

14 April 2004

Jonathan G Katz
Secretary
U.S Securities and Exchange Commission
450 Fifth Street, NW
Washington DC 20549-0609
United States of America

Dear Mr Katz

PROPOSED RULE: FIRST-TIME APPLICATION OF IFRS
File No. S7-15-04

The Institute of Chartered Accountants in England & Wales welcomes the opportunity to comment on the *Proposed Rule: First Time Application of International Financial Reporting Standards*, published for comment in March 2004. The Institute is the largest accountancy body in Europe, with more than 125,000 members operating in business, public practice and within the investor community. The Institute operates under a Royal Charter, working in the public interest.

We support the decision of the SEC to permit issuers to file two rather than three years of financial information in the year of conversion to International Financial Reporting Standards (IFRS/IAS). We consider that the proposals provide a reasonable accommodation between the need of investors for comparative financial information and concerns regarding the practical difficulties companies would face if required to present 2003 IFRS comparatives.

We have not commented on each of the issues raised by the SEC. However, we have outlined below two specific concerns regarding the detailed proposals.

The EU Endorsement Process

We agree in principle that the proposed accommodation should apply to companies that adopt the complete set of international accounting standards and make an unreserved and explicit statement of compliance with IFRS. However, in some circumstances the IFRS endorsement process established in the European Union (EU) may prevent companies from making such a statement. Although in practice it would be possible to apply an unendorsed standard unless a conflicting standard on the same topic already exists, if an IFRS has not been endorsed by the time a company produces its accounts, the company

will not be able to make an unreserved statement of compliance. Its statement would, instead, refer to the application IFRS 'as approved by the EU'.

The SEC might wish to reconsider the proposed eligibility requirements to take account of the potential impact of the EU endorsement process. It would be unfortunate if, for example, a company applying IFRS for the first time in 2007 was unable to take advantage of the proposed accommodation because the EU was not able to endorse in sufficient time a standard that introduced limited improvements to an existing standard.

IFRS 1: Disclosures

We agree that first time adopters of IFRS should explain on Form 20-F the extent to which the exceptions under IFRS 1 have been applied. However, the cost of providing the additional proposed disclosures in relation to the elective exceptions is likely to outweigh any benefits to users. The elective exemptions are likely to be applied where the information required to permit restatement cannot be assembled without undue cost or effort. Accordingly, it may seem unreasonable to require companies to try to determine the significance of the exemption and, in particular, the impact that the application of alternative accounting policies would have had on the reported financial condition and results.

The Board might like to reassess the merit of its detailed proposals in this area before issuing the final Rule.

We trust that these comments are helpful and would be pleased to provide any further information or clarification.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Nigel Sleight-Johnson', is written over a light blue rectangular background.

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