

May 8, 2007

The Committee of European Securities Regulators
11-13 avenue de Friedland
75008 PARIS
FRANCE

Dear Sirs,

**Comments on the Consultation Paper “CESR’s technical advice
on a mechanism for determining the equivalence of the generally accepted
accounting principles of third countries”**

The Accounting Standards Board of Japan (ASBJ) welcomes the opportunity to comment on the Consultation Paper “CESR’s technical advice on a mechanism for determining the equivalence of the generally accepted accounting principles of third countries” (hereinafter referred to as “the Consultation Paper”) dated April 17, 2007.

We are of the view that the Consultation Paper does not fully clarify the relationship between the definitions in the Consultation Paper and the “Technical Advice on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information” issued by the CESR in July 2005 (hereinafter referred to as “the Technical Advice”). We would like to raise the points that need to be clarified before we comment on the Consultation Paper.

1. Points to be Clarified

(1) The definitions of “significant difference” and “material difference,” and the relationship between the two terms (paragraphs 16 and 18)

The Consultation Paper uses two similar terms, namely “significant difference” and “material difference.” We believe the definitions of these terms and the relationship between the two terms need to be clarified.

In addition, we believe that the term “significant difference” needs to be clarified as to whether the term used in the Consultation Paper has the same meaning as that used for “significant differences” between the third countries’ GAAP and IFRS referred to in the Technical Advice.

(2) *The relationship between “non-complex disclosures” in the Consultation Paper and “remedies” referred to in the Technical Advice (paragraph 16)*

We believe that the relationship between “non-complex disclosures” in the Consultation Paper and “remedies” in the Technical Advice needs to be clarified, including whether the two are considered to be the same.

2. Comments on the Consultation Paper

Question 1: do you agree that CESR’s suggested method for handling applications for equivalence is the best way? In cases where the standard setter is not in a position to initiate and/or substantiate an application, do you have any concrete suggestions as regards the solution of such a situation and in particular, who could undertake the abovementioned assessments?

CESR states that the standard setter should be the primary party to assess equivalence. However, we believe that, in some cases, the securities regulators should be the primary party to assess equivalence. When assessing the equivalence of accounting standards, not only accounting standards themselves but also the disclosure requirements, audit requirements, and enforcement activities related to these requirements should be assessed altogether, and it is the securities regulators that administrate the important elements. Needless to say, it is assumed that the securities regulator would utilize the results of the technical analysis conducted by the third country’s standard setter when the securities regulator is the primary party to assess equivalence. .

Question 2: do you think that CESR should publish guidance on the information that it would consider satisfactory to ensure an informed decision?

We do not think that CESR needs to publish such guidance. We believe that the contents covered in CESR’s 2005 assessment of the equivalence of the GAAP of Canada, Japan and the US would well function as the guidance for the information that needs to be provided by third countries.

Question 3: which of the two approaches indicated above (and in the Appendices) do you think is most appropriate? Please provide your reasons.

Question 4: recital 8 of the Commission Regulation 1787/2006 and recital 7 of the Commission Decision 2006/891/EC of 4 December 2006 state that “the progress of the convergence process should be closely examined before any decision on equivalence is taken.” Do you think the existence of a convergence programme between the assessed third country’ GAAP and IFRS should play any role in the determination of equivalence, other than facilitating the comparison between the standards and identifying the necessary rectifications?

If the approach in Appendix 1 is applied, an assessment would need to be performed whenever a significant difference arises, as in the case of the issuance of a new accounting standard. We are of the view that this would create uncertainty for not only the companies that use third country GAAP and are listed in Europe but also for the investors who invest in those companies. (Also see response to Question 6)

Certain third countries, such as Japan, have in place a convergence programme whose objective is to minimize the difference between accounting standards so that investors can make similar decisions. In such case, we believe that Appendix 2 is appropriate for assessing equivalence because it takes into account the existence of such convergence programme.

In addition, we would like to comment on public consultation described in paragraph 19. Because public consultation is based on the proposal by an assessed third country, the comments from public consultation need to be analyzed considering whether the proposal made by the third country was fully understood. Therefore, CESR should consult with the third country concerned, after public consultation but before the publication of CESR’s decision based on public comments.

Question 6: do you agree with this proposal? Do you have any suggestions as regards the procedure for providing the envisaged impact assessments which avoids a period of uncertainty for issuers while these are being made?

Paragraph 32 of the Consultation Paper states that each time the local standard setter of an equivalent GAAP or the IASB issues a new accounting standard, the local standard setter needs to submit to the EC and CESR an impact assessment of that new standard. However, we believe that reassessment by EC and CESR every time a new accounting standard is issued creates uncertainty not only for companies which use third country GAAP and are listed in Europe but also for the investors who invest in those companies.

We believe that third countries that have a convergence programme in place should be exempted from submitting an impact assessment because the convergence programme would be updated in a timely manner. Third countries that do not have a convergence programme in place should be permitted to report the impact of accounting standards issued within a certain period in the aggregate, rather than each time an accounting standard is issued.

Please note that our comments may change depending on the clarifications made for the issues raised in Section 1, Points to be Clarified.

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We hope our comments will contribute to CESR's work for submitting its advice on establishing a mechanism for determining equivalence of accounting standards to the EC.

Sincerely yours,



Ikuo Nishikawa
Chairman, Accounting Standards Board of Japan