

COUNCIL OF INSTITUTIONAL INVESTORS

Suite 500 • 888 17th Street, NW • Washington, DC 20006 • (202) 822-0800 • Fax (202) 822-0801 • www.cii.org

Via Email

April 20, 2009

Florence E. Harmon
Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File Number S7-27-08

Dear Ms. Harmon:

I am writing on behalf of the Council of Institutional Investors (“Council”), an association of more than 130 public, corporate and union pension funds with combined assets of over \$3 trillion.¹ The Council appreciates the opportunity to comment on the Securities and Exchange Commission’s (“Commission”) “Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers: Proposed Rule” (“Proposal”).²

As a leading voice for long-term patient capital, the Council strongly believes that independent private sector accounting standard setting is critical to the development of a single set of high quality global accounting standards that meet the needs of investors—the primary consumers of financial reports. Last fall, after research and deliberations by the Council’s staff, policies committee, and board of directors,³ including consultation with the Chairman of the International Accounting Standards Board and other leading international and domestic accounting experts, the Council’s general members⁴ approved a policy⁵ that directly addresses the key issue raised by the Proposal: What are the necessary milestones that must be met to ensure the protection of investors *before* the Commission considers requiring or even allowing the use of International Financial Reporting Standards (“IFRS”) by U.S. issuers?⁶

¹ Additional information about the Council of Institutional Investors (“Council”) and its members is available on the Council’s website at http://www.cii.org/about/council_members.

² Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers: Proposed Rule, Securities Act Release No. 8982, Exchange Act Release No. 58,960, File No. S7-27-08, 73 Fed. Reg. 70,816 (Nov. 21, 2008), <http://www.sec.gov/rules/proposed/2008/33-8982fr.pdf>.

³ A listing of the Council’s board of directors and their affiliations is available on the Council’s website at http://www.cii.org/about/council_board.

⁴ A description of the general members of the Council is available on the Council’s website at http://www.cii.org/about/council_members.

⁵ The policies of the Council are part of a living document that is constantly reviewed and updated. The policies are intended to set standards or recommended best practices that the Council members believe companies and boards should adopt. The policies are available to the public and can be downloaded without charge at <http://www.cii.org/policies>.

⁶ See 73 Fed. Reg. at 70,817.

Our policy sets forth the following seven criteria that we believe must, at a minimum, be achieved to ensure that any replacement of U.S. generally accepted accounting principles (“GAAP”) with IFRS results in high quality standards and a high quality standard setting system that produces comparable, reliable, timely, transparent and understandable financial information that meets the needs of investors:

- In the aggregate, the information that results from the application of international accounting and auditing standards is, at a minimum, of the same quality as the information resulting from U.S. accounting and auditing standards;
- The application (by U.S. companies and their auditors) and enforcement (by U.S. regulators) of the international accounting and auditing standards are at least as rigorous and consistent as the application and enforcement of U.S. accounting and auditing standards;
- The international standard setter has sufficient resources—including a secure stable source of funding that is not dependent on voluntary contributions of those subject to the standards;
- The international standard setter has a full-time standard-setting board and staff that are free of bias and possess the technical expertise necessary to fulfill their important roles;
- The international standard setter has demonstrated a clear recognition that investors are the key customer of audited financial reports and, therefore, the primary role of audited financial reports should be to satisfy in a timely manner investors’ information needs. This includes having significant, prominent and adequately balanced representation from qualified investors on the standard setter’s staff, standard-setting board, oversight board and outside monitoring or advisory groups;
- The international standard setter has a thorough public due process that includes solicitation of investor input on proposals and careful consideration of investor views before issuing proposals or final standards; and
- The international standard setter has a structure and process that adequately protects the standard setter’s technical decisions and judgments (including the timing of the implementation of standards) from being overridden by government officials or bodies.⁷

Unfortunately, the Commission chose to largely ignore,⁸ without any explanation or evidence of substantive analysis, the criteria contained in our policy.⁹

In our view, the Proposal’s milestones are woefully inadequate and fail to provide investors with reasonable assurance that the use of IFRS by U.S. issuers will not lower the quality of financial reporting. The basis for our view is described in more detail in the attachment which includes our responses to a number of the specific questions raised in the Proposal.

⁷ Council, Policies on Other Governance Issues, Independence of Accounting and Auditing Standard Setters 1-2 (update Oct. 7, 2008), [http://www.cii.org/UserFiles/file/council%20policies/CII%20Policies%20on%20Accounting%20and%20Auditing%2010-7-08\(1\).pdf](http://www.cii.org/UserFiles/file/council%20policies/CII%20Policies%20on%20Accounting%20and%20Auditing%2010-7-08(1).pdf).

⁸ See Letter from Paul Simenauer to The Honorable Christopher Cox 1 (Oct. 9, 2008), [http://www.cii.org/UserFiles/file/resource%20center/correspondence/2008/Letter%20to%20Chairman%20Cox%20on%20IFRS%20related%20policy%20\(final\)%20\(2\).pdf](http://www.cii.org/UserFiles/file/resource%20center/correspondence/2008/Letter%20to%20Chairman%20Cox%20on%20IFRS%20related%20policy%20(final)%20(2).pdf) (“We would respectfully request that those milestones be revised, as necessary, to include the seven criteria contained in our attached policy”).

⁹ We acknowledge that the Proposal’s milestones on “Improvements in Accounting Standards” and “Accountability and Funding of the IASC Foundation” are partially responsive to the Council policy’s milestones regarding the “quality” of international standards and the need for a “secure stable source of funding” for the international accounting standard setter. See 73 Fed. Reg. at 70,820-22.

April 20, 2009

Page 3 of 3

We appreciate the opportunity to comment on the Proposal. If you have any questions or need any additional information, please feel free to contact me at 202.261.7081 or jeff@cii.org.

Sincerely,

A handwritten signature in cursive script that reads "Jeff Mahoney". The signature is written in black ink and is positioned to the left of the typed name.

Jeff Mahoney
General Counsel
Council of Institutional Investors

Attachment