



DISCIPLINARY ACTIONS AGAINST ACCOUNTANTS
PERFORMING SECTION 36 AUDIT SERVICES

FIL-1-2003
January 8, 2003

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)

SUBJECT: Proposed Rules of Practice for the Removal, Suspension, and Debarment of Accountants and Accounting Firms

Summary: *The agencies are soliciting public comment on a proposal governing their authority to take disciplinary actions against independent public accountants and accounting firms that perform audit and attestation services required by Section 36 of the Federal Deposit Insurance Act.*

The Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Office of Thrift Supervision (the agencies) have jointly issued the attached proposed rules that would establish procedures under which the agencies could remove, suspend or bar an accountant or firm from performing audit and attestation services for insured depository institutions subject to the annual audit and reporting requirements of Section 36 of the Federal Deposit Insurance Act. Section 36 applies to institutions with \$500 million or more in total assets. Comments on the proposal are due by March 10, 2003.

Under the proposed rules, violations of law, certain negligent conduct, reckless violations of professional standards, and lack of qualifications to perform auditing services would be considered good cause to remove, suspend or bar an accountant or firm from providing audit and attestation services for institutions subject to Section 36. In addition, an accountant or accounting firm would not be permitted to perform these services if the accountant or firm has been removed, suspended or debarred by one of the agencies, or if the Public Company Accounting Oversight Board, the Securities and Exchange Commission, or a state licensing authority takes certain disciplinary actions against the accountant or firm. The proposal also provides for immediate suspensions of accountants in limited circumstances.

For further information, please contact Richard A. Bogue, Counsel (202-898-3726), in the Legal Division, or Robert F. Storch, Chief Accountant (202-898-8906), in the Division of Supervision and Consumer Protection.

For your reference, FDIC Financial Institution Letters may be accessed on the FDIC's Web site at www.fdic.gov/news/news/financial/2003/index.html. To learn how to

automatically receive FDIC Financial Institution Letters through e-mail, please visit www.fdic.gov/news/news/announcements/index.html.

Michael J. Zamorski
Director

Attachment: January 8, 2003, Federal Register, pages 1116-1130

Distribution: FDIC-Supervised Banks (Commercial and Savings)

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