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

Re: File Number S7-20-07:

Comments on SEC Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards

Dear Ms Morris,

Fitch Ratings (Fitch) welcomes the opportunity to comment on the Securities and Exchange Commission's ("SEC" or "the Commission") Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards (IFRS).

Fitch supports allowing U.S. issuers the option to prepare financial statements in accordance with IFRS as published by the IASB, but only if the SEC's intention is for this to happen in the context of a wider objective of moving all U.S. listed companies onto IFRS. Fitch does not have a preference for U.S. GAAP or IFRS. We do, however, think that granting companies a choice of accounting standards may be damaging to the marketplace. The co-existence of two sets of standards for U.S. issuers, especially while the convergence process continues to modify each set of standards, would result in a significant lack of consistency among issuers, which would not be helpful for investors or other users. If an option is to be granted, we think this should only be for a limited period of time. Fitch has been a strong advocate of the efforts of the Financial Accounting Standard Board (FASB) and International Accounting Standards Board (IASB) to achieve global convergence of accounting standards. We believe that significant progress has already been made towards achieving the goal of the 2002 Norwalk Agreement to converge U.S. and international accounting standards. However, significant convergence projects are incomplete or in process and a single set of high quality, global accounting standards is still many years away. Fitch believes that, if a decision is made to move U.S. reporting to IFRS, the SEC, working with the FASB and the IASB, should set out a timeline for moving U.S. listed companies to IFRS and then set an optimal start date for allowing an IFRS option for U.S. issuers to the move to one accounting standard. Three to five years may be an appropriate length of time to have the option. Granting U.S. issuers the option over a limited period of time to file financial statements in accordance with IFRS as published by the IASB should provide some benefits while avoiding long-term potential consequences of supporting two accounting systems indefinitely.

Overview

Fitch is a leading global rating agency committed to providing the world's credit markets with independent, timely and prospective credit opinions. Fitch's corporate finance ratings make use of both qualitative and quantitative analyses to assess the business and financial risks of fixed-income issuers. Therefore, Fitch directly relies on the financial statements and that reliance places us in an informed position to comment on information we believe is useful and crucial in the credit evaluation process, which is a critical component of efficient capital markets.

The Goal- One Set of Global Accounting Standards

Fitch supports accounting convergence and believes that the accounting industry's goal should be a single set of global accounting standards. Fitch analyzes companies at a local level around the world. Analysis is based primarily on standards adopted locally by the rated companies and adjustments are made from financial reporting to derive metrics used in comparative analysis. Thus, we support the SEC's rule proposal to eliminate the U.S. GAAP reconciliation requirement for foreign private issuers. We also believe that the elimination of the reconciliation requirement would be a strong positive sign that the convergence process is well underway and will continue to propel the pace of convergence. We fully support the acceptance of only IFRS as published by the IASB, as this should discourage national and regional carve outs that threaten the goal of one set of global accounting standards. Fitch believes that setting a limited period of time to allow the two alternative sets of standards in the United States is preferable to allowing the option over an undetermined period. We would expect that tying the timeline to the implementation of the IFRS option for U.S. issuers will serve as an added incentive to complete any open convergence projects.

IFRS and U.S. GAAP will both be subject to significant changes to achieve the goals of convergence and producing high quality standards. Though the IASB has placed a moratorium on standard changes to IFRS through 2009, there are many pending changes that will be adopted once the moratorium is lifted. U.S. GAAP is also undergoing significant modifications. One need only look to the proposals under evaluation in the joint financial statement presentation project to grasp the enormity of evolution of accounting under both sets of standards. Given this backdrop, it would be helpful from the investor perspective to have a limited amount of time when both sets of standards would be deemed acceptable. We would also anticipate that many of the major projects would be completed or close to conclusion in the final three years prior to convergence.

Benefits of Allowing IFRS Option Over Limited Period of Time

Allowing U.S. issuers the limited option to file their financial statements in accordance with IFRS as published by the IASB should provide some benefits to individual issuers as well as the marketplace in general.

We would expect large multi-national companies to adopt IFRS early in order to garner the benefits of filing in IFRS as soon as possible, including standardized accounting across organizations worldwide, less need for location specific accounting experts and accounting standard alignment with peer corporations.

The marketplace would also benefit from an early limited window of IFRS adoption. We would expect that IFRS expertise would develop among issuers, auditors and analysts. Later adopters would be able to learn from the best practices of the early adopters - both in terms of initial adoption strategies as well as general IFRS practice. IFRS audit expertise and procedures may leverage knowledge and experiences gained with auditing early adopters. Investors will become more familiar with financial statements prepared in accordance with IFRS. Analysts outside the United States have had experience in dealing with companies' financial statements prepared in accordance with a variety of different accounting standards. For U.S. analysts, the requirement to learn a second accounting language will often be a new challenge, and it may take a while for many to adapt and become comfortable with the numbers they are seeing.

Potential Consequences of Two Accounting Systems over an Indefinite Period of Time

If the option granted to U.S. issuers to file IFRS financial statements is not limited in time, Fitch envisions several potential adverse consequences for the marketplace. From a users perspective, it will be more difficult to compare companies if they are reporting in different accounting standards. We also see the potential for issuers to drift into two separate classes. The first class of issuer would be large multi-national corporations. These first class issuers will garner the potential benefits of filing in IFRS.

The second class of U.S. issuer will be made up primarily of domestically focused public companies and small to mid-cap multinationals, as well as private companies. This second class of issuer may find that IFRS may be more suitable to reflect their operations or management focus, but may be unable to compete for IFRS resources with first class issuers. (We think that IFRS accounting expertise will remain limited as accounting training in the United States remains focused on U.S. GAAP.) For private multinational corporations, second class status may add an additional hurdle in their ability to access the public capital markets if they are unable to gather adequate IFRS resources. Underwriters and investors may require IFRS financial statements for certain companies and thus when going public these companies may have to restate prior U.S. GAAP financial statements and this could add to the lead time and costs required to go public.

Another potential consequence of two accounting systems is that the second class of issuer will now be the FASB's primary preparer constituency. These issuers may not necessarily be interested in convergence, putting the goal of achieving this in jeopardy.

There may also be issues for regulated institutions as capital retention and definitions are complicated by the lack of uniformity for earnings and balance sheet measures.

Another question that should be answered prior to granting an indefinite option is what is *the SEC prepared to do if convergence is not achieved?* We do not believe that once the option is given, it could be easily rescinded. U.S. investors would not benefit from a permanent two accounting standard model.

U.S. financial reporting is just starting to recover from a period of unprecedented restatements, many of which have been tied to the implementation of the requirements of Sarbanes-Oxley, specifically Section 404, as well as accounting complexity. Fitch believes that allowing an indefinite IFRS option for U.S. issuers will introduce a new risk factor for material misstatement. This risk factor encompasses both preparation and audit risk that material errors in the financial statements would not be detected.

We also believe that potential domestic IFRS filers may have difficulty in the application of a principles based accounting system. The current litigious U.S. environment effectively mutes the judgment required by issuers and auditors to put forward views on interpretation that are not yet widely used. This may be exacerbated by having only a limited number of issuers opt for IFRS. This is why we view it as imperative to have all public companies eventually move to one accounting standard and not have an open-ended two accounting model.

If either an open-ended or limited option to file in IFRS were adopted, here at Fitch we would modify our U.S. data collection practices and databases to enable comparison of similar companies regardless of the accounting standard utilized. Fitch would train the analysts in the relevant affected groups as appropriate. Regardless of how and when the IFRS option is adopted, if at all, the agency will be in a position to analyze and rate those issuers that make such an adoption should the proposal move forward.

We address your questions below:

II. THE EFFECT OF IFRS ON THE U.S. PUBLIC CAPITAL MARKET

C. The Possible Use of IFRS by U.S. Issuers

1. **Do investors, U.S. issuers, and market participants believe the Commission should allow U.S. issuers to prepare financial statements in accordance with *IFRS as published by the IASB*?**

Consistency and comparability is important to all financial analysis. To compare firms across national borders and accounting standards, Fitch adjusts the financial statements based on various published criteria. Fitch cautions that global convergence, which will ultimately allow for more seamless comparisons, would be in jeopardy if the SEC were to allow U.S. issuers the indefinite option to prepare financial statements in accordance either with IFRS or with U.S. GAAP. This is because those multi-national U.S.-based companies with the greatest incentive to promote convergence, because it is more convenient for them, would no longer need to have converged standards if they had the option to report in IFRS. Also, investors and other users would find it difficult to judge what resources would need to be dedicated to training and understanding IFRS if it was not clear how many of the companies they invested in would be applying IFRS. A more efficient option for these investors might be to invest only in companies reporting in U.S. GAAP. Fitch believes that a timeline, with firm time limits to a two accounting system model, would encourage the completion of the convergence process.

2. **What would be the effects on the U.S. public capital market of some U.S. issuers reporting in accordance with IFRS and others in accordance with U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? For example, would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Would comparative advantages be conferred upon those U.S. issuers who move to IFRS versus those U.S. issuers who do not (or feel they can not)? Would comparative advantages be conferred upon those investors who have the resources to learn two sets of accounting principles (IFRS and U.S. GAAP) as compared to those who do not?**

With regards to credit ratings, at Fitch we have IFRS knowledge and resources that we would share within the firm and allocate as needed. Regardless of how and when the IFRS option is adopted, if at all, the agency will be in a position to analyze and rate those issuers that choose to adopt IFRS should the proposal move forward. However, Fitch is an international company with analytical staff in offices around the world. Our capabilities in this respect may not be mirrored by most other users of financial statements of U.S. issuers.

3. **What would be the effects on the U.S. public capital market of not affording the opportunity for U.S. issuers to report in accordance with either IFRS or U.S. GAAP? Specifically, what would be the resulting consequences and opportunities, and for whom? Would capital formation in the U.S. public capital market be better facilitated? Would the cost of capital be reduced? Alternatively, are there certain types of U.S. issuers for which the Commission should not afford this opportunity?**

As noted above, Fitch believes that setting out a timeline for convergence and allowing issuers the limited advance opportunity to file in IFRS as published by the IASB, would ensure that convergence is achieved. We strongly feel that any delay in the timeline of key convergence projects should also delay the implementation of the IFRS option for U.S. issuers.

Differences in accounting may make it more challenging to raise capital under a choice that may be considered 'less accepted' in the public markets and not directly comparable to peers. There are already challenges in the global markets, but at least intra regional comparisons can be easily made. The option may reduce that comparability on a regional basis and, while some global institutions may benefit, others with less expansive operations may find that choice materially more cumbersome and be less advantaged.

4. ***To what degree would investors and other market participants desire to and* be able to understand and use financial statements of U.S. issuers prepared in accordance with IFRS? Would the desire and ability of an investor to understand and use such financial statements vary with factors such as the size and nature of the investor, the value of the investment, the market capitalization of the U.S issuer, the industry to which it belongs, the trading volume of its securities, or any other factors?**

Fitch analysts make adjustments to reported results to derive metrics used in comparative analysis across global corporations. Our starting point for these adjustments is whichever set of accounting standards are being utilized. None of the factors listed above would impact our ability to use the financial statements prepared in accordance with IFRS. As mentioned in our response to question 3, however, we may not be a typical user. Investors and analysts looking only or mainly at U.S. GAAP financial statements are unlikely to devote the resources necessary to interpret and understand IFRS, when they still have the option not to invest in companies reporting in IFRS.

5. **What immediate, short-term or long-term incentives would a U.S. issuer have to prepare IFRS financial statements? Would the incentives differ by industry segment, geographic location of operations, where capital is raised, other demographic factors, or the aspect of the Commission's filing requirements to which the U.S. issuer is subject?**

We have no comment on issuer incentives for question 5 above.

6. **What immediate, short-term or long-term barriers would a U.S. issuer encounter in seeking to prepare IFRS financial statements? For example, would the U.S. issuer's other regulatory (e.g., banking, insurance, taxation) or contractual (e.g., loan covenants) financial reporting requirements present a barrier to moving to IFRS, and if so, to what degree?**

In the short-term, Fitch expects companies in regulated industries, such as banks and insurance firms, to continue to prepare financial statements in U.S. GAAP or according to regulatory requirements based on U.S. GAAP in order to fulfill the requirements to provide certain audited financial data to their respective regulators. Fitch believes that setting a timeline for convergence should incorporate ample time for the regulatory environment to adapt standards and requirements to comply with IFRS. Differences in accounting can result in some substantial differences in capital adequacy, which is a key factor in insurance and bank regulation, as well as, in ongoing earnings and asset quality measurement. Understanding that many of these regulatory bodies either support or are supported by federal, state and local laws, we believe that this will be a major undertaking. Additionally, ensuring compliance with debt covenants may require either a "grandfathering" of U.S. GAAP reporting or a need for covenants to be modified to reflect IFRS benchmarks.

7. **Are there additional market forces that would provide incentives for market participants to want U.S. issuers to prepare IFRS financial statements?**

Fitch will not specify which accounting standards should be used by any issuer that we rate. However, regardless of the accounting standard, the financial statements should include adequate disclosure so that we can make adjustments to perform our analysis. We would prefer to see thorough financial statements in U.S. GAAP prepared and audited by experts in the field rather than financial statements in IFRS prepared and audited by those still inexperienced in their application.

8. **Are there issues unique to whether investment companies should be given the choice of preparing financial statements in accordance with IFRS? What would the consequences be to investors and other market participants of providing investment companies with that choice?**

There are a limited number of rated investment companies, so we do not have many comments to make in response to this question. The conversion to IFRS by investment companies outside of the United States provided insights into certain deficiencies in disclosures for these types of issuers. Because of limited cash flow data, it is difficult to ascertain whether increases in investments are the result of increases in market values or additional investments. The lack of disclosures of unrealized gains and losses also impairs analysts' ability to determine real rates of return and operating earnings. We would suggest that supplemental cash flow data be provided until standards are further developed in IFRS for these types of issuers.

9. **Would giving U.S. issuers the opportunity to report in accordance with IFRS affect the standard setting role of the FASB? If so, why? If not, why not? What effect might there be on the development of U.S. GAAP?**

Fitch believes that the FASB's constituency may change if U.S. issuers are afforded the opportunity to report in accordance with IFRS. As we would expect larger multinationals to avail themselves of the option to report in IFRS, FASB would therefore be making standards for smaller, domestically focused public companies and for the private sector. Such a constituency may possibly derail convergence efforts.

D. Convergence of IFRS and U.S. GAAP

10. What are investors', issuers' and other market participants' opinions on the effectiveness of the processes of the IASB and the FASB for convergence? Are investors and other market participants satisfied with the convergence progress to date, and the robustness of the ongoing process for convergence?

11. How would the convergence work of the IASB and the FASB be affected, if at all, if the Commission were to accept IFRS financial statements from U.S. issuers? If the Commission were to accept IFRS financial statements from U.S. issuers, would market participants still have an incentive to support convergence work?

12. If IFRS financial statements were to be accepted from U.S. issuers and subsequently the IASB and the FASB were to reach substantially different conclusions in the convergence projects, what actions, if any, would the Commission need to take?

Our response to 10-12 is as follows:

As noted in our response to the SEC's proposed rule on accepting foreign private issuers' financial statements prepared in accordance with IFRS without reconciliation to U.S. GAAP, Fitch believes that the changes to U.S. GAAP and IFRS have thus far resulted in more helpful accounting in both sets of standards. There are better disclosures and attempts to bring more consistency between accounting treatments for different things (or the same thing by different industries).

Fitch envisions that giving U.S. issuers an option to report in IFRS will mainly result in large multinational companies reporting in IFRS. It is these firms that will both benefit from the option (due to consistency in accounting among peers as well as internally among international subsidiaries) <u>and</u> be able to marshal the most likely limited technical resources available (whether they are for their own staffs or for their audit teams). The FASB will thus be setting GAAP for smaller, more domestically focused public companies and the private sector. Fitch believes that given this potentially modified constituency for the FASB, the convergence process could be jeopardized.

III. GLOBAL ACCOUNTING STANDARDS

A. The Case for a Single Set of Globally Accepted Accounting Standards

13. Do investors, issuers and other market participants believe giving U.S. issuers the choice to prepare financial statements in accordance with IFRS as published by the IASB furthers the development of a single set of globally accepted accounting standards? Why or why not, and if so, how?

In our view, the choice on its own will not in itself further development of a single set of globally accepted standards. In fact, this may well delay convergence, because those companies most interested in this because of their international presence would have less incentive to promote convergence once they had the option of reporting in IFRS and no longer having to think about U.S.GAAP as well. Fitch supports allowing U.S. issuers an option to prepare financial statements in accordance with IFRS as published by the IASB - but only for a limited period of time. Granting U.S. issuers the option over a limited period of time to file financial statements in accordance with IFRS as published by the IASB prior to requiring IFRS for all listed companies should provide some benefits while avoiding long-term potential consequences of supporting two accounting systems indefinitely.

Fitch believes that the SEC, working with the FASB and the IASB, should set out a timeline for convergence and be clear about what "convergence" means. If the SEC's intention is for all listed companies around the world to report according to a single set of accounting standards, then a deadline should be set for all U.S. listed companies to move to IFRS. If, however, convergence means that U.S. GAAP will remain a standard that listed companies based in the United States can use, one way to achieve convergence would be to ensure that financial statements prepared under the two sets of standards were materially the same, although the standards themselves were not identical.

B. The International Accounting Standard Setter

14. Are investors, U.S. issuers and other market participants confident that IFRS have been, and will continue to be, issued through a robust process by a stand-alone standard setter, resulting in high quality accounting standards? Why or why not?

Fitch believes that current IFRS are high quality, and that they have been and will continue to be issued through a robust process by a stand-alone standard setter. Given the ever increasing global franchise of these standards, we think that the IASB would benefit in the future as an independent, global standard setter by ensuring that its funding and staffing levels are adequate to fulfill its mission.

15. Would it make a difference to investors, U.S. issuers and other market participants whether the Commission officially recognized the accounting principles established by the IASB?

16. What are investors', U.S. issuers' and other market participants' views on how the nature of our relationship with the IASB, a relationship that is different and less direct than our oversight role with the FASB, affects the Commission's responsibilities under the U.S. securities laws?

The SEC should use the channels for communication made available by the IASB. Through its letters to foreign private issuers, the SEC has already established itself as the main public interpreter of IFRSs after the International Financial Reporting Interpretations Committee ("IFRIC"), the official interpreter, and the large accounting firms. There is a risk that the SEC might set up a sub-framework of interpretation which establishes rules over and above IASB's standards. Where it is thought that interpretation is required to "firm up" accounting for the U.S. investor, the SEC may determine that it needs to write some rules. However, this may obstruct the freedom of companies to develop best accounting practice, and may result in the complexity of accounting the standard setters are trying to avoid. The IASB aims to develop IFRSs as principles-based standards, while allowing preparers to develop and establish a consistent industry best practice.

The IASB's standards are used throughout the world, while FASB's are primarily adopted by companies based in the United States. It is important for the development of good, neutral accounting standards to have standard-setting bodies that are as independent from influence as possible. By participating in the standard-setting and interpretative process alongside other regulators rather than as a dominant force in the process, the SEC will give the IASB the controlled flexibility it needs to develop robust standards, while allowing interpretation of global standards to develop in a way that best suits local markets.

It is important to remember that the authority the SEC has developed over interpreting accounting standards in the United States is unusual. In the rest of the world the main point of reference is the large accounting firms. Should the SEC prove to be too dominant a force in the way IFRSs are applied and interpreted around the world, there is a risk that this will be perceived outside the United States as introducing U.S. GAAP "through the back door", which would be an impediment to achieving acceptance of IFRSs as issued by the IASB at local level.

IV. IFRS IMPLEMENTATION MATTERS FOR U.S. ISSUERS

A. Education and Training

17. In what ways might the Commission be able to assist in improving investors' ability to understand and use financial statements prepared in accordance with IFRS?

We think training courses provided or sponsored by the SEC on the more complex accounting aspects would be of assistance to investors looking at IFRS as well as U.S. GAAP financial statements. Frequently updated summary and more detailed papers on the SEC's website of the main differences that can arise from the two sets of standards would also be helpful. Where SEC staff note that IFRS disclosure requirements lag those of US GAAP, it would be helpful to bring these to the attention of the IASB as well as proposing to companies directly that they provide more comprehensive disclosure.

18. What are the incentives and barriers to adapting the training curricula for experienced professionals to address both IFRS and U.S. GAAP? Separate from ongoing training, how long might it take for a transition to occur? How much would it cost?

Fitch believes that there are specific barriers to adapting training curricula in a two accounting standard world. As we learned in the European model of adoption, once a date was set, training happened as necessary. In the proposed IFRS optional model with no clear end date, it may be unclear to market participants who exactly needs to be trained and when. Much is dependent on which issuers (industries) file in IFRS and how the option could be implemented (i.e., allowing a one time option, or allowing issuers to go back and forth between accounting standards).

19. **What are the incentives and barriers relevant to the college and university education system's ability to prepare its students for a U.S. public capital market in which U.S. issuers might report under IFRS? What are the incentives and barriers relevant to changing the content of the Uniform CPA Examination? How should the Commission address these incentives and barriers, if at all?**

B. Application in Practice

20. **What issues would be encountered by U.S. issuers and auditors in the application of IFRS in practice within the context of the U.S. financial reporting environment?**

We have no comment on questions 19 and 20 above.

21. **How do differences between IFRS and U.S. GAAP bear on whether U.S. issuers, including investment companies, should be given the choice of preparing financial statements in accordance with IFRS?**

Until IFRS is fully developed in the insurance and extractive industries, issuers in those industries should not be given the choice of preparing financial statements in IFRS. For investment companies, see our answer to Note 8 above.

22. **What do issuers believe the cost of converting from U.S. GAAP to IFRS would be? How would one conclude that the benefits of converting justify those costs?**

We have no comment on question 22 above.

C. Auditing

23. **Would audit firms be willing to provide audit services to U.S. issuers who prepare their financial statements in accordance with IFRS? How, if at all, would allowing U.S. issuers to prepare IFRS financial statements affect the current relative market shares of audit firms?**

24. **What factors, if any, might lead to concern about the quality of audits of IFRS financial statements of U.S. issuers?**

25. Would any amendments or additions to auditing and other assurance standards be necessary if U.S. issuers were allowed to prepare IFRS financial statements?

26. How could global consistency in the application of IFRS be facilitated by auditors of U.S. issuers?

Questions 23-26 are best answered by the auditors themselves. Fitch's experience with IFRS has been that the large audit firms play an important role in developing consistency of IFRS practices across national borders.

D. Regulation

27. Do you think that the information sharing infrastructure among securities regulators through both multilateral and bilateral platforms will improve securities regulators' ability to identify and address inconsistent and inaccurate applications of IFRS?

It will be very difficult to establish consistent accounting across a large number of countries, each with its own regulation and means of implementing accounting practices. Local regulators will play an important role in this and sharing of information on the IOSCO database will support the process. However, for global accounting to develop effectively, it will be important to have a transparent means of exchanging information and opinions that includes the other primary players in the implementation process, including accounting firms and industry groups. Making IOSCO's database open to all would be a helpful step in this direction.

E. Integration with the Commission's Existing Requirements

28. If the Commission were to consider rulemaking to allow U.S. issuers to prepare IFRS financial statements, are there operational issues relative to existing Commission requirements on which additional guidance would be necessary and appropriate? Would it be appropriate to have differing applicability for U.S. issuers of the form and content provisions of Regulation S-X depending on whether they use IFRS in preparing their financial statements? Are there operational or other issues unique to investment companies? In preparing and auditing IFRS financial statements, should U.S. issuers and their auditors consider the existing guidance related to materiality and quantification of financial misstatements?

29. Should there be an accommodation for foreign issuers that are not foreign private issuers regardless of whether the Commission were to accept IFRS financial statements from U.S. issuers? Should any accommodation depend upon whether the foreign issuer is subject to the laws of another jurisdiction which requires the use of IFRS, or if the issuer had previously used IFRS financial statements in its filings with the Commission?

We have no comment on questions 28-29.

F. Transition and Timing

30. **Who do commenters think should make the decision as to whether a U.S. issuer should switch to reporting in IFRS: a company's management, its board of directors or its shareholders? What, if any, disclosure would be warranted to inform investors of the reasons for and the timing to implement such a decision? If management were to make the decision to switch to IFRS, do investors and market participants have any concerns with respect to management's reasons for that decision?**

Transparency is, as always, very important. Issuers should be required to disclose why they are choosing to report in IFRS and the impact of the change in accounting standards. Issuers make financial decisions in part based on the anticipated accounting impact. However, with convergence ongoing, how can issuers compare such choices, when it is unclear what will be the resultant US GAAP or IFRS standard following certain convergence projects in either US GAAP or IFRS? Consistency in reporting is paramount and users will generally react negatively to any issuers that attempt to move back and forth between standards.

31. **When would investors be ready to operate in a U.S. public capital market environment that allows the use of either IFRS or U.S. GAAP by U.S. issuers? When would auditors be ready? How about those with other supporting roles in the U.S. public capital market (e.g., underwriters, actuaries, valuation specialists, and so forth)? Is this conclusion affected by the amount of exposure to IFRS as it is being applied in practice by non-U.S. issuers?**

Fitch has developed IFRS expertise in countries outside of the United States and would be able to leverage those skills. If the option were adopted, here at Fitch we would modify our U.S. data collection practices and databases to enable comparison of similar companies regardless of the accounting standard utilized. Fitch would train the analysts in the relevant affected groups as appropriate.

Regardless of how and when the IFRS option is adopted, if at all, the agency will be in a position to analyze and rate those issuers that make such an adoption should the proposal move forward.

32. **Should the Commission establish the timing for when particular U.S. issuers could have the option to switch from preparing U.S. GAAP to IFRS financial statements? Should market forces dictate when a U.S. issuer would make the choice to switch from U.S. GAAP to IFRS financial statement reporting? If the former, what would be the best basis for the Commission's determination about timing?**

33. Should the opportunity, if any, to switch to IFRS reporting be available to U.S. issuers only for a particular period of time? If so, why and for what period? At the end of that period of time, could commenters foresee a scenario under which it would be appropriate for the Commission to call for all remaining U.S. issuers to move their financial reporting to IFRS?

34. What difficulties, if any, do U.S. issuers anticipate in applying IFRS 1's requirements on first-time adoption of IFRS, including the requirements for restatement of and reconciliation from previous years' U.S. GAAP financial statements?

35. Would it be appropriate for U.S. issuers that move to IFRS to be allowed to switch back to U.S. GAAP? If so, under what conditions?

By limiting the option of U.S. issuers to only three to five years prior to an eventual requirement to file IFRS accounts, many of the issues raised by questions 32, 33 and 35 would be eliminated. In our view, the best approach would be for companies only to have the option during a limited three to five year period and afterwards, all public companies must move to the converged standards. In addition, the option to file in IFRS should be irreversible.

We hope you find our comments helpful and would be happy to answer any questions you may have on them.

Yours sincerely,

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