Center for Public Company Audit Firms
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Mr. Fabrice Demarigny
Secretary General
The Committee of European Securities Regulators
11-13 Avenue de Friedland
75008 Paris, France

Technical Advice on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information

Dear Mr. Demarigny:

The Center for Public Company Audit Firms (the "Center") of the American Institute of Certified Public Accountants ("AICPA") respectfully submits the following written comments on the Consultation Paper *Technical Advice on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information* (the "Paper") issued by The Committee of European Securities Regulators ("CESR").

The Center was established by the AICPA to, among other things, provide a focal point of commitment to the quality of public company audits and provide the U.S. Securities & Exchange Commission ("SEC") and the Public Company Accounting Oversight Board ("PCAOB"), when appropriate, with comments on their proposals and/or feedback on the implementation of new requirements under the Sarbanes-Oxley Act on behalf of Center member firms. All of the Center's member firms are U.S. domiciled accounting firms. The AICPA is the largest professional association of certified public accountants in the United States, with more than 340,000 members in business, industry, public practice, government and education.

Our comments are limited to certain matters related to auditor involvement in providing assurance on the identification of "significant" differences between certain third-country generally accepted accounting principles ("GAAP") and International Financial Reporting Standards ("IFRS") and the related remedies. We have not commented on the objective of the proposal, whether it can be achieved, or if it can be implemented in a cost beneficial manner. The implications of this proposal to companies in the United States and investors in Europe may be significant. We believe the proposals in the Paper address very important matters that should be thoroughly analyzed before any action is taken. Unfortunately, there was not sufficient time to comment on this proposal. We recommend that CESR, after considering the comments received, redraft the proposal and submit it for comments with a comment period of at least 90 days.

Significant GAAP differences

We note that for reporting entities that are U.S. public companies the inclusion of any information in the financial statements to comply with CESR's requirements will likely result in such information also being included in an SEC filing and, therefore, subject to PCAOB standards.

Paragraph 65 of the Paper indicates that the major differences for each third-country GAAP contemplated are not only those differences "commonly found today in practice or known today to be significant as such by the financial and audit community in Europe and in third countries," but also those that have "value relevance in relation to the investors' decision-making framework."

Throughout the Paper (see, for example, paragraph 17, the table in paragraph 32, and paragraphs 77, 101 and 106) it is suggested that the auditor evaluate the possible entity, industry, or event specific circumstances that could lead to the conclusion that there are other GAAP differences that are significant for an investor's decision; however, the Paper does not include any objective criteria against which such a determination can be made. That is, there is no established framework to evaluate significance.

For the same reasons that we believe it is not possible for the reporting entity to make a determination of what should be disclosed based on the guidance in the Paper, it also is not possible for the auditor to make such an assessment. The auditor cannot be held jointly responsible for determining which GAAP differences an investor may believe are relevant. There is no framework that reduces the stated objective from the investor's perspective to a set of procedures or guidelines to support the judgments that will need to be made as a part of an audit under PCAOB standards. Without such a framework, the auditor effectively would be accepting responsibility for the identification and/or the decision to not disclose certain GAAP differences, but would not be able to demonstrate that he or she had followed the applicable professional standards in formulating the required auditing judgments regarding the significance of those omissions.

Under PCAOB standards, auditors can determine if the financial information complies with a basis of accounting or is in accordance with certain prescribed rules, but auditors are not responsible for determining if an investor believes a particular disclosure or adjustment would be relevant to making an investment decision. In addition, the requirement for the auditor to make the assessment as to which differences should be disclosed would raise questions with respect to his or her independence under PCAOB standards. From the auditor's perspective, we do not believe the criteria to determine the content of the financial statements with respect to differences between U.S. GAAP and IFRS can be made operational without the establishment of an appropriate framework.

Remedies - auditing aspects

Paragraph 104 of the Paper requires that the remedies be audited to provide the same level of assurance as for the third-country GAAP financial statements. We believe there are only two possible alternatives under PCAOB standards that would allow the auditor to be in a position to be able to express an opinion on financial information that includes information about the differences between IFRS and U.S. GAAP:

1. The reporting entity prepares a full reconciliation in a manner consistent with how European companies report in filings with the SEC pursuant to Item 18 of Form 20-F; or

2. CESR specifically defines those items that the reporting entity is required to evaluate, describe and quantify. For example, the rule would define a finite number of differences between U.S. GAAP and IFRS for which a remedy would be applicable. Only those differences would need to be presented. The auditor would only be addressing such items – there would be no assurance by the reporting entity or the auditor that there are no other significant differences. In addition, we believe that the financial statements would need to disclose that fact.

We believe that CESR should make a clear distinction between the responsibility of auditors to provide assurance on the fair presentation of financial statements and the manner in which such financial information could be used by investors to make investment decisions. We view these as very distinct responsibilities that should be clearly articulated in the final Paper.

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We recognize the difficulties in dealing with differing GAAP issues facing European-listed companies and welcome the opportunity to have a dialogue with CESR and others in addressing these difficult issues. We are happy to work towards an approach that will enable reporting entities to provide meaningful financial information, while establishing a framework for auditors to provide the appropriate assurances on such information.

The Center for Public Company Audit Firms of the AICPA appreciates the opportunity to comment on the Paper and would welcome the opportunity to clarify any of our comments. If you have any questions or would like to discuss these issues further, please contact Lillian Ceynowa at (201) 938-3759.

Sincerely,

Robert J. Kueppers
Chair
Center for Public Company Audit Firms

Jay P. Hartig
Chair
SEC Regulations Committee