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Subject: Exchange of Letters on information exchange and cooperation in the area of auditor oversight between the Financial Services Agency of Japan/Certified Public Accountants and Auditing Oversight Board and the Canadian Public Accountability Board

It is recognized that co-operation between the Financial Services Agency of Japan (FSA)/Certified Public Accountants and Auditing Oversight Board (CPAAOB) and the Canadian Public Accountability Board (CPAB) (“the authorities”) in the area of auditor oversight would be mutually beneficial, in light of each authority’s mandate to improve the quality, accuracy and reliability of the audit of public companies through audit regulation and auditor oversight so as to protect investors, help strengthen public trust in the audit process and increase investor confidence in their respective capital markets. It is especially acknowledged that enhancing the exchange of information between the authorities is important in view of the global nature of financial markets and increasing cross-border activities in securities transactions.

In this context, this letter confirms the interest of the authorities in cooperating in the oversight of audit firms whose principal office is located in one authority’s jurisdiction and which audits the financial statements of a company with securities issued or traded on markets in the other authority’s jurisdiction (hereafter referred to as “foreign audit firms” from the latter authority’s point of view), including exchanging information and/or documents with one another in a mutually beneficial manner, to the extent such cooperation is compatible with the each authority’s respective laws and/or regulations. It is understood that this letter is a statement of intent of the authorities and does not create any legally binding obligations upon the authorities. Furthermore, this letter does not prohibit either authority from taking measures other than or in addition to those described herein with regard to the oversight of foreign audit firms.

Scope and modalities of cooperation

Exchange of information and/or documents

The authorities intend to cooperate on matters relating to auditor oversight, including through the exchange of oversight information and/or documents, including non-public information and/or documents, such as: i) outcome of inspections and investigations, including information on firm-wide procedures, of foreign audit firms; or ii) audit working papers or other documents held by a foreign audit firm so long as such papers relate to the audits of companies which are incorporated in, have issued securities in, or form part of a group issuing statutory consolidated accounts in the requesting authorities' jurisdiction.

The exchange of information and/or documents between the authorities will only take place to the extent such an exchange is compatible and in accordance with their respective laws and regulations. Each authority will use its best efforts to provide a prompt and adequate response to an information request from the other authority; and a receiving authority will notify a requesting authority if there is likely to be a significant delay in responding to the request and the reason for this delay.

Possible forms of information exchange in respect of auditor oversight may include the following:

- An authority will inform the other authority respectively of the status of registration/notification of foreign audit firms;
- An authority will provide the other authority, on request or in its discretion where it considers it appropriate or useful to the other authority, with information it holds on relevant foreign audit firms. A request for information will include a general description of the purpose of the request as well as the documents or information sought by the requesting authority; and
- The authorities will use their best efforts to notify one another, prior to or immediately after taking any material oversight measures or disciplinary actions, in respect of relevant foreign audit firms that are registered/notified or seek registration/notification in the other's jurisdiction.

On-site visits

The authorities will notify each other of the intention to engage in an on-site visit of a relevant foreign audit firm. The visiting authority will conduct visits in the foreign audit firm's home

jurisdiction with the consent of the foreign audit firm. Furthermore, the authorities will make efforts to coordinate with one another so that the authority of the foreign audit firms' home jurisdiction, upon consultation with the foreign audit firm, will be able to accompany the staff of the visiting authority during the visit. The authorities will discuss, as necessary, issues that emerge from such on-site visits.

The authorities also express their mutual willingness to hold a dialogue or exchange views about matters of common interest and concern as appropriate, with a view to deepening mutual understanding between the authorities.

The authorities recognize the importance and desirability of the exchange of information. However, a request for information exchange may be denied:

- Where the request would require the authorities to act in a manner that would violate their domestic laws and regulations;
- Where the request would adversely affect the sovereignty, security, public order, public interest or investor protection of the requested jurisdiction; or
- Where judicial proceedings have already been initiated in respect of the same actions and against the same persons before the authorities of the requested jurisdiction.

Treatment of information exchanged

Any oversight information obtained will be used only for supervisory purposes, including any necessary action taken by the requesting authority against a relevant foreign audit firm or other audit firm. Information received will not be used in criminal proceedings carried out by a court or judge, including use as evidence in criminal court. In the case that such use is required by law, an additional request must be made in accordance with procedures prescribed in the relevant law for international mutual assistance in a criminal investigation.

The authorities will keep confidential information received under this letter. Specifically, Article 100 of the National Public Service Act in Japan and the Canadian Public Accountability Board's Code of Ethics and the Canadian Public Accountability Board Act (*Ontario*) respectively bind employees and the former employees of the authorities to official secrecy or restrict the disclosure of information provided in the exercise of the function of audit regulation and oversight.

The authorities will not disclose information received under this letter, except in response to a legally enforceable demand. If the authority is legally required to disclose the confidential information received from the other authority, the disclosing authority will consult with the other authority before disclosing it. If the other authority objects to the disclosure, the disclosing authority will make best efforts in resisting the disclosure of the information at issue.

The terms and conditions stated in this letter do not apply to publicly available information.

We believe that cooperation with the modalities set out in this letter will lead to a mutually beneficial relationship between the FSA/CPAAOB and the CPAB.

Yours sincerely,

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