



FINANCIAL SERVICES AGENCY
GOVERNMENT OF JAPAN
3-1-1 Kasumigaseki Chiyoda-ku Tokyo 100-8967 Japan

August 16, 2004

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: Notice of Filing of Proposed Rules Relating to Oversight of Non-U.S.
Registered Public Accounting Firms (File No. PCAOB-2004-04)

Dear Mr. Katz:

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 Securities and Exchange Commission ("SEC") for comments on the Proposed Rules Relating to Oversight of Non-U.S. Registered Public Accounting Firms ("Proposed Rules") by the Public Company Accounting Oversight Board ("PCAOB"), as contained in Release No. 34-50047.

(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 take 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 and the CPAs and Auditing Oversight Board ("CPAAOB"). 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 provides full independence and rigor through the implementation of the revised CPAs Law in April this year.* The CPAAOB is the independent auditor oversight body in Japan, and, together with the FSA, plays the role of a counterpart of the PCAOB. *We respectfully request that the PCAOB will rely on the CPAAOB and the FSA 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 consents to the exercises of public authorities 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 conducts 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 will establish a constructive and practical cooperative relationship with the CPAAOB and the FSA within such a framework.*

Yours Sincerely,

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