



December 5, 2002

Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH United Kingdom
Via FAX 011 44 207 246 6411

Dear Sir David:

The International Organization of Securities Commissions (IOSCO) Standing Committee No. 1 on Multinational Disclosure and Accounting appreciates the work that the International Accounting Standards Board has completed in producing the Exposure Draft on *First-Time Application of International Financial Reporting Standards*.

Changing from one comprehensive basis of accounting to another is an unusual event and a complex undertaking, particularly when being done on a national and regional scale as is the case in the conversion of the European Union and a number of other countries to International Financial Reporting Standards (IFRS) in 2005. We recognize that the Board has had to balance many conflicting views and concerns in developing the proposed accounting principles to be used for such an occurrence.

IOSCO is committed to promoting the integrity of international markets through promotion of high quality accounting standards, including rigorous application and enforcement. Members of Standing Committee No. 1 seek to further IOSCO's mission through thoughtful consideration of accounting and disclosure concerns and pursuit of improved transparency in global financial reporting. Our comments represent the consensus views of our Standing Committee, and are not intended to include all the comments that might be provided by individual members on behalf of their respective jurisdictions.

Our comments are as follows:

- 1.) The approach in the Exposure Draft to require a current and prior comparative year under IFRS is an appropriate requirement to include in an international accounting standard. However, the Board should be mindful of the fact that securities regulators in individual jurisdictions may impose requirements for additional years of financial statements based upon the laws and market needs in a particular country.

Some of our regulator members expect to impose a requirement for three years of financial statements. The second prior year may be reported under the previous local GAAP, or may be reported under IFRS, depending upon the final determinations made in individual countries. It is also possible that a regulator will require that two years should be reported under previous GAAP and two under IFRS, with one year reported both ways (the immediate prior year), subject to appropriate explanations and disclosures.

In some cases, these regulatory decisions are not yet completed. We ask that the IASB not create potential conflicts with national regulatory requirements. For example, the stipulation that all years presented must be under IFRS (as is now proposed in paragraph 29 of the ED), and the statement that presenting more than one prior year is not cost-beneficial (paragraph BC91 of the Basis for Conclusions), could conflict with regulatory decisions in some areas.

We urge the Board to concentrate its attention on the requirement for consistent presentation of a current and prior year under IFRS, and let any additional reporting year requirements and conditions be determined by individual regulators as needed.

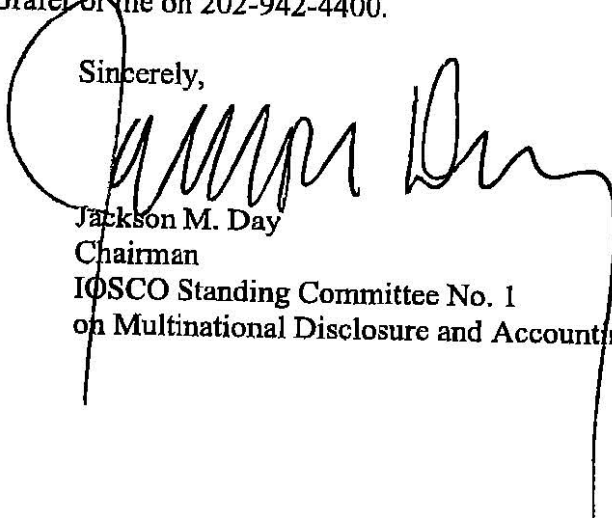
- 2.) We ask that the Board be aware that individual regulators may require additional disclosures such as more robust narratives regarding reconciliations and impact on certain balance sheet captions and financial ratios, impact of exemptions, or others. It is not unusual for securities regulators to require additional information to be reported by listed public companies in securities filings, and there is no reason to believe this would not be true in the case of first time application. The goal for the IASB should be to specify the basic international accounting requirement and recognize that additional information may be required in some jurisdictions.
- 3.) Our third and final comment is that we are aware of some concerns regarding the use of current or previous versions of IFRS when some, but not all, of the required exemptions provided in the standard may be needed by an issuer. We recognize the Board's efforts in maximizing comparability among first-time adopters. At the same time, we also note that newer versions of IFRSs present significant improvements over earlier versions.

Without intending to prejudge an outcome on this issue, we encourage the Board to give consideration to all points raised by commenters as it

carries out its final deliberations on the matter of the exemptions and determines the best resolution in the interests of investors.

Thank you for this opportunity to provide our comments. If you or staff members have any questions regarding the statements in this letter, please feel free to contact Susan Koski-Grafer or me on 202-942-4400.

Sincerely,

A handwritten signature in black ink, appearing to read "Jackson M. Day", is written over the typed name and title. The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail that extends downwards and to the right.

Jackson M. Day
Chairman
IOSCO Standing Committee No. 1
on Multinational Disclosure and Accounting