

## *International Standards*

### **SEC's Spokesman Seeks to Clarify Timing and Process of IFRS Decision**

**N**EW YORK—Securities and Exchange Commission spokesman John Nester July 11 sought to clarify the timing and process of how the commission will make a decision on whether international financial reporting standards (IFRS) can be used domestically by U.S. companies.

“As we’ve said from the outset, staff have been working on a report and separately developing a recommendation,” Nester told BNA. “The report is nearing completion but staff have not established a timetable for completing a recommendation,” he said.

Nester said that the confusion over what the expected staff report will contain stems from the fact that the SEC has been concurrently working on two issues that focus on the same topic:

- a final report of what issues the commission should look at to evaluate any recommendation; and
- the actual recommendation of whether or not the U.S. should adopt IFRS.

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JOHN NESTER, SEC SPOKESMAN

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“So people perhaps mashed those two up as if they’d be the same document, but if you read the commission statement from 2010, they’re separate documents,” said Nester.

It is the framework for analyzing the recommendations that is expected to be issued in a matter of weeks, but the timeline for the actual recommendation pertaining to IFRS however remains unclear, he said.

Constituents have had realistic expectations that the SEC would issue some sort of report around the same time due to the initial 2008 “roadmap” proposed by the commission, which implied at that time that the com-

mission would be in a position in 2011 to make a decision (4 APPR 1045, 11/28/08). Nester said, however, that “you wouldn’t get the recommendation before the report because the report is an antecedent to the recommendation.”

The commission wants to use the report as a tool for evaluating a recommendation, so by definition it needs to be there first, said Nester.

**Background.** In the November 2008 roadmap, the Commission proposed a path to evaluating the further role of IFRS in the U.S. capital markets. This roadmap contemplated that, “subject to an assessment of the milestones and other considerations, and after consideration of public comment, the Commission could be in a position in 2011 to decide whether to require the use of IFRS by U.S. issuers beginning in 2014, potentially allowing earlier use by certain U.S. issuers beginning with filings for fiscal years ending on or after December 15, 2009.”

Since in 2011 the SEC did not make a decision on whether or how the U.S. would adopt IFRS, industry practitioners have in general believed that such a decision would come this year, and, alongside that, plans for incorporation.

This expectation was heightened following the May 2011 SEC issued staff paper titled, ‘Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers Exploring a Possible Method of Incorporation.’ This paper sought comments regarding how to incorporate IFRS in US GAAP and included the “condorsement approach,” a process of gradual adoption of specific parts of IFRS over transition periods (07 APPR 435, 6/10/11).

Furthermore other top organizations such as the Financial Accounting Foundation, the Financial Accounting Standards Board’s board of Trustees, also issued comment letters suggesting enhancements towards a potential move forward. This all fostered the assumption among the industry that the report the SEC would next issue would specifically address the U.S.’s plans for IFRS.

**No Date Yet Established for IFRS Adoption.** Nester stated that constituents’ expectation that around the time that the report was issued a recommendation would follow, had not been definitely established by the SEC.

“We have indicated when the report is going to be done,” said Nester, with he and others at the SEC saying it will be done in a matter of weeks (08 APPR 534, 6/22/12).

As for the actual recommendation, the SEC’s staff is still working on it, Nester said. “Working on a proposal is a very organic process, not sort of linear, that in-

volves reaching out and resolving many and sometimes conflicting views,” he said.

By DENISE LUGO

□ *More information on the SEC’s consideration of IFRS use domestically by U.S. companies is at <http://www.sec.gov/spotlight/globalaccountingstandards.shtml>*

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