

**MEMO# 11714**

March 9, 2000

## **SEC CONCEPT RELEASE ON THE DEVELOPMENT OF INTERNATIONAL ACCOUNTING STANDARDS FOR USE IN CROSS-BORDER SECURITIES OFFERINGS**

\* Release Nos. 33-7801, 34-42430; International Series No. 1215 (Feb. 16, 2000); 65 Fed. Reg. 8896 (Feb. 23, 2000). [11714] March 9, 2000 TO: INVESTMENT ADVISERS COMMITTEE No. 9-00 SEC RULES COMMITTEE No. 37-00 RE: SEC CONCEPT RELEASE ON THE DEVELOPMENT OF INTERNATIONAL ACCOUNTING STANDARDS FOR USE IN CROSS-BORDER SECURITIES OFFERINGS

The Securities and Exchange Commission (SEC) has issued a concept release regarding the development of a high quality, global financial reporting framework for international capital markets.\* The subject matter of the release may be of particular interest to portfolio managers or security analysts who are responsible for managing international funds or analyzing foreign-based issuers. A copy of the SEC's concept release is attached, and it is summarized below. Comments on the SEC's concept release are due by May 23, 2000. If you have comments you would like the Institute to consider in a possible comment letter, please submit them to the undersigned by phone at (202) 326-5923, by fax at (202) 326-5827, or email at [bsimmons@ici.org](mailto: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](mailto:smith@ici.org) by Friday, April 7, 2000. Because the concept release raises many issues related primarily to investment decisions regarding foreign securities, it would be particularly helpful if we could receive input from members' investment personnel. The concept release focuses on the elements necessary to create uniform accounting standards for use in cross-border securities offerings. The release will serve as the basis for any future SEC rulemaking deemed necessary to reduce or remove the current requirement for foreign registrants to reconcile their financial statements to U.S. generally accepted accounting principles (GAAP) before offering securities in the U.S., or listing securities on a U.S. exchange. Accordingly, the concept release seeks comment on whether and under what conditions the SEC should accept financial statements of foreign private issuers that are prepared using the standards promulgated by the International Accounting Standards Committee (IASC). The release assesses the quality of the IASC standards and poses a series of questions on whether those standards: (1) constitute a sufficiently comprehensive, generally accepted basis of accounting; (2) are of sufficiently high quality; and (3) can be rigorously interpreted and applied. The release also asks how such standards compare with U.S. GAAP, and whether modification of the SEC's current reconciliation requirements would put domestic registrants at a competitive disadvantage to foreign issuers. The Financial Accounting Standards Board (FASB) has prepared an

analysis of the differences between FASB standards and those of the IASC. A summary of the FASB's analysis is included in the attached release at Appendix D. 2The concept release also seeks commenters' views regarding their experiences with IASC standards, including issuers that apply IASC standards when preparing financial statements; public accountants that audit the application of IASC standards; and investors that use financial statements prepared under IASC standards. Barry E. Simmons Assistant Counsel Attachment

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