin/ifrs_staffobservations.htm

42. Speech by SEC staff: 'Remarks before 2006 AICPA National Conference on Current SEC and PCAOB Developments' by Julie A. Erhardt on 12 December 2006 in Washington, DC.

43. Instruction G to Form 20-F: First-Time Application of IFRS.

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51. SEC Accounting Disclosure Rules and Practices Topic Six 'Foreign Private Issuer' II.C.

52. Requirements of the SEC Practice Section of the AICPA Division for CPA Firms as set forth in Appendix K to the SEC Practice Section membership requirements.

53. SEC Release Nos. 33-8818; 34-55998; International Series Release No. 1302; File No. S7-13-07 (17 CFR Parts 210, 230, 239 and 249).

54. Foreign private issuers that report on a periodic basis under Section 13(a) or 15(d) of the Securities Exchange Act 1934.

55. Amendments to Form 20-F under the Securities Exchange Act of 1934, Rules 3-10 and 4-01 of Regulation S-X, Forms F-4 and S-4 and Rule 701 under the Securities Act of 1933.

56. Well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933.

57. Large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act 1934.

58. Instruction 8 to Item 10 of Schedule TO contains a reference to reconciliation to US GAAP in accordance with Item 17 of Form 20-F; Instruction 2 to Item 13 of Schedule 13E-3, the

59. Other Foreign Private Issuer and Duty To File Report of 1934 (SEC Final Rule) in connection with the cross-



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