
Joint Release**Federal Deposit Insurance Corporation
Resolution Trust Corporation
Office of Thrift Supervision**

For immediate release

August 9, 1994

PEAT MARWICK SETTLES WITH FDIC, RTC AND OTS

FOR \$186.5 MILLION

WASHINGTON, D.C., August 9, 1994 -- KPMG Peat Marwick (Peat Marwick), one of the nation's largest accounting firms, has agreed to pay \$186.5 million to the federal government to settle claims based on alleged accounting and auditing failures at financial institutions it audited.

In a global settlement of all claims and charges brought by federal regulators, the accounting firm has agreed to pay \$128 million in cash to the Resolution Trust Corporation (RTC), \$58.5 million to the Federal Deposit Insurance Corporation (FDIC), and consented to a cease and desist order of the Office of Thrift Supervision (OTS). The payment to the FDIC will consist of \$23.5 million in cash and \$35 million in a two-year note.

The settlement resolves five pending suits brought by the RTC, two suits brought by the FDIC, and settles all claims for professional work Peat Marwick did for financial institutions that failed on or before April 4, 1994.

The OTS cease and desist order requires specific changes in accounting policies for future audits of federally insured depository institutions during the next five years.

The OTS order specifies levels of experience in insured depository institution audits for partners, engagement partners and managers, and increases the required experience levels for audits of thrifts with assets exceeding \$500 million. The order also calls for Peat Marwick to comply with specific professional standards and spells out quality control functions to be performed by partners on each insured institution audit.

The RTC and the FDIC charged Peat Marwick with accounting malpractice. OTS charged Peat Marwick with:

- Improper workpaper and document retention practices, including violations of Generally Accepted Accounting Standards (GAAS) and regulations, that impacted on OTS' ability to review accounting policies and practices of former clients and failed thrifts.
- Failure to mark trading accounts to market in accordance with Generally Accepted Accounting Practices (GAAP).
- Misapplication of GAAP requirements relating to accounting for acquisitions of savings and loan associations.
- Improper accounting for profits on sales of real estate and exchanges of assets.
- Failure to audit allowances for loan losses in accordance with GAAS.

Peat Marwick had denied the claims made by the FDIC and RTC and stipulated in its offer of settlement to the OTS order that it neither admitted nor denied the OTS charges.

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