



DISCIPLINARY ACTIONS AGAINST ACCOUNTANTS PERFORMING SECTION 36 AUDIT SERVICES

FIL-66-2003

August 18, 2003

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)
SUBJECT: Rules of Practice for the Removal, Suspension, and Debarment of Accountants and Accounting Firms
Summary: *The banking and thrift regulatory agencies have issued final rules 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 final rules that establish procedures under which the agencies can 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 FDIC-insured institutions with \$500 million or more in total assets. Proposed rules were published for comment in the Federal Register in January 2003 (see FIL-1-2003, dated January 8, 2003). The final rules take effect October 1, 2003.

Under the final rules, certain violations of law, negligent conduct, reckless violations of professional standards, or lack of qualifications to perform auditing services may 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, the rules prohibit an accountant or accounting firm from performing these services if the accountant or firm has been removed, suspended, or debarred by one of the agencies, or if the U.S. Securities and Exchange Commission or the Public Company Accounting Oversight Board takes certain disciplinary actions against the accountant or firm. The rules also permit immediate suspensions of accountants and firms in limited circumstances.

For further information, please contact Richard A. Bogue, Counsel in the Legal Division, at 202 898 3726, or Harrison E. Greene, Jr., Senior Policy Analyst in the Division of Supervision and Consumer Protection, at 202 898 8905.

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.

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Director

Attachment: August 13, 2003, Federal Register, pages 48256-48274

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Distribution: FDIC-Supervised Banks (Commercial and Savings)

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