



Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

November 21, 2007

Ms. Nancy M. Morris
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-20-07: Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards

Dear Ms. Morris:

Moody's Investors Service (Moody's) appreciates the opportunity to provide the U.S. Securities and Exchange Commission (SEC) our views on the *Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards* (the Concept Release). Moody's is among the world's most widely utilized sources for credit ratings, research and risk analysis. Moody's ratings and analysis track debt covering more than 12,000 corporate issuers globally, including approximately 3,000 domestic SEC registrants and 275 foreign private issuers registered with the SEC. The financial statements prepared by the companies we maintain ratings on are a critical element of our analysis. Accordingly, the views presented in this letter are from the perspective of a global user of financial statements (frequently referred to in the Concept Release as "investors").

We strongly support the goal, which we believe the SEC shares, of eventually moving to a widely used single set of high quality globally accepted accounting standards that are uniformly applied and enforced in major markets around the world. Moving to a single set of high quality standards will enhance the efficiency of capital deployment and help to break down barriers in an increasingly global marketplace.

The key questions surround the path that should be taken to reach the goal of a single set of high quality global standards. Selecting an appropriate path is obviously not an easy task. Financial statement preparers' desire for flexibility and low-cost solutions must be balanced with the investor's need for comparability and confidence in financial reporting. It is also important to consider the effect a chosen path will have on accounting standard setting. Both U.S. GAAP and International Financial Reporting Standard (IFRS) are flawed. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are working diligently on a number of key joint convergence projects, as well as individual standard setting projects, to address some of most significant flaws in existing standards. It is critically important

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that a chosen path not derail ongoing efforts to improve accounting standards. In fact, an optimal path should instead accelerate some of the key projects to improve accounting standards.

We believe the answer to the broad question posed in the Concept Release – should domestic SEC registrants be allowed a choice of U.S. GAAP or IFRS for an indeterminate period of time? – is an emphatic **no**. In our opinion, this would be a sub-optimal path to the goal of a single set of high quality globally accepted accounting standards. We instead recommend the SEC begin a process to consider transitioning **all** domestic SEC registrants to IFRS. Some steps that we believe are fundamental to this process include:

1. Establishing the viability of the IASB as the body to promulgate a single set of high quality global accounting standards for the long-term.
2. Developing a plan that addresses the multitude of transition issues that are sure to be encountered, such as: education for preparers, auditors and investors; the ongoing role of the FASB; and the restatement of prior year financial data.
3. Setting a date when domestic SEC registrants must transition to IFRS.

We elaborate further below on our rationale for moving all domestic SEC registrants to IFRS and what we believe to be key elements of the transition process.

Why make the transition to IFRS mandatory for domestic SEC registrants?

The most important issue for investors when considering the questions posed in the Concept Release is how comparability will be affected. Common to all financial statement users, including rating agencies like Moody's, sell-side analysts and buy-side investors, is the need to make comparisons between companies and across time periods within companies. Comparability is a critical element to capital allocation.

Today, financial statement users will make adjustments to improve comparability between companies following different accounting standards. But, within the bounds of practicality, there is only so much investors can do with adjustments to improve comparability. So, we are often forced to live with a certain level of non-comparability when making credit rating (or capital allocation) decisions. The optional application of IFRS by U.S. registrants, discussed in the Concept Release, could significantly increase the amount of non-comparability investors must try to address, but ultimately live with.

The FASB and IASB have made great strides towards converged accounting standards in recent years. However, many significant differences between IFRS and U.S. GAAP still exist. One need look no further than the reconciliations included in the Form 20-F filings by foreign private issuers to see evidence of the size and volume of the reconciliation differences that persist. Introducing this level of non-comparability into the financial statements of domestic SEC registrants would be a disservice to investors.

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We also are concerned that allowing U.S. companies the option of following IFRS could have a chilling effect on accounting standard setting. The improvements made to accounting standards in recent years have largely been a result of the collaboration between the FASB and the IASB. But there is still much to be done and there are a number of critical joint FASB/IASB projects currently underway. We are concerned that giving U.S. companies a choice of following IFRS could impede collaboration, sidetrack the improvement projects underway and relegate the FASB to the role of second tier standard setter.

Many, particularly outside of the U.S., have concerns about the quality of U.S. GAAP and the FASB's standard setting process. There is a widely held perception that U.S. GAAP is too detailed, too rules focused and overly burdensome. Once global standard setting is more broadly accepted, the incentives that currently encourage collaboration could disappear, undermining convergence and the pace and quality of improvement. Of particular concern for investors would be a significant slow down in key improvement projects or in the extremis a moratorium over the issuance of new standards. There are too many flaws in both U.S. GAAP and IFRS to take the foot off of the standard setting accelerator.

An appropriately designed transition plan to IFRS for all U.S. registrants could encourage and even accelerate the continued improvement of accounting standards. Ideally, we would like to see key joint improvement projects, such as the ongoing projects to address flaws in pension and lease accounting, completed in advance of a transition to IFRS. The FASB currently has in excess of 40 active projects on its agenda. Many of these are U.S. GAAP only implementation projects. With a set transition date, the FASB could set aside these implementation projects and focus its efforts on working with the IASB to complete key convergence projects.

A well designed transition plan would also provide for an appropriate integration of the FASB's institutional knowledge and capabilities into the IASB. For example, we are aware there has been some discussion about the creation of three regional IASB offices – one in Europe, one in Asia and one in North America. Full U.S. commitment to IFRS could certainly serve as a catalyst to creating such a structure. We believe that creation of a regional office structure could help to strengthen the IASB's stature as a truly global organization and reduce the perception that any one particular region has disproportionate influence over the standard setting process.

What should be considered in establishing viability of the IASB as the single standard setter?

The SEC, companies and investors all must be confident in the long-term viability of the IASB as the body responsible for continuing to develop high quality global accounting standards before it makes sense to press ahead with the transition to IFRS for U.S. registrants. We were encouraged by the joint statement released last week on plans to enhance the governance of the IASC Foundation and the IASB. However, we believe there is still much to be done before market participants can be satisfied. For example:

- A permanent funding mechanism must be established that provides adequate resources and allows the IASB to conduct its standard setting without being subjected to undue political influence.

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- Countries around the world (including the U.S.) need to commit to apply IFRS as adopted by the IASB and discontinue the practice of modifying IFRS for their local jurisdictions. Jurisdictional modifications are a significant barrier to a single set of high quality accounting standards uniformly applied and they risk politicizing the standard setting process. When these modifications are made, investors are saddled with the illusion of comparability, rather than true comparability.
- Investor participation in the IASB's standard setting process needs to be significantly expanded. There is currently one "part-time" investor representative on the IASB. At the Board's current size (14 members), we would like to see at least two full-time Board members from the investor community. Additionally, the IASB should consider expanding its outreach activities with investors along the lines of the several investor outreach initiatives undertaken by the FASB in recent years.

Additionally, we would like to see the IASB demonstrate, in practice, its commitment to continuing to work jointly with the FASB to improve accounting standards once the SEC formally drops the requirement for Form 20-F filers following IFRS to reconcile to U.S. GAAP. We would also like to see the IASB demonstrate in practice its ability to be nimble enough to respond quickly to emerging issues that require timely guidance. We are concerned that the IASB's overly bureaucratic due process makes it difficult to respond quickly to market conditions and investors' needs for information.

Beyond changes directly related to the IASB, securities regulators in major markets around the world need to demonstrate their commitment to uniformly enforcing a single set of high quality global accounting standards. Further, U.S. regulators, standard setters and other market participants need to demonstrate commitment to the elimination of complexity and overbearing bureaucratic rules.

When should the transition occur?

We recommend the SEC establish a date four to six years in the future after which all U.S. SEC registrants will be required to transition to IFRS. Appropriate milestones must be established along the transition path to ensure all parties (regulators, standard setters, companies, auditors and investors) are on track to be fully prepared for the cut-over date. In particular, the SEC should set a number of short-term milestones that must be achieved over the next 18 to 24 months to establish the viability (both in fact and perception) of the IASB as the long-term promulgator of a single body of high quality accounting standards.

The work on developing transition plans should start immediately. Significant effort will be needed from companies that prepare financial statements, investors, regulators, standard setters and educators to ensure a smooth transition. In the meantime, the FASB and IASB should press ahead with their planned joint convergence projects in order to reduce the number of significant differences between U.S. GAAP and IFRS by the transition date. And, the IASB should endeavor to complete its projects to develop specific industry accounting guidance where none currently exists in IFRS, such as for insurance and extractive industries.

Ms. Nancy M. Morris
Securities and Exchange Commission

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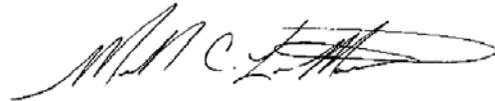
The possibility of a single body of high quality accounting standards uniformly applied offers the promise of quality and comparability in financial reporting for users of financial statements. But the journey to this goal is fraught with risk and the possibility exists to take a step backwards from the quality of reporting we enjoy today. We believe the securities regulators of the world hold the key to navigating this risk and leading financial reporting into the future.

We are pleased to comment on the Concept Release and assist regulators and standard setters in any way we can as we progress down the path towards a single set of high quality, uniformly applied accounting standards.

Sincerely,



Gregory J. Jonas
Managing Director



Mark C. LaMonte
Vice President – Senior Credit Officer