



FEDERAL RESERVE BANK  
OF DALLAS

DALLAS, TEXAS  
75265-5906

April 4, 2002

**Notice 02-16**

**TO:** The Chief Executive Officer of each  
financial institution and others concerned  
in the Eleventh Federal Reserve District

**SUBJECT**

**Interagency Statement Regarding Arthur Andersen LLP**

**DETAILS**

The federal financial institutions supervisory agencies has announced that the financial institutions they supervise should follow the guidance issued by the U.S. Securities and Exchange Commission (SEC) regarding auditing and accounting work performed by Arthur Andersen LLP.

The SEC announced on March 14 and 18 that it would continue to accept financial statements audited by Andersen provided the companies filing the statements obtain from Andersen certain representations concerning audit quality and controls and generally set forth those representations in their filings.

**Depository Institutions**

The following depository institutions, although they are not subject to SEC oversight, should follow the SEC guidance when they file their required audited financial statements, attestations, or other reports with the federal financial institutions supervisory agencies:

- 1) Publicly held depository institutions that have securities registered with the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, or Office of Thrift Supervision under the federal securities laws and regulations;
- 2) Depository institutions that are subject to the annual audit, attestation, and other reporting requirements of Section 36 of the Federal Deposit Insurance Act, which generally covers institutions with \$500 million or more in total assets;

- 3) Savings associations that are subject to the annual audit, attestation, and other reporting requirements of the Office of Thrift Supervision pursuant to 12 CFR 562.4; and
- 4) Credit unions that are subject to the annual audit, attestation, and other reporting requirements of the National Credit Union Administration pursuant to 12 CFR 715.4.

The above depository institutions that cease their audit relationship with Andersen may submit their filings by the original due date with unaudited financial statements, as long as they file amended filings containing audited financial statements within the deadline prescribed by the SEC (currently 60 days).

### **Bank Holding Companies**

Bank holding companies that have securities registered with the SEC are required to file their SEC Form 10-K as part of the FR Y-6 annual report filing with the Federal Reserve. Bank holding companies that cease their audit relationship with Andersen may file their FR Y-6 by the original due date with unaudited financial statements, as long as they file with the Federal Reserve audited financial statements within the deadline prescribed by the SEC (currently 60 days).

Bank holding companies that are not registered with the SEC but are still subject to the annual audit requirements as specified in the FR Y-6 report—and who are either unable to receive services from Andersen to complete their audits or who choose not to have Andersen complete audits that are currently in process—should have their audited financial statements on file and readily available to their district Federal Reserve Bank within a reasonable period after the end of their fiscal year.

### **Thrift Holding Companies**

Thrift holding companies that are subject to the annual audit, other attestation, and reporting requirements of the Office of Thrift Supervision pursuant to 12 CFR 562.4 and 584.1, including those not subject to SEC oversight, should follow the SEC guidance regarding filings with the Office of Thrift Supervision.

## **ATTACHMENTS**

Copies of the SEC's statements are attached.

## **MORE INFORMATION**

For more information, please contact Dorsey Davis, (214) 922-6051, Banking Supervision Department. Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at <http://www.dallasfed.org/banking/notices/index.html>.

**SEC ANNOUNCES ACTIONS FOR ISSUERS  
IN LIGHT OF INDICTMENT OF ARTHUR ANDERSEN LLP**

Washington, DC, March 14, 2002 – The Securities and Exchange Commission announced today that it has approved necessary and immediate regulatory actions to assure a continuing and orderly flow of information to investors and U.S. capital markets and to minimize any potential disruptions that may occur as a result of the indictment of Arthur Andersen LLP.

The Commission has requested and received assurances from Andersen that it will continue to audit financial statements in accordance with generally accepted auditing standards (GAAS) and applicable professional and firm auditing standards, including quality control standards. Andersen has also told the Commission that if it becomes unable to continue to provide those assurances, it will advise the Commission immediately.

Issuers whose audits are completed by Andersen after March 14, 2002, must obtain from Andersen certain representations concerning audit quality controls, including representations regarding the continuity of Andersen personnel working on the audit, the availability of national office consultation, and the availability of personnel at foreign affiliates of Andersen to conduct relevant portions of the audit. So long as Andersen continues to be in a position to provide those assurances, the Commission will continue to accept financial statements audited by Andersen in filings.

In addition, the Commission has taken action for those Andersen clients that are unable to receive services from Andersen to complete their audits or who choose not to have Andersen complete audits that currently are in process. The Commission will require adherence to existing filing deadlines, but will accept filings that include unaudited financial statements from any issuer unable to provide timely audited financial statements because of the cessation of its audit relationship with Andersen. Issuers electing this alternative will generally be required to amend their filings within 60 days to include audited financial statements. The Commission has taken similar actions regarding reviews of interim financial statements.

The relief is intended to minimize disruption to the U.S. capital markets and the affected issuers while those issuers complete certain pending or future filings, offerings and other activities. This relief is procedural in nature, is of finite duration, and is intended solely to address timing constraints and temporary disruptions that the affected issuers may face. The Commission has been in contact with the self-regulatory organizations to assure that they will take a similar approach.

The Commission emphasizes that companies should make their own independent decisions regarding completion of current audits and that these actions are intended only to provide neutral flexibility for companies as they make those decisions. Consistent with this approach, the Commission's actions do not apply to audits by Andersen that have been completed.

The full package of actions taken by the Commission will be published in a separate release.

Issuers, investors, and other market participants are encouraged to contact Commission staff at the hotline numbers listed below if they have questions.

- Investors with questions can call a special hotline maintained by the Commission's Office of Investor Education at 1-800-SEC-0330 or e-mail the office at **help@sec.gov**.
- Issuers with questions regarding Securities Act or Exchange Act filings can call the Division of Corporation Finance's hotline at 202-942-2816 or e-mail the Division at **cfhotline@sec.gov**.
- Auditors with transition questions can call the Office of the Chief Accountant at 202-942-4400 or e-mail the office at **oca@sec.gov**.
- For questions regarding broker-dealers, self-regulatory organizations, and transfer agents, please call the Division of Market Regulation's hotline at 202-942-0069 or e-mail the Division at **marketreg@sec.gov**.
- For questions regarding investment companies, investment advisers or public utility holding companies, please call the Division of Investment Management's hotline at 202-942-0590 or e-mail the Division at **IMOCA@sec.gov**.

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## U.S. Securities and Exchange Commission

### SEC Announces Reporting Requirements for Companies Audited by Andersen LLP

**FOR IMMEDIATE RELEASE**  
**2002-39**

Washington, D.C., March 18, 2002 — The Securities and Exchange Commission today released [the orders and rules](#) it announced on March 14, 2002. The Commission issued these orders and rules to assure a continuing and orderly flow of information to investors and the U.S. capital markets in light of the indictment of Arthur Andersen LLP.

"We are committed to ensuring that investors continue to receive the timely financial information to which they are entitled," said SEC Chairman Harvey L. Pitt. "The Commission believes that the actions it is taking will address any issues that might arise from Andersen's indictment. Any potential disruptions are anticipated to be minimal and of relatively short duration. If other actions are needed, the Commission will take further appropriate steps."

As announced last week, the Commission has been assured by Andersen that it will continue to audit financial statements in accordance with generally accepted auditing standards (GAAS) and applicable professional and firm auditing standards, including quality control standards. Andersen has also told the Commission that if it becomes unable to continue to provide those assurances, it will advise the Commission immediately. Issuers for which Andersen issues signed audit reports after March 14, 2002, must obtain from Andersen similar representations and generally must set forth those representations in their filings. Under those procedures, the Commission will continue to accept financial statements audited by Andersen in filings.

The orders and rules released today also establish a framework for Andersen clients that are unable to obtain from Andersen or elect not to obtain from Andersen a signed report on audits that are currently in process. As to those issuers, the Commission will require adherence to existing filing deadlines, but will accept filings that include unaudited financial statements from any issuer unable timely to provide audited financial statements. Issuers electing this alternative generally will be required to amend their filings within 60 days to include audited financial statements. This alternative framework is procedural in nature, is of finite duration, and is intended solely to address timing constraints and temporary disruptions that the affected issuers may face.

The Commission is permitting affected issuers to file annual reports, certain registration statements, and certain other filings by the original due date with unaudited financial statements, so long as they file, within 60 days after the original due date, amended filings containing audited financial statements. For affected issuers that are registrants under the Securities Act of 1933, the Securities Exchange Act of 1934, the Public Utility Holding Company Act of 1935, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, the relief that the Commission's actions provide includes the following:

- extensions of time to file audited financial statements required in annual reports and certain other reports filed with the Commission;
- extensions of time to make audited financial statements available to shareholders;
- extensions of time to obtain reviews of financial statements for quarterly reports; and
- extensions of time, for companies that are already reporting to the Commission, to include required audited financial statements in registration statements.

In addition, affected issuers will be able to satisfy filing requirements for tender offers under the Williams Act, acquisition proxy statements, employee benefit plans, financial statements of unconsolidated subsidiaries and guarantors and transactions, and to comply with the conditions of Rule 144, Rule 144A, Rule 701, or Regulation D, by filing unaudited financial statements by the original due date, so long as audited financial statements are filed within 60 days after the original due date.

The Commission continues to emphasize that companies should make their own independent decisions regarding completion of current audits and reviews and that these actions are intended only to provide neutral flexibility for companies as they make those decisions. Consistent with this approach, the Commission's actions do not apply to signed audit reports by Andersen issued on or before March 14, 2002.

The Commission has also determined that it is not necessary or appropriate to make this alternative framework available in the case of initial public offerings, initial registrations under the Exchange Act,

going-private transactions or roll-up transactions. The alternative framework is also unavailable with respect to filings or transactions by any "blank check companies."

The Commission determined that it is in the public interest to make its actions effective upon publication of the Commission's orders and rules.

For more detail concerning these actions, please contact the Commission, as indicated below.

- Investors with questions can call a special hotline maintained by the Commission's Office of Investor Education at 1-800-SEC-0330 or e-mail the office at [help@sec.gov](mailto:help@sec.gov).
- Issuers with questions regarding Securities Act or Exchange Act filings, please call the Division of Corporation Finance's hotline at 202-942-2816 or e-mail the Division at [cfhotline@sec.gov](mailto:cfhotline@sec.gov).
- Auditors with transition questions may call the Office of the Chief Accountant at 202-942-4400 or e-mail the office at [oca@sec.gov](mailto:oca@sec.gov).
- For questions regarding broker-dealers, self-regulatory organizations, and transfer agents, please call the Division of Market Regulation's hotline at 202-942-0069 or e-mail the Division at [marketreg@sec.gov](mailto:marketreg@sec.gov).
- For questions regarding investment companies, investment advisers or public utility holding companies, please call the Division of Investment Management's hotline at 202-942-0590 or e-mail the Division at [IMOCA@sec.gov](mailto:IMOCA@sec.gov).

#### Additional Materials

- [Requirements for Arthur Andersen LLP Auditing Clients](#)
  - [FAQ: Application of Requirements for Arthur Andersen Auditing Clients](#) (from the Division of Corporation Finance)
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