October 22, 2010

Ms. Elizabeth M. Murphy
Secretary
Security and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Notice of Solicitation of Public Comment on consideration of incorporating IFRS into the Financial Reporting System for US Issuers (Release Nos. 33-9134; 34-62700; File No 4-608)

Dear Ms. Murphy:

The Association for Financial Professionals (AFP) is pleased to comment on the ongoing consideration of incorporating International Financial Reporting Standards (IFRS) into the financial reporting system for U.S. issuers under File No 4-608. This comment letter will address the impact of incorporating IFRS for U.S. issuers regarding contractual arrangements that require the use of U.S. GAAP (GAAP), issuer's compliance with corporate governance requirements, and the application of certain legal standards tied to amounts for financial reporting purposes.

AFP represents approximately 16,000 finance and treasury professionals from over 5,000 corporations, including the Fortune 1,000 and the largest middle-market companies. Our membership includes a significant number of corporate treasurers who are responsible for the protection and management of corporate cash, cash flow requirements and corporate investments; and controllers and CFOs, who are responsible for their corporate accounting, financial reporting and regulatory compliance.

AFP members understand and support the Securities and Exchange Commission's (SEC) initiatives to protect investors and maintain efficient capital markets by providing transparency and uniformity through high-quality global financial reporting standards. We are aware that the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) have been diligently working to reduce the number of differences in the accounting standards between GAAP and IFRS. While the objective has been 'convergence' towards a global accounting standard – many outstanding issues remain. The SEC's goal to provide more timely and transparent financial reports depicting an 'apples to apples' picture of an entity's financial statements would be extremely beneficial to cross border and U.S. issue offerings. Many of our members, however, fail to see what benefit would be derived for an Iowa based gas and power utility company to be de facto converged since currently the FASB sets standards that do not differentiate between public and nonpublic companies. There are obvious major accounting differences in IFRS and GAAP, and some of our members have expressed concerns regarding the impact and logistics of convergence. We are responding to your request for comment in the following areas:

Contractual Arrangements

Question:

To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers be likely to affect the application, interpretation, or enforcement of contractual commercial arrangements such as financing agreements, trust indentures, merger agreements, executive employment agreements, stock incentive plans, leases, franchise agreements, royalty agreements, and preferred stock designations?

Response:

Overall, our members have concluded that incorporating IFRS into the financial reporting system for U.S. issuers could materially impact their companies' contractual obligations. Strategically, adopting IFRS would require members to review each contractual obligation with their legal, tax, accounting and treasury teams. This massive undertaking would be well served by using a phased-in approach to IFRS incorporation. We suggest that such an approach be applied over a minimum of five years.

Question:

With respect to existing contractual commercial arrangements, would the incorporation of IFRS into the financial reporting system for U.S. issuers be treated differently as compared to a change in an existing financial reporting standard under U.S. GAAP would be treated today? If so how?

Response:

We do not believe that adopting IFRS should be treated any differently from making a change to an existing financial reporting standard. Some obligations including financing agreements, trust indentures, merger agreements, stock incentive plans, leases and executive employment agreements would require a preface agreement, which would outline the scenario for each of the changes made by accounting-setting or rule-making bodies.

Question:

To what extent would any potential effects of incorporating IFRS into the financial reporting system would affect the application interpretation, or enforcement of contractual commercial arrangements, how would parties to such arrangements most likely address such effects (e.g. by modifying the contract, or adopting multiple accounting systems)?

Response:

We caution that for those who do not have a clause in their debt agreements for "freezing" the GAAP impact of all future changes when the contract is negotiated, changes in accounting can trigger a reevaluation of existing loan agreements. This triggering event could have a significant impact on the company if the market conditions are not as favorable when the change occurs, (as we find occurring in today's market environment). Some of the ways companies can be impacted are as follows:

Financial Maintenance Covenants – Accounting changes that increase or decrease the calculation of financial maintenance covenants could result in a default of bank agreements, which would likely be large enough to cross default bonds and other agreements.

Financial Incurrence Covenants – Accounting changes can have a direct impact on incurrence tests (e.g. EBITDA/interest or leverage tests). If the changes would cause a company to be unable to meet an incurrence test, it would hamper companies' ability to potentially incur debt under the test, divest companies or acquire companies.

Permitted Debt Baskets – Accounting changes can potentially breach a debt basket as a result of added debt to the balance sheet which could reduce the amount of credit available under a bank agreement.

Other Similar Agreements – There are also energy supplier agreements and other vendor agreements that can often include triggers, which could change a company's credit terms or require a credit review. Some are tied to ratings; others may be tied to ratios or leverage levels. A change in debt stated on the balance sheet as a result of transitioning to IFRS could easily trigger these agreements, provide a company less credit, or could result in prepayments in cash. This in turn could cause a company to incur more debt due to unfavorable vendor terms. In addition, the change to IFRS can also affect the stated debt on the balance sheet and the stated interest on the Statement of Net Income. Such changes can cause potential default and/or reduced ability to incur debt or access the markets.

Question:

To what extent would any potential effects of incorporating IFRS into the factual reporting system for U.S. issuers on the application of contractual commercial arrangements likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonable mitigate the effects? Are there any other means by which such effects can be mitigated or avoided?

Response:

We are urging our members to consider negotiating for an exclusion of any subsequent accounting changes when renegotiating new debt agreements. Such nonfinancial events, such a change to IFRS or subsequent accounting changes may not inadvertently trigger a reassessment of their available credit lines. Since most debt covenants cover a period on average of two to five years, we think that there would not be a significant impact so long as companies have the ability to obtain this clause when they renew their existing agreements. Thus, a five year transition period should be sufficient to allow for time to correct the language in existing and future covenants to avoid this unintentional consequence.

Corporate Governance

In order to satisfy corporate governance rules under the Sarbanes Oxley Act, registrants must disclose if the company has a financial expert on its audit committee and if so, the name of the expert and where that expert is independent of management. While there are many individuals that are deemed experts in US GAAP, the number reduces significantly for those with knowledge and expertise in reporting under IFRS. Thus, the SEC should consider suspending this rule for a specified period of time after adoption to allow companies the opportunity to either train their existing board members or appoint new ones with IFRS expertise. We suggest that a three to five year transition period would be sufficient for existing board members to be educated on the differences between U.S. GAAP and IFRS or ample time for a company to solicit additional board members with IFRS expertise.

Conclusion

AFP members support the efforts of the SEC as it leads the global accounting standards initiative which could bolster U.S. investor confidence in the capital markets. Thank you for the opportunity to comment on this Exposure Draft. Please feel free to contact Salome J. Tinker, AFP's Director of Accounting and

Financial Reporting Policy for any additional information and questions at (301) 961-8871 or **sjtinker@AFPonline.org**.

Sincerely,

June M. Johnson, CPA, CTP
Chair of the AFP Financial Accounting and
Investor Relations Task Force

Joseph C. Meek
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Relations Committee