

Ms Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 50549-1090

Ref. H 1.2 - Sü/To
Contact Silvia Schütte
Tel. +49 30 1663 2210
Fax 49 30 1663 2299
E-mail silvia.schuette@bdb.de

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Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to US GAAP
(Release Nos. 33-8818; 34-55998; IC 1302; File No. S7-13-07)

Dear Ms Morris,

Thank you for the opportunity to comment on the SEC's Proposing Release No. 33-8818 *"Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards without Reconciliation to US GAAP"*.

We warmly welcome the proposal to allow foreign private issuers listed in the US to file financial statements prepared in accordance with International Financial Reporting Standards (IFRS) without reconciliation to US GAAP. The Association of German Banks has long argued in favour of mutual recognition of accounting standards in the US and Europe. The current plans to recognise IFRS accounts without the need for their reconciliation to US GAAP will bring the lengthy discussions of this issue to a positive conclusion. The decision to no longer require reconciliation will translate into considerable time and financial savings for foreign issuers listed in the US. This is likely to make the US capital markets significantly more attractive to foreign private issuers.

The proposal envisages accepting only financial statements prepared in accordance with the English version of IFRS in the form published by the IASB ("full IFRS").


To become legally effective in the countries of the European Union, however, all IFRS have to go through a special recognition procedure known as endorsement, which is laid out in Regulation (EC) No. 1606/2002 (IAS Regulation). This regulation requires IFRS approved by the

IASB to be legitimised for use in the EU by being adopted into EU law. At the end of this process, the European Commission decides on the adoption of an IFRS or IFRICs as approved by the IASB. The Commission is not empowered to change the contents of the standard. In principle, therefore, IFRS endorsed for use in the EU should be “full IFRS”. Nevertheless, certain temporal differences may arise. The existence of this endorsement mechanism inevitably gives rise to a certain time-lag between the approval of a standard by the IASB and its adoption into European law. Resulting temporal differences which are due solely to the fact that the endorsement process has not yet been completed should not be regarded as discrepancies and trigger a need for reconciliation to US GAAP. Given that it is the objective of the Commission for all IFRS to be adopted into EU law in their entirety, differences between “full” and “EU” IFRS which are due to non-endorsement or partial endorsement are extremely rare. The sole discrepancy at present concerns certain rules on hedging in IAS 39. Intensive work is underway to eliminate the carve-out. Should the SEC nevertheless decide to require reconciliation even in these cases, it should be sufficient to reconcile “EU IFRS” to “full IFRS”. This would ensure that financial statements were comparable without imposing an undue burden on European companies.

We should be happy to provide additional information about these issues on request.

Yours sincerely,


Katrin Burkhardt


Silvia Schütte