

MEMO# 11906

May 25, 2000

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

1 Release Nos. 33-7801, 34-42430; International Series No. 1215 (Feb. 16, 2000); 65 Fed. Reg. 8896 (Feb. 23, 2000). 2 See Memorandum to International Committee No. 15-00 and Securities Operations Subcommittee, dated May 9, 2000. [11906] May 25, 2000 TO: INTERNATIONAL COMMITTEE No. 17-00 SECURITIES OPERATIONS SUBCOMMITTEE RE: INSTITUTE COMMENT LETTER ON SEC CONCEPT RELEASE ON THE DEVELOPMENT OF INTERNATIONAL ACCOUNTING STANDARDS FOR USE IN CROSS-BORDER SECURITIES FILINGS _____ The

Institute has filed with the Securities and Exchange Commission the attached comment letter on the SEC's concept release on the development of a high quality, global financial reporting framework for use in cross-border securities filings.¹ The letter is substantially similar to the draft letter previously circulated to you.² The Institute's comment letter supports the SEC's initiative to develop a high quality, comprehensive set of generally accepted international accounting standards, as long as the standards do not diminish in any significant way fundamental investor protections in the U.S. The letter notes that global accounting standards would benefit investors by providing reduced commission costs, reduced exchange rate risks, application of exchange listing standards, and greater price transparency. Also, acceptance by foreign regulators, which would strengthen financial reporting standards in many foreign countries, would also benefit investors. The letter recognizes the many potential advantages international accounting standards would provide, but urges the SEC to proceed cautiously before accepting the standards domestically - at least until it is satisfied that they are of high quality, sufficiently comprehensive, and rigorously interpreted. The letter also stresses the importance of having in place a single global interpretive body that can provide consistent guidance and facilitate financial statement comparisons of companies in the same industry. Finally, the letter suggests that the international auditing standards should be made a part of the Core Standards Project, as created by the IASC and IOSCO to develop internationally accepted accounting standards, and that the SEC should use its membership in IOSCO to develop a global enforcement mechanism to ensure a stable global financial reporting framework.

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