



FINANCIAL SERVICES AGENCY
GOVERNMENT OF JAPAN
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24 March 2005

Mr. Fabrice Demarigny
Secretary General
Committee of European Securities Regulators
11-13 avenue de Friedland
75008 Paris
France

Re: CESR's Public Consultation Paper on CESR's Advice on Possible Implementing Measures of the Transparency Directive

Dear Mr. Demarigny,

As Director for International Financial Markets of the Financial Services Agency of Japan ("Japanese FSA"), I am pleased to submit this letter on behalf of the Japanese FSA in response to the request, published on 13 December 2004, of the Committee of European Securities Regulators ("CESR") for comments on its public consultation paper on CESR's advice on possible implementing measures of the Transparency Directive ("CESR CP").

Among the CESR CP implementing measures, the equivalence of transparency requirements for third country issuers affects Japanese issuers in EU capital markets, and is related to Japanese disclosure requirements. Therefore, our comments focus on this issue.

General Approach for assessing equivalence

With regard to the general approach for assessing equivalence of transparency requirements for third country issuers, we generally agree with the approach set out in paragraphs 527-531.

We agree with the approach described in paragraph 527 that the same general definition and objective of the word "equivalence"- as used in the mandate and in the concept paper on equivalence of certain third country GAAP and enforcement aspects - should be used for the purpose of this mandate. Therefore, we support the approach described in paragraph 531 that "equivalence" with regard to transparency requirements for third country issuers does not mean "identical to" the transparency requirements in third countries, and can be declared when the requirements in third countries enable investors to make a similar decision or reach a similar conclusion in terms of investment

and disinvestment.

From this viewpoint, as included in the mandate to CESR for technical advice on GAAP equivalence, **we respectfully request CESR to carry out a global and holistic assessment, focusing only on significant differences in transparency requirements between the EU and third countries, without going into technically detailed line-by-line comparisons.** Such an approach would enable the CESR to strike the right balance between the need to promote the global and open nature of the EU capital markets, which ensures investment opportunities for investors, and the need to protect investors.

Principles for Establishing Equivalence of the items set out in the Mandate

Based on the above, we have serious concerns about the methodology set out in paragraphs 537-595, which seems to go beyond developing principles and instead set detailed requirements. If an overall equivalence is to be denied on the grounds that only a few requirements set out in paragraphs 537-595 are not met, such treatment would take the approach that "equivalence" must mean "identical." Such methodology is clearly not consistent with the general approach for assessing equivalence described in 527-531. It is more appropriate for CESR to follow the approach set out in paragraph 527-531, rather than establishing detailed requirements such as the "draft technical advices" (e.g. paragraphs 579, 586, 587, and 591).

We believe that CESR should set high-level principles and give competent authorities more flexibility in judging whether transparency requirements in third countries enable investors to take a similar decision or reach a similar conclusion.

We would greatly appreciate if you would seriously consider our views.

Yours Sincerely,

Naohiko Matsuo
Director for International Financial Markets
Financial Services Agency, Japan