

February 2, 2009

The Office of the Secretary,
The Public Company Accounting Oversight Board
1666 K Street, N.W.,
Washington, D.C. 2006

Re: PCAOB Rulemaking Docket Matter No. 027 – Comment on rule amendments concerning the timing of certain inspections of non-U.S. firms, and other issues relating to inspections of non-U.S. firms

Dear PCAOB members:

The Certified Public Accountants and Auditing Oversight Board of Japan (CPAAOB) and the Financial Services Agency of Japan (FSA) appreciate this opportunity to comment on “*Rule Amendments Concerning the Timing of Certain Inspections of Non-U.S. Firms, and Other Issues Relating to Inspections of Non-U.S. Firms*”. We highly commend the PCAOB (the Board) for its efforts to conclude the amendments of the rule in a transparent manner. We believe it is essential both for the PCAOB and us to develop a practical cooperative framework when dealing with cross-border issues; thus we would highly appreciate if the Board could give due consideration to our comments before finalizing the rule. Please note that our comments are limited to Part-II “Registered firms’ obligations”.

We are fully aware that independent audit regulators, such as the PCAOB and the CPAAOB/FSA, pursue common responsibilities to enhance public interests and investor protection in relevant jurisdictions through promoting higher quality audits. We understand the PCAOB’s legitimate intention in the proposed amendments with a view to accessing necessary information held by registered foreign audit firms so as to fulfill its statutory responsibilities.

However, one complicated aspect here is that this issue is of a cross-border nature. Each country or jurisdiction has a different legal and regulatory framework and different thoughts to sovereignty. In principle, we believe it is necessary for a country or jurisdiction to give due consideration to the sovereignty and the national legal and regulatory framework of its counterpart when dealing with cross-border issues. This audit oversight area is no exception.

Especially, we would like to draw your attention to P.16 of the release which states, “*The Board could impose disciplinary sanctions in any case where a violation of Rule 4006 is established*”, followed by the footnote 35 that “*the Board does not view non-U.S. legal restrictions or the sovereignty concerns of local authorities as a*

sufficient defense in a Board disciplinary proceeding instituted under Section 105(c) of the Act for failing or refusing to provide information requested in an inspection”.

Non-U.S. audit firms will find themselves in an extremely difficult position and may not concur with the rationale for why the disciplinary sanctions are taken against them, where violation of Rule 4006 occurs merely on the basis of non-U.S. legal or regulatory restrictions or sovereignty concerns that they have no control over. In this context, we suggest that the PCAOB closely consult with the competent supervisory authorities of relevant jurisdictions first to find out the background and reasons associated with the violation and seek a better solution.

In a broader context, the PCAOB may wish to explore an approach moving towards reliance on other audit oversight authorities with a principle of the “home-country based approach”, which we suggested in our public comment letter to the Board on the 4th of March, 2008 on your proposed policy statement “*Guidance Regarding Implementation of PCAOB Rule 4012*”, provided that they are found to be as independent and robust as the Board.

In addition, the Board may wish to work nationally in order to resolve the difficulties by talking with legislators about changing the legislation -- Sarbanes-Oxley Act of 2002.

We thank you again for this opportunity, and look forward to continuing dialogue in the future. Should you have any questions, please do not hesitate to contact us.

Sincerely yours,

Nobuyuki KINOSHITA
Secretary General
Certified Public Accountants and Auditing
Oversight Board
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Junichi MARUYAMA
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