



10 July 2009

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Planning and Coordination Bureau
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Office of Monitoring and Inspection
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3-2-1 Kasumigaseki, Chiyoda-ku,
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Cc: PCAOB and European Commission

Ref.: AUD/HvD/HB/SH

Dear Sirs,

Re: FEE Comments on Public Consultation on “A Draft Framework for Inspection/Supervision of Foreign Audit Firms, etc.”

FEE is pleased to provide you below with its comments on the Japanese Certified Public Accountants and Auditing Oversight Board (CPAFOB) Public Consultation on “A Draft Framework for Inspection/Supervision of Foreign Audit Firms, etc.”

FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 qualified accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;



- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.

Please note that our comments are based solely on the provisional English translation dated 12 June 2009 of the Public Consultation document and not the official Japanese version.

Mutual recognition and full reliance on third country public oversight bodies is the only practicable solution

In the light of the extraterritoriality of oversight and quality assurance regulations, FEE strongly encourages coordination, cooperation and mutual recognition between the European Union and third countries to minimise duplication of inspections and to avoid legal conflicts by effective full reliance on home country oversight systems.

The significant benefits from a true “full reliance” approach are:

- Cost savings for oversight bodies and audit firms through the elimination of duplication of inspections;
- Increased opportunities to expand the focus of inspections on audit quality thereby better protecting investors;
- Prevention of conflicts of laws and regulations for oversight bodies, companies and audit firms by recognising the sovereignty of third countries and their right to oversee audit firms in their domestic markets.

As avoiding duplication of inspections and thus their convergence ought to be the ultimate goal, mutual recognition of public oversight systems should be aimed at.

The establishment of the International Forum of Independent Audit Regulators (IFIAR) is relevant in this context. Regulators from within the European Union and outside the European Union should be encouraged to co-ordinate and co-operate with each other to ensure that oversight regimes are of equivalent quality, to promote confidence and minimise, or at least accommodate to a reasonable degree, the serious concerns and issues related to duplication of oversight, quality assurance reviews, inspections and penalties for statutory auditors and audit firms. At the European Union level, the Statutory Audit Directive (EC/2006/48) forms the basis for such co-ordination and co-operation with third countries, the application of which is monitored by the European Commission.

At the European Commission International Conference on Auditor Oversight held on 10 December 2008 in Brussels, the need to work towards mutual recognition and full reliance on home country oversight systems was strongly supported by the majority of audit oversight bodies present, from EU Member States and non-EU countries alike.

Therefore, the initiative taken by the Japanese Financial Services Agency (FSA) and CPAAOB is a very significant step towards intensifying international cooperation between audit oversight authorities.



We strongly support the initiative the FSA and the CPAAOB have taken in proposing an inspection and supervision framework for foreign audit firms facilitating full reliance on competent audit oversight authorities located outside Japan. In particular, we welcome the proposal to waive both the requirement for foreign firms to submit certain information and/or be subject to CPAAOB inspection as set forth in section 3 of the draft Framework.

For further information on this letter, please contact Mrs. Hilde Blomme from the FEE Secretariat at hilde.blomme@fee.be or at + 32 2 285.40.77.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hans van Damme', is written over a horizontal line. The signature is stylized and cursive.

Hans van Damme
FEE President