

MEMO# 11865

May 9, 2000

ICI DRAFT COMMENT LETTER ON SEC CONCEPT RELEASE ON THE DEVELOPMENT OF INTERNATIONAL ACCOUNTING STANDARDS FOR USE IN CROSS-BORDER FILINGS

* Release Nos. 33-7801, 34-42430; International Series No. 1215 (Feb. 16, 2000); 65 Fed. Reg. 8896 (Feb. 23, 2000). [11865] May 9, 2000 TO: INTERNATIONAL COMMITTEE No. 15-00 SECURITIES OPERATIONS SUBCOMMITTEE RE: ICI DRAFT COMMENT LETTER ON SEC CONCEPT RELEASE ON THE DEVELOPMENT OF INTERNATIONAL ACCOUNTING STANDARDS FOR USE IN CROSS-BORDER FILINGS

The Institute has prepared the attached draft letter regarding the SEC's concept release on the development of a high quality global financial reporting framework for international capital markets.* Comments on the SEC's concept release are due by Tuesday, May 23, 2000. Please provide any comments on the Institute's draft letter, to the undersigned by phone at (202) 326-5923, by fax at (202) 326-5827, or email at bsimmons@ici.org; or to Greg Smith by phone at (202) 326-5851, by fax at (202) 326-8314, or email at smith@ici.org by Wednesday, May 17, 2000. The Institute's draft letter supports the SEC's initiative to develop a high quality comprehensive set of generally accepted international accounting standards. It discusses generally the benefits of such standards and notes that adoption by foreign regulators could benefit U.S. investors through greater access, reduced commission costs, reduced exchange rate risks, application of exchange listing standards, and greater price transparency. The letter notes, however, that the Institute supports the SEC's initiative provided that such accounting standards do not diminish in any significant way fundamental investor protections in the U.S. The Institute's letter recognizes that certain foreign issuers are reluctant to list their securities on U.S. exchanges due to differences in accounting practices, but notes that the ability to use global standards would eliminate this concern and relieve these issuers of the burden of preparing multiple versions of their financial information in order to comply with the accounting regimes of different jurisdictions. The letter also agrees with the SEC's position that in order for the proposed standards of the International Accounting Standards Committee to be approved they must: 1) constitute a comprehensive, generally accepted basis of accounting; 2) be of high quality; and 3) be rigorously interpreted and applied. The Institute's letter makes the following additional points. First, it urges the SEC to proceed cautiously before accepting the international accounting standards domestically, in order to ensure that such standards are of high quality, sufficiently comprehensive, and rigorously interpreted. Second, the

letter emphasizes the importance of having in place a single global interpretive body that can provide consistent guidance and facilitate comparability of financial statements of companies in the same industry. Third, the letter notes that the international auditing standards should be considered as part of the Core Standards Project, as created by the IASC and IOSCO to develop internationally accepted accounting standards. The letter explains that high quality, comprehensive international accounting standards must be accompanied by high quality auditing standards in order to ensure rigorous application. Finally, the letter encourages the SEC to use its membership in IOSCO to develop a global enforcement mechanism in order to maintain the stability of a global financial reporting framework. Barry E. Simmons Assistant Counsel Attachment

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