



**FINANCIAL SERVICES AGENCY  
GOVERNMENT OF JAPAN**

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**February 25, 2007**

Mr. Fernando Restoy  
Chairman of CESR-Fin  
The Committee of European Securities Regulators (CESR)  
11-13 avenue de Friedland 75008 Paris, France

**Comments on consultation paper for CESR's advice on the equivalence of Chinese, Japanese and US GAAPs**

Dear Mr. Restoy;

The Financial Services Agency of Japan (JFSA) welcomes the opportunity to comment on the CESR's draft advice on the equivalence of Chinese, Japanese and US GAAPs. We believe that it is in the interests of both Europe and the rest of the world that the European market maintains its openness. From this perspective, we support the conclusions set out in your advice.

**Given this (holistic) approach, are there any other elements that you think CESR should consider? If so, please give details of such elements. (Page 10)**

We are supportive of your holistic approach in the current EU contexts. The approach is consistent with the dynamics of the global economy and with the realities of the current global standard development process. It is also in line with our comment letter last May, in which we expressed our concern regarding your earlier approach (the "snap-shot" approach).

Another point that may deserve mentioning in the final advice is the fact that the JFSA already accepts, without reconciliation, financial reports from EU issuers using the EU version of the International Financial Reporting Standards (IFRS).

**Again given the approach CESR outlines in paragraph 31 above, do you agree with CESR's approach in this instance (Japanese GAAP)? If not please give details of why you disagree. (Page 12)**

We would like to emphasize that the Accounting Standard Board of Japan (ASBJ) has already been fully integrated into the global standard developing process. As you mentioned in paragraph 36 of the consultation paper, the convergence process between the ASBJ and the International Accounting Standard Board (IASB), which started in March 2005, is well underway, particularly since the publication of the time-framed convergence program in

October 2006. Furthermore, the “Tokyo Agreement” between the ASBJ and the IASB published in August 2007, which described specific actions for each stage, will further accelerate convergence and consolidate the integration of the standard setting processes of the two boards.

We consider therefore that any remaining differences between the Japanese GAAP and the IFRS *“will be taken into account in a sensible long-term work programme between the standard setters concerned and the IASB and there is evidence of such programmes being actively pursued (para43)”*. It is our view that the Japanese GAAP should be considered as an equivalent to the IFRS, without being conditioned to further evidence on convergence progress, as is the case with the US GAAP.

For your information, we take an approach that, upon the acceptance of financial statements, we will assess whether the accounting standards, the auditing assurance, and the enforcement/supervision on the financial statements provide an adequate level of investor protection as a whole. This approach seems to be similar to your proposed approach, which takes account of the reliability of the “filters” as well as the proper application of GAAPs at the country level as stated in paragraph 73 of the consultation paper.

We appreciate your thoughtful consideration of our views in this letter.

Should you have any questions, please do not hesitate to contact me.

With my best regards,

Yours sincerely,

Junichi Maruyama  
Deputy Commissioner for International Affairs  
Financial Services Agency  
Government of Japan