



FINANCIAL SERVICES AGENCY
GOVERNMENT OF JAPAN
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January 26, 2004

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, D.C. 20006-2803

Re: Proposed Rules Relating to the Oversight of Non-U.S. Public Accounting Firms (PCAOB Rulemaking Docket Matter No. 013)

Dear Secretary:

As the Director for International Financial Markets of the Financial Services Agency of Japan ("FSA"), I am pleased to submit this letter on behalf of the FSA in response to the request of the Public Company Accounting Oversight Board ("PCAOB") for comments on the Proposed Rules Relating to the Oversight of Non-U.S. Public Accounting Firms ("Proposed Rules") as contained in PCAOB Release No. 2003-024 December 10, 2003).

(Three important principles)

We would like to emphasize again that there are **three very important principles** in dealing with and resolving the issues raised by the Proposed Rules in a mutually satisfactory way. The first principle is **mutual respect for each jurisdiction's sovereignty and auditor oversight system**. The second principle is the **importance of recognizing substantially equivalent auditor oversight system** of foreign jurisdictions. The third principle is the **necessity of practical cooperation between the auditor oversight bodies** of the United States and Japan.

(Fully independent and rigorous Japanese auditor oversight system)

In view of these principles, we appreciate that the Proposed Rules in principle takes a cooperative approach which may rely on the home country system to the maximum extent possible. We are also grateful that the PCAOB has been engaged in constructive dialogues with the FSA. Under the principles proposed by the Proposed Rules for determining the independence and rigor of a non-U.S. system, **we are confident the Japanese auditor oversight system will provide full independence and rigor through the implementation of the revised CPAs Law in April this year**. The CPAs and Auditing Oversight Board ("CPAFOB") will be the main independent auditor oversight body in Japan from this April, and will play the role of a counterpart of the PCAOB. **We respectfully request the PCAOB to rely on the CPAFOB to the maximum extent, and not to conduct on-site inspections and on-site investigations of the Japanese audit firms**. It should be noted that the Japanese Government is not able to give consent to the exercise of public authority by the PCAOB, including inspection and investigation, in Japanese

territory. In any case, we sincerely hope that potential legal difficulties which may arise between the Proposed Rules and Japanese sovereignty shall be resolved coordinately in accordance with relevant international rules. In addition, the CPAAOB will conduct inspections of the Japanese audit firms when necessary and appropriate for the public interest or protections of investors in Japan under the CPAs Law. **We sincerely hope that the PCAOB and the CPAAOB will establish a constructive and practical cooperative relationship within such a framework..**

Request for further extension of deadline of registration)

We welcome the fact that the Proposed Rules would provide a three-month extension of the registration deadline for foreign public accounting firms (i.e., until July 19, 2004). Since the fiscal year 2004 (from April 1, 2004 to March 31, 2005) will be the important first year under the new auditor oversight structure in Japan, it will take up substantial resources and efforts for the CPAAOB and the Japanese audit firms to become familiar with new regulations. Therefore, **we respectfully request the PCAOB to further extend the deadline of registration to Japanese audit firms by at least additional nine months, namely to April 2005.**

(Conclusion)

We respectfully request that the PCAOB will take full account of our comments in promulgating the final rules.

Yours Sincerely,

Naohiko MATSUO
Director for International
Financial Markets
Financial Services Agency, Japan