



Outside Audits

FIL-9-96
February 22, 1996

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: *FDIC Adopts Amendment to Annual
Audit and Reporting Requirements (Part 363)*

On February 6, 1996, the FDIC Board of Directors adopted the attached amendment to its "Annual Independent Audits and Reporting Requirements" (12 CFR Part 363). The amendment implements various provisions of the Riegle Community Development and Regulatory Improvement Act of 1994 and provides relief from audit and reporting requirements for certain sound, well-managed banks. Additional revisions resulted from the FDIC's own efforts to review its regulations and eliminate unnecessary requirements. Please forward this letter and its attachments to the appropriate personnel in your institution.

Existing Part 363 requires each FDIC-insured institution with \$500 million or more in total assets to submit annual reports by management and an independent public accountant on internal controls and compliance with designated laws. However, most institutions with less than \$9 billion in total assets may satisfy this reporting requirement if the parent holding company files these reports on the institution's behalf.

One revision provides that if an insured institution has \$9 billion or more in total assets and is highly rated under the interagency rating system, the institution also can be included in the holding company's reports on internal controls and compliance instead of having to file its own reports. This exception is intended to relieve duplicative reporting requirements for the largest, well-managed institutions that are subsidiaries of multibank holding companies. Approximately 70 institutions are affected by this change.

The revisions also streamline and reformat specific procedures that independent accountants must perform to help regulators determine compliance with designated laws. These changes are expected to provide regulatory relief for approximately 1,000 FDIC-insured banks and savings associations. The FDIC has separately asked the Congress to eliminate these specific procedures as part of a regulatory burden relief proposal.

In addition, the FDIC agreed to make reporting less burdensome for 1995 by permitting institutions to follow the new procedures, the existing regulation, or the similar procedures issued for public comment last February. This will help reduce the reporting burden for the vast majority of institutions that issue reports on a calendar-year basis and are now in the process of preparing annual reports for 1995. Any institution with a fiscal year that ends after March 31, 1996, however, is expected to follow the new rules, which become effective April 1, 1996.

Please note that when an insured institution uses the holding company exception for filing reports on internal controls and compliance, the director of the FDIC regional supervision office for the state or territory where the institution is headquartered should receive two copies of the reports filed, along with a letter identifying all covered institutions. (A list of FDIC regions and regional office addresses is attached.) In addition, two copies of any reports should be supplied to each institution's appropriate federal or state regulator. Any report filed on an institution-only basis should be sent to the FDIC region for the institution's main office.

For more information about these amendments, please contact Doris L. Marsh, an Examination Specialist in the Division of Supervision at (202) 898-8905.

Nicholas J. Ketcha Jr.
Director

Attachment:
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Distribution: Selected Insured Banks and Savings Associations

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