



New Developments Summary

SEC proposes Roadmap for mandatory use of IFRS by U.S. issuers by 2014

Approves three other rule proposals related to foreign private issuer matters

Summary

At today's SEC open meeting, the Commission voted to issue a proposal for public comment that contains a [Roadmap](#) for U.S. issuers to use IFRS as issued by the IASB by 2014. The Roadmap lays out seven milestones that must be achieved before the Commission takes action on the proposal in 2011. The proposal also contains an early adopter program for a limited number of U.S. companies that compete internationally with non-U.S. issuers. There will be a 60-day comment period after publication in the *Federal Register*. The proposal will be posted to the SEC website as soon as possible.

The Commission also voted to approve as substantially proposed [three rules](#) related to the modernization of foreign private issuer reporting requirements, making it easier for U.S. investors to gain access to timely financial information. The final rules will be posted to the SEC website as soon as possible.

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A. Proposed Roadmap for U.S. issuers to use IFRS

The Commission voted today to issue a proposed Roadmap for public comment that may lead to the mandatory use by U.S. registrants of IFRS as issued by the IASB (IFRS) by 2014. The Roadmap includes seven milestones that would have to be reached by 2011, the date the SEC would determine whether to proceed with regulatory action. Some of the milestones are: improvement in financial accounting standards by the FASB and the IASB, accountability and independent funding of the standard-setters, improvement of interactive data (XBRL for IFRS), limited early use of IFRS, and education and training.

The Roadmap calls for certain key dates:

- 2009: a limited number of eligible issuers would be able to early adopt IFRS for filings made in 2010 for periods ending on or after December 15, 2009. It is currently estimated that 110 U.S. companies

in 34 different industries would be eligible for early adoption of IFRS based upon market capitalization. Companies interested in early adopting IFRS in its filings with the Commission would have to seek a letter of “no objection” from the Division of Corporation Finance before such use.

- 2011: the Commission will consider adoption of the mandatory use of IFRS in a later year, as well as determine if the early adoption program should be expanded to a larger group of companies.
- 2014: the anticipated date by which use of IFRS becomes mandatory. As an alternative to mandating adoption of IFRS for all filers at the same time, adoption might be phased in based on size of the filer - 2014 for large accelerated filers, 2015 for accelerated filers, and 2016 for all other filers.

The full text of the proposing release will be posted to the SEC website as soon as possible.

B. Foreign private issuer reporting matters

The Commission also voted to adopt three sets of rule amendments, as substantially proposed, related to the SEC’s initiatives to update and modernize the disclosure and other requirements applicable to foreign private issuers, as well as facilitate the ability of U.S. investors to participate in cross-border business combination transactions.

Exemption from registration under Section 12(g) of the Exchange Act

The first set of amendments concerns an existing rule that exempts a non-reporting foreign private issuer from having to register a class of equity securities under Section 12(g) of the Securities Exchange Act of 1934 based on the submission to the SEC in paper format certain information that is published outside the U.S. The adopted rule automatically grants the exemption to a foreign private issuer that meets certain specified conditions, including the requirement to electronically publish in English on an internet web site non-U.S. disclosure documents.

Reporting enhancements

The second rule adopted amends the forms and rules applicable to foreign private issuers in order to enhance the information that is available to investors. The amendments include the following revisions to the current requirements for foreign private issuers:

- Instead of requiring continual assessment of eligibility to use the foreign private issuer forms and rules, foreign private issuers may assess their eligibility once a year, on the last business day of their second fiscal quarter.
- The deadline to file annual reports on Form 20-F is accelerated from 6 months after fiscal year-end to 4 months after fiscal year-end, following a three-year transition period (for fiscal years ending on or after December 15, 2011).
- A foreign private issuer must now disclose segment data; Form 20-F, Item 17 accommodation to omit segment data will be eliminated.
- Exchange Act Rule 13e-3, which pertains to going-private transactions of reporting issuers or their affiliates, is amended to refer to the recently adopted deregistration and termination of reporting rules for foreign private issuers.
- A foreign private issuer must now include in its annual reports and registration statements disclosures related to changes in and disagreements with its certifying accountant.

Cross-border transactions

The third rule adopted revises the current exemptions for cross-border business combination transactions and the beneficial ownership reporting rules for certain foreign institutions. The amendments are intended to expand the exemptions for business combination transactions, tender offers, and rights offerings, and to encourage participation of U.S. security holders in these transactions on the same terms as other security holders.

The full text of the three adopted rules will be posted to the SEC website as soon as possible.

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