

MEMO# 25327

July 13, 2011

Draft ICI Comment Letter on SEC Staff Paper Describing Possible Approach for Incorporating IFRS Into U.S. Financial Reporting System

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TO: ACCOUNTING/TREASURERS COMMITTEE No. 11-11 RE: DRAFT ICI COMMENT LETTER ON SEC STAFF PAPER DESCRIBING POSSIBLE APPROACH FOR INCORPORATING IFRS INTO U.S. FINANCIAL REPORTING SYSTEM

Attached for your review is draft comment letter to the SEC on a recently released paper (Staff Paper) that describes one possible method for incorporating IFRS into the U.S. financial reporting system. [\[1\]](#) The possible method, colloquially termed “condorsement,” was first described in a December 2010 SEC staff speech. [\[2\]](#) The Commission has previously described and requested comment on other possible methods for progressing toward a single set of high-quality, globally accepted accounting standards. Those approaches include: full adoption of IFRS on a specified date, without any endorsement mechanism; full adoption of IFRS following a staged transition over several years; and an option for U.S. issuers to apply IFRS. The Staff Paper is intended to more fully describe the possible method, which entails both convergence and endorsement elements, and to request comment on the approach.

The draft comment letter reiterates the Institute’s recommendation that investment companies be excluded from any mandated transition to IFRS. The letter notes that the typical benefits associated with conversion to a single set of globally accepted accounting standards do not apply to domestic investment companies as issuers of financial statements because the cross-border sale of foreign funds into the U.S. and U.S. funds into foreign markets is extremely limited. Further, absent impediments to cross-border sale of fund shares, few foreign jurisdictions apply IFRS to open-end funds.

The draft letter indicates that the condorsement approach described in the Staff Paper is preferable to other approaches currently under consideration, because it would require the FASB to endorse IFRS before they are incorporated into U.S. GAAP. The draft letter indicates

that endorsement, which would require the FASB to determine that an IFRS is consistent with the public interest and protection of investors before it is incorporated into GAAP, would provide an enhanced level of investor protection. The draft letter recommends that if the Commission includes investment companies in a mandated transition to IFRS under the approach described in the Staff Paper, it should ensure that the FASB has the authority to carry forward the industry specific reporting model currently employed by funds until such time as the IASB adopts standards and guidance specific to investment companies.

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[Attachment](#)

endnotes

[\[1\]](#) The Staff Paper is more fully described in memorandum to Accounting/Treasurers Members No. 14-11 (June 7, 2011) [25260].

[\[2\]](#) Paul A. Beswick, Deputy Chief Accountant, Remarks Before the 2010 AICPA National Conference on Current SEC and PCAOB Developments (December 6, 2010).

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