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November 13, 2007

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

By mail and e-mail to rule-comments@sec.gov

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

Dear Commissioners:

We appreciate the opportunity to offer comments to the Securities and Exchange Commission (SEC) on the "Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards (the Concept Release)." The National Association of State Boards of Accountancy's (NASBA) mission is to enhance the effectiveness of state boards of accountancy. In furtherance of that mission, NASBA's Regulatory Response Committee offers the following comments.

For the past few years, the International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB) have served as a viable model for many countries as the basis for their jurisdictional financial reporting systems. During this period, the U.S. Financial Accounting Standards Board (FASB) and the IASB have worked to converge standards in order to eliminate or minimize differences between the two standard-setting organizations' pronouncements and NASBA strongly supports this cooperative effort. This process allows the best and most desirable characteristics of both accounting systems to be incorporated into a single set of converged accounting principles. Convergence will facilitate the free flow of capital, goods and services globally without unnecessary differences in the language of financial reporting that result from multiple standards of accounting. NASBA supports this approach for U.S. financial reporting for public companies insofar as the model includes the continued leadership of the FASB. The FASB's standards, including those resulting from the convergence process, should be those used by domestic reporting entities.

The FASB has demonstrated its relevancy and viability since its founding in 1973. NASBA urges the continued full support of the FASB's research and development of accounting standards and interaction with the IASB to harmonize future standards. The FASB must serve as the representative of the U.S.capital markets for accounting principles.

Continuing the FASB as the financial reporting standard setter for both publicly-held companies that report to the SEC and for all other business enterprises is essential to the U.S. economy. If the SEC permits IFRS to be used by domestic reporting entities, two reporting standards would be allowed in the U.S. for reporting to the public, those set by IASB and those set by the FASB. The two sets of standards are not yet converged, and the public interest would not be served by allowing companies to elect different accounting standards for economically similar transactions. This would create additional confusion for the investing public.

The Concept Release does not address business entities that do not report to the SEC. Non-public economic entities and public entities that do not report to the SEC account for approximately 50 percent of the U.S. GNP and employment, and are widely recognized as the incubator for economic growth, entrepreneurship and innovation. In many fiscal reporting periods, the fastest growing segment of the economy is the non-public entity sector. Furthermore, the capital markets' sources of credit and capital flow in two directions, from private to public and from public to private. This state of flux is also seen in business entities as they move from private ownership to public ownership and vice versa.

If the SEC ultimately decides to require reporting entities to use IFRS, as established by the IASB, such action could have serious negative consequences for non-reporting U.S. business enterprises. The FASB, now funded by reporting entities, could cease to exist, leaving no standard setter for non-reporting entities. This situation would create competition among organizations as to which would become the standard setter for non-public entities. The public interest would not be served. It is essential that the FASB continue its role of setting standards, although cooperatively with the IASB, for both reporting and non-reporting entities.

NASBA strongly believes that the SEC should support the process of convergence of standards by the FASB and the IASB as the way to implement the internationalization of accounting reporting standards, and neither permit nor require domestic reporting entities to use IFRS set by the IASB. We believe that the process of convergence will, in fact, create substantial jurisdictional convergence. However, given the significant differences in the U.S. legal and economic systems that may require modifications, omissions or additions to the basic international model IFRS, the adoption by the U.S. should be similar to what other major countries have done in implementing a "jurisdictional financial reporting" system based on IFRS.

With the continued existence of the FASB as the primary U.S. standard setter for all business entities, the probability of confusion with two sets of accounting standards is eliminated. The burden on preparers, users, auditors, the public and regulators to be competent in two complex sets of accounting standards is also eliminated. U.S. standards and international standards would be converged to the extent possible.

NASBA believes that the present convergence process should be continued, but at an accelerated pace. NASBA also believes that the FASB and IASB should set a reasonable timetable to resolve major existing differences in financial reporting.

Based on U.S. historical experience with regard to the setting of accounting, auditing and ethics standards, NASBA is seriously concerned about the potential threats to the independence of the IASB. It has been repeatedly demonstrated in the U.S. that an effective standard-setting body must be independent of any special interest in membership, funding, governance and mission. In order to support objectivity, the body must be balanced in perspective and consider the needs of all stakeholders. Finally, the funding sources of the standard-setting body must be dependable and sufficient to provide the financial and human resources necessary to achieve the body's mission and goals. These resources should not be based on voluntary support that could fluctuate.

The IASB is dependent on voluntary financial support from stakeholders. This support may be reduced, delayed or withdrawn based on the level of satisfaction of the voluntary contributors with the standard-setting process and outcomes. Historically, this has been demonstrated in the U.S. Therefore, we suggest that the funding for the IASB be mandated by the sponsoring governments of one set of converged standards. This is the process that was deemed necessary in the U.S. for accounting, auditing and independence standards.

We appreciate the opportunity to comment on the SEC's Concept Release on Allowing U.S. Issuers to Prepare Financial Statements in Accordance with International Financial Reporting Standards.

Sincerely,

Samuel K Cotterell

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