III. Investors' Education Processes on Changes in Accounting Standards and Timeliness of Such Education

A. Background

Incorporation of IFRS into the financial reporting system for U.S. issuers may affect investors' education processes on changes in accounting standards and the timeliness of such education. As part of the Work Plan, the staff is considering how U.S. investors currently become educated about changes to accounting standards, in order to better assess the extent of investor educational effort necessary to effectively incorporate IFRS into the financial reporting system for U.S. issuers.

B. Request for Comment

- In what ways do investors educate themselves about accounting standards and changes to accounting standards? For example, do investors review accounting standard setters' project activities and related board materials? Observe meetings? Review meeting summaries? Review other observers' commentaries?
- At what point do investors educate themselves about standard-setting activities? Is it during the standard-setting process? Is it after completion of the standard-setting process? Would the timing of investors' education processes change if accounting standards for U.S. issuers were primarily developed by an organization other than the FASB?
- To what extent and in what ways do investors participate in the standard-setting process when the FASB and IASB set standards? Do they monitor standard-setting deliberations? Do they prepare response letters to requests for comment? Do they participate in the standard setters' working groups and roundtables?
- To what extent does the timing of an investor's education about a possible outcome of the accounting standard-setting process affect investment decisions? Do investors consider possible changes in accounting standards when analyzing an issuer's reported financial information, even before any such change in accounting is required to be adopted?
- Are there ways to improve the representation and communication of investors' perspectives in connection with accounting standard setting?
- To what extent do investors believe more education or communication about accounting standards or accounting standard-setting is needed? If more education or communication is needed, how should the education or communication be delivered? By whom?

IV. Extent of, Logistics for, and Estimated Time Necessary To Undertake Any Necessary Changes

A. Background

Incorporating IFRS into the financial reporting system for U.S. issuers could impact the extent of, logistics for, and estimated time necessary to undertake changes to improve investor understanding of IFRS and the related education process to ensure investors have a sufficient understanding of IFRS prior to potential incorporation.

B. Request for Comment

- How much time, if any, do investors need to improve their understanding of IFRS and related education processes so they have a sufficient understanding of IFRS prior to any incorporation?
- What mechanisms would aid investors in improving their understanding of IFRS? Who should provide those mechanisms?

Persons submitting comments on any of these questions are invited to consider and comment on whether the manner in which IFRS incorporation is implemented would affect the responses to the questions above.

All interested parties are invited to submit their views, in writing, on these questions.

Dated: August 12, 2010.

By the Commission.

Elizabeth M. Murphy,

Secretary.

[FR Doc. 2010–20357 Filed 8–17–10; 8:45 am]

BILLING CODE 8010–01–P

SECURITIES AND EXCHANGE COMMISSION

[Release Nos. 33–9134; 34–62700; File No. 4–608]

Notice of Solicitation of Public Comment on Consideration of Incorporating IFRS Into the Financial Reporting System for U.S. Issuers

AGENCY: Securities and Exchange Commission.

ACTION: Request for comment.

SUMMARY: The Securities and Exchange Commission is requesting public comment on behalf of the staff on three topics related to its ongoing consideration of incorporating International Financial Reporting Standards ("IFRS") into the financial reporting system for U.S. issuers. These three topics, derived from the staff's Work Plan on considering the incorporation of IFRS into the financial reporting system for U.S. issuers, involve the impact of such incorporation on: Issuers' compliance with contractual arrangements that require the use of U.S. Generally Accepted Accounting Principles ("U.S. GAAP"); Issuers' compliance with corporate governance requirements; and the application of certain legal standards tied to amounts determined for financial reporting purposes.

DATES: Comments should be received on or before October 18, 2010.

ADDRESSES: Comments may be submitted by any of the following methods:

Electronic Comments

- Use the Commission's Internet comment form (*http://www.sec.gov/rules/other.shtml*);
- Send an e-mail to *rule-comments@sec.gov.* Please include File Number 4–608 on the subject line; or
- Use the Federal eRulemaking Portal (*http://www.regulations.gov*). Follow the instructions for submitting comments.

Paper Comments

- Send paper comments in triplicate to Elizabeth M. Murphy, Secretary, Securities and Exchange Commission, 100 F Street, NE., Washington, DC 20549–1090.

All submissions should refer to File No. 4–608. This file number should be included on the subject line if e-mail is used. To help us process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet Web site (*http://www.sec.gov/rules/other.shtml*). Comments are also available for Web site viewing and printing in the Commission's Public Reference Room, 100 F Street, NE., Washington, DC 20549, on official business days between the hours of 10 a.m. and 3 p.m. All comments received will be posted without change; we do not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly.

FOR FURTHER INFORMATION CONTACT: Tamara Brightwell, Senior Special Counsel, Larry Hamermesh, Attorney-Fellow, or Jennifer Zepralka, Senior Special Counsel, Division of Corporation Finance, at (202) 551–3500, or Jeffrey S. Cohan, Senior Special Counsel, Office of the Chief Accountant, at (202) 551–5300, 100 F Street, NE., Washington, DC 20549.

I. Introduction

On February 24, 2010, the Commission issued a Statement in Support of Convergence and Global Accounting Standards (the "Statement"), reiterating its belief "that a single set of high-quality globally accepted accounting standards will benefit U.S. investors and that this goal is consistent with our mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation." [1] In this Statement, the Commission directed the Staff to develop and execute a work plan ("Work Plan"), the purpose of which is to consider specific areas and factors before potentially transitioning our current financial reporting system for U.S. issuers to a system incorporating IFRS.[2]

The Work Plan identifies a number of topics for further study, including the three topics that are the subject of this solicitation for comment.

II. Contractual Arrangements [3]

A. Background

Companies' contracts often, either explicitly or implicitly, require reporting under U.S. GAAP or include metrics that are based off of current U.S. GAAP reporting. For example, companies may have issued debt instruments which include financial covenants based on U.S. GAAP or require periodic reporting of financial statements prepared in accordance with U.S. GAAP. Similarly, lease contracts and employee compensation plans may be based on metrics computed using U.S. GAAP financial information. Merger agreements may contain earn-out provisions that are to be calculated using U.S. GAAP.

Commentators on the Commission's 2008 proposal regarding IFRS [4] indicated that a move to IFRS for U.S. issuers may require contract renegotiation or the preparation of two sets of financial statements, depending on how IFRS is incorporated in the U.S. capital markets. In addition, performance under existing agreements could be affected if the changes in accounting standards result in financial reporting changes.

B. Request for Comment

- To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers be likely to affect the application, interpretation, or enforcement of contractual commercial arrangements such as financing agreements, trust indentures, merger agreements, executive employment agreements, stock incentive plans, leases, franchise agreements, royalty agreements, and preferred stock designations?
- What types of contractual commercial arrangements aside from those specifically identified in the previous question would likely be affected by the incorporation of IFRS into the financial reporting system for U.S. issuers, and in what ways?
- With respect to existing contractual commercial arrangements, would the incorporation of IFRS into the financial reporting system for U.S. issuers be treated differently as compared to how a change in an existing financial reporting standard under U.S. GAAP would be treated today? If so, how?
- To the extent that incorporating IFRS into the financial reporting system for U.S. issuers would affect the application, interpretation, or enforcement of contractual commercial arrangements, how would parties to such arrangements most likely address such effects (*e.g.,* by modifying the contract, or adopting multiple accounting systems)?
- To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of contractual commercial arrangements likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the effects? Are there any other means by which such effects can be mitigated or avoided?

III. Corporate Governance; Stock Exchange Listing Requirements [5]

A. Background

Incorporation of IFRS into the financial reporting system for U.S. issuers may affect an issuer's compliance with corporate governance requirements. For example, in 2003, as required by the Sarbanes-Oxley Act, the Commission adopted rules that require a registrant to disclose whether it has at least one "audit committee financial expert," as defined, serving on its audit committee and, if so, the name of the expert and whether the expert is independent of management. Those rules also indicate the education and experience through which those attributes must have been acquired.[6] Listing rules for U.S. securities exchanges also have requirements regarding the competence of audit committee members in accounting and financial reporting.[7] In addition, U.S. securities exchanges have certain quantitative listing standards that could be affected by changes in financial reporting.[8] Accordingly, incorporation of IFRS into the financial reporting system may result in challenges for U.S. issuers in identifying audit committee financial experts and in satisfying corporate governance and related quantitative stock exchange listing requirements, as well as, more broadly, compliance with other aspects of corporate governance.

B. Request for Comment

- To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers likely affect compliance with corporate governance and related disclosure requirements applicable to U.S. issuers, such as stock exchange listing requirements relating to the composition and function of audit committees of the boards of directors and disclosure requirements regarding audit committee financial experts?
- We understand that experienced professionals, including audit committee members, would likely need to enhance their knowledge of IFRS and develop further expertise, and we believe it would be important for audit committee members to do so in light of their responsibility for oversight of the preparation and audit of financial statements that are presented to U.S. investors. To what extent would current members of boards of directors likely have the education or experience needed to meet the requirements of the definition of "audit committee financial expert" [9] or the stock exchange listing requirements related to accounting or financial management expertise [10] following the incorporation of IFRS into the financial reporting system for U.S. issuers? Would there be adverse effects

[1] Release Nos. 33–9109; 34–61578 (Feb. 24, 2010) [75 FR 9494] (Mar. 2, 2010).

[2] Available at: *http://www.sec.gov/spotlight/globalaccountingstandards/globalaccountingstandards.pdf.*

[3] *See* the Work Plan, 75 FR at 9511.

[4] *See Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers,* Release No. 33–8982; 34–58960 (Nov. 14, 2008) [73 FR 70816] (Nov. 21, 2008).

[5] *See* the Work Plan, 75 FR at 9511.

[6] Item 407(d)(5) of Regulation S–K.

[7] *E.g.,* NYSE Listed Company Manual § 303A.07; Nasdaq Listing Rule 5605(c)(2).

[8] *E.g.,* NYSE Listed Company Manual § 102.00; Nasdaq Listing Rule 5450.

[9] Item 407(d)(5) of Regulation S–K.

[10] *E.g.,* NYSE Listed Company Manual § 303A.07; Nasdaq Listing Rule 5605(c)(2).

if an issuer were required to disclose that it does not have any audit committee financial experts while its audit committee members are in the process of obtaining the necessary expertise?

• To the extent that incorporating IFRS into the financial reporting system for U.S. issuers would adversely affect board members' ability to meet the requirements or result in disclosure that the issuer does not have an audit committee financial expert, how would issuers and individual directors most likely address such effects (*e.g.,* by additional training)? To what extent and in what ways would such effects be likely to differ from similar effects in jurisdictions that have adopted, or are in the process of adopting, IFRS?

• To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers likely affect an issuer's ability to comply with quantitative securities exchange listing standards?

• To what extent would any potential adverse effects of incorporating IFRS into the U.S. financial reporting system on issuers' compliance with corporate governance and related disclosure requirements likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the adverse effects? Are there any other means by which such effects can be mitigated or avoided?

• To what extent would any potential adverse effects of incorporating IFRS into the U.S. financial reporting system on issuers' compliance with quantitative stock exchange listing standards likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the adverse effects? Are there any other means by which such effects can be mitigated or avoided?

• Are there any corporate governance and related disclosure requirements other than those identified above that would be affected by incorporating IFRS into the financial reporting system for U.S. issuers?

IV. Statutory Distribution Restrictions and Other Legal Standards Tied to Financial Reporting Standards [11]

A. Background

Certain legal standards in State laws may be tied to amounts determined for financial reporting purposes. For example, while the amount, timing, and manner of the payment of dividend distributions and repurchases of stock are typically determined by companies' boards of directors, the actual amounts available to distribute or to repurchase may be restricted by State statute. Some jurisdictions provide in this regard that dividends may be paid only from retained earnings or may be paid from current earnings despite an accumulated deficit.

To the extent that jurisdictions base legal standards on amounts determined for financial reporting purposes, incorporation of IFRS into the financial reporting system for U.S. issuers could affect a company's ability to undertake certain actions, such as declaring dividends or repurchasing stock, which would, in turn, affect investors' expectations. In addition, to the extent that legal standards do not change based on changes in financial reporting requirements, companies could need to maintain two sets of records.

B. Request for Comment

• To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers likely affect the application of limits in State statutes on the ability of issuers to make distributions to holders of equity securities, either through dividends or similar distributions in respect of those securities, or to repurchase such securities? [12]

• Are there any particular distribution statutes from any particular jurisdictions the application of which are especially likely to be affected by incorporating IFRS into the financial reporting system for U.S. issuers? [13] Which statutes, and why?

• To the extent that incorporating IFRS into the financial reporting system for U.S. issuers would affect the application of statutes governing distributions to equity security holders, how would the jurisdictions affected (or issuers in such jurisdictions) most likely address such effects?

• To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of statutes governing distributions to equity security holders be avoided or minimized by State law permitting the board of directors to rely on reasonable valuation methods, rather than on financial statements, in determining whether a distribution is permissible (*e.g.,* when transitioning to IFRS, if the value of an asset is determined to be lower using IFRS than it would be using the current standard in U.S. GAAP, would the board be able to make a determination that the value of the asset is higher than as calculated under IFRS)? [14]

• To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of statutory limits on distributions to equity security holders likely be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the effects? Are there any other means by which such effects can be mitigated or avoided?

• To what extent and in what ways would incorporating IFRS into the financial reporting system for U.S. issuers likely affect the application of State statutes requiring a shareholder vote for a sale of "all or substantially all" of the issuer's property or assets? [15] For example, would the determination of whether such a vote is required change

[11] Work Plan, 75 FR at 9508–9.

[12] *E.g.,* Del. Code Ann., tit. 8, § 154 (defining surplus); Model Bus. Corp. Act § 6.40 (prohibiting distributions to shareholders if total assets would be less than total liabilities).

[13] *E.g.,* Cal. Corp. Code § 500(c) ("The amount of any distribution payable in property shall, for the purposes of this chapter, be determined on the basis of the value at which the property is carried on the corporation's financial statements in accordance with generally accepted accounting principles."); Ohio Rev. Code § 1701.33(A) (including, in the formula for determining the permissible amount of a distribution, "[t]he reduction in surplus that results from the immediate recognition of the transition obligation under statement of financial accounting standards no. 106 (SFAS no. 106), issued by the financial accounting standards board").

[14] *See Klang* v. *Smith's Food & Drug Ctrs.,* 702 A.2d 150, 152 (Del. 1997) ("Regardless of what a balance sheet that has not been updated may show, an actual, though unrealized, appreciation reflects economic value that the corporation may borrow against or that creditors may claim or levy on. Allowing corporations to revalue assets and liabilities to reflect current realities complies with the statute [specifying permissible sources for distributions to stockholders] and serves well the policies behind this statute."); Model Bus. Corp. Act § 6.40(d) (permitting the board of directors to determine whether a distribution is permissible based "either on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable in the circumstances.").

[15] *E.g.,* Del. Code Ann., tit. 8, § 271(a); Model Bus. Corp. Act § 12.02(a).

as a result of a change in accounting standards?

• Are there any particular asset sale statutes from any particular jurisdictions the application of which is especially likely to be affected by incorporating IFRS into the financial reporting system for U.S. issuers? Which statutes, and why?

• To the extent that incorporating IFRS into the financial reporting system for U.S. issuers would affect the application of statutes governing sales of assets, how would the jurisdictions affected (or issuers in such jurisdictions) most likely address such effects?

• To what extent would any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of statutes governing sales of assets be avoided or minimized by State law permitting the board of directors to rely on reasonable valuation methods, rather than financial statements, in determining whether a shareholder vote is required to approve a sale of assets? [16]

• To what extent are any potential effects of incorporating IFRS into the financial reporting system for U.S. issuers on the application of statutes governing sales of assets likely to be mitigated or otherwise affected by providing for a transition or phase-in period for compliance with the incorporation of IFRS into the financial reporting system for U.S. issuers? What length of a transition or phase-in period would be necessary to reasonably mitigate the effects? Are there any other means by which such effects can be mitigated or avoided?

• Are there any other State statutes the application of which is likely to be affected by incorporating IFRS into the financial reporting system for U.S. issuers? [17] To what extent and in what ways, and why?

Persons submitting comments on any of these questions are invited to consider and comment on whether the manner in which IFRS incorporation is implemented would affect the responses to the questions above.

All interested parties are invited to submit their views, in writing, on these questions.

Dated: August 12, 2010.

By the Commission.

Elizabeth M. Murphy,

Secretary.

[FR Doc. 2010–20358 Filed 8–17–10; 8:45 am]

BILLING CODE 8010–01–P

SOCIAL SECURITY ADMINISTRATION

Agency Information Collection Activities: Comment Request

The Social Security Administration (SSA) publishes a list of information collection packages requiring clearance by the Office of Management and Budget (OMB) in compliance with Public Law 104–13, the Paperwork Reduction Act of 1995, effective October 1, 1995. This notice includes a revision of an OMB-approved information collection.

SSA is soliciting comments on the accuracy of the agency's burden estimate; the need for the information; its practical utility; ways to enhance its quality, utility, and clarity; and ways to minimize burden on respondents, including the use of automated collection techniques or other forms of information technology. Mail, email, or fax your comments and recommendations on the information collection to the OMB Desk Officer and SSA Reports Clearance Officer to the following addresses or fax numbers.

(OMB), Office of Management and Budget, Attn: Desk Officer for SSA, Fax: 202–395–6974, E-mail address: *OIRA_Submission@omb.eop.gov*.

(SSA), Social Security Administration, DCBFM, Attn: Reports Clearance Officer, 1333 Annex Building, 6401 Security Blvd., Baltimore, MD 21235, Fax: 410–965–6400, E-mail address: *OPLM.RCO@ssa.gov*.

SSA has submitted the information collection listed below to OMB for clearance. Your comments on the information collection would be most useful if OMB and SSA receive them within 30 days from the date of this publication. To be sure we consider your comments, we must receive them no later than September 17, 2010. You can obtain a copy of the OMB clearance package by calling the SSA Reports Clearance Officer at 410–965–8783 or by writing to the above e-mail address.

Social Security Benefits Application—20 CFR 404.310–404.311, 404.315–404.322, 404.330–404.333, 404.601–404.603, and 404.1501–404.1512—0960–0618. This collection comprises the various application modalities for retirement, survivors, and disability benefits. These modalities include paper forms (SSA Forms SSA–1, SSA–2, and SSA–16), Modernized Claims System (MCS) screens for in-person field office interview applications, as well as the Internet-based iClaim and iAppointment applications. SSA will use the information to determine if applicants are eligible for the above-mentioned Social Security benefits and the amount of the benefits. This information collection request is for additions and revisions to the current information collection modalities. The respondents are applicants for retirement, survivors, and disability benefits.

Type of Request: Revision of an OMB-approved information collection.

Collection method	Number of respondents	Frequency of response	Average burden per response (minutes)	Estimated annual burden (hours)
Paper Forms/Accompanying MCS Screens				
Form SSA–1:				
MCS	172,200	1	11	31,570
MCS/Signature Proxy	1,250,800	1	10	208,467
Paper	20,000	1	11	3,667
Medicare-only MCS	299,000	1	7	34,883
Medicare-only Paper	1,000	1	7	117
Totals	1,743,000			278,704
Form SSA–2:				

[16] *See* Official Comment to Model Bus. Corp. Act § 12.02(a) (stating that a board of directors may base a determination that a retained business represents at least 25% of total assets or 25% of total income "either on accounting principles and practices that are reasonable in the circumstances or (in applying the asset test) on a fair valuation or other method that is reasonable in the circumstances.").

[17] *E.g.,* Del. Code Ann., tit. 8, § 503 (requiring, for purposes of determining corporate franchise tax, that "[i]nterests in entities which are consolidated with the reporting company shall be included within 'total assets' and 'total gross assets' at a value determined in accordance with generally accepted accounting principles.").