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COUNCIL OF INSTITUTIONAL INVESTORS EXPRESSES CONCERNS ABOUT SEC PROPOSAL

The Council of Institutional Investors shares the Securities and Exchange Commission's (SEC) goal of a single set of globally recognized high quality financial reporting standards that meet the needs of all investors. But it is unclear whether the SEC's proposal to switch from U.S. accounting standards to international standards starting in 2014 will achieve that goal. Many complex issues must be carefully evaluated and resolved as part of this momentous change in U.S. financial accounting and reporting.

"The Council supports continued cooperation between U.S. and international accounting standards setters to work toward convergence to a single set of high quality financial reporting standards that investors can rely on," said Jeff Mahoney, CII's general counsel. "We urge the SEC to make the switch when, and only when, international standards meet or exceed the high level of investor protection that current U.S. standards afford."

The Council urges the SEC to ensure that there is a consensus among investors that the following milestones have been met before the commission replaces U.S. Generally Acceptable Accounting Principles (GAAP) with International Financial Reporting Standards (IFRS) as the *lingua franca* of financial statements:

- Information generated from the application of IFRS is at least as useful as that produced via GAAP.
- The application, auditing and enforcement of IFRS by U.S. companies, auditors and the SEC, respectively, are at least as rigorous and consistent as the application, auditing and enforcement of GAAP.
- The international standard setter is independent: It does not depend on voluntary contributions from companies or audit firms; has a full-time board and staff of experts; and its technical accounting decisions cannot be overridden by national or political bodies.
- The views and needs of investors are paramount to the international standards setter.
- The international standards setter has significant investor representation.

The Council of Institutional Investors (CII) is a nonprofit association of public, union and corporate pension funds with combined assets that exceed \$3 trillion. Member funds are major long-term shareowners with a duty to protect the retirement assets of millions of American workers. The Council strives to educate its members and the public about good corporate governance, shareowner rights and related investment issues, and to advocate on our members' behalf.