



January 31, 2008

Robert E. Feldman, Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Annual Audit and Reporting Requirements Proposed Amendments to Part 363

Thank you for the opportunity to comment on the proposed changes to Part 363. South Carolina Bank and Trust exceeds the thresholds for implementing the changes that are proposed. However, the changes can/would have an impact on the approach we take to be in compliance with FDICIA and SOX 404 as we are always looking for ways to implement “best practices”.

Generally, we support the changes as proposed and feel that even smaller institutions should incorporate some of the initiatives as “best practices”.

(1) Require management and the independent public accountant to identify the internal control framework used to evaluate internal control over financial reporting and disclose all identified material weaknesses;

We will respond to this proposal in two parts (a) and (b).

- (a). The identification of the framework used by the entity to evaluate internal control should not be an impediment to improving the process. We support this proposal.
- (b). Disclosing all identified material weaknesses is not as important as telling the reader that weaknesses that are detected/discovered are remediated in a timely manner. Too often the disclosure becomes a list of exceptions rather than a useful tool for the reader. Instead, we would support a disclosure requirement that management when necessary acknowledges the control weakness or breakdown and is accompanied by a statement by the external auditor that the weakness has been corrected or the anticipated date of corrective action.

(2) Extend the time period for a non-public institution to file its Part 363 Annual Report by 30 days and replace the 30-day extensions of the filing deadline that may be granted if an institution (public or non-

public) is confronted with extraordinary circumstances beyond its reasonable control with a late filing notification requirement that would have general applicability;

We support this proposal.

(3) Provide relief from the annual reporting requirements for institutions that are merged out of existence before the filing deadline;

We support this proposal.

(4) Provide relief from reporting on internal control over financial reporting for businesses acquired during the fiscal year;

We support this proposal.

(5) Require management's assessment of compliance with designated safety and soundness laws and regulations to state management's conclusion regarding compliance and disclose any noncompliance with such laws and regulations;

Technical violations aside, disclosure of willful non-compliance should be mandatory as well as lack of effective oversight by management with designated safety and soundness laws and regulations.

(6) Clarify the independence standards with which independent public accountants must comply and enhance the enforceability of compliance with these standards;

We view this as a best practice that any public company's Board of Directors regardless of size has a fiduciary responsibility to the shareholder's to implement effective controls and maintain a sufficient "Tone at the Top" and this should include independent relationships with external auditors as well as sub-committees of the Board of Directors.

(7) Specify that the duties of the audit committee include the appointment, compensation, and oversight of the independent public accountant;

We view this as a best practice, and support this proposal regardless of an entity's asset size.

(8) Require audit committees to ensure that audit engagement letters do not contain unsafe and unsound limitation of liability provisions and require institutions to file copies of these letters;

We view the audit committee review of engagement letters to be a best practice and support this change.

However, instead of requiring the institution to file the letters of engagement, we would suggest that a statement be added to the management attestation that the engagement letters have been reviewed for unsafe and unsound limitation of liability provisions.

(9) Require certain communications by independent public accountants to audit committees and establish retention requirements for audit working papers;

We support this proposal.

(10) Require boards of directors to adopt written criteria for evaluating an audit committee member's independence and provide expanded guidance for boards of directors to use in determining independence;

We view this as a best practice for a public company regardless of asset size and support this change.

(11) Require the total assets of a holding company's insured depository institution subsidiaries to comprise 75 percent or more of the holding company's consolidated total assets in order for an institution to comply with part 363 at the holding company level; and

We feel that every institution in excess of \$500 million, regardless of the percentage of the holding company should follow the proposed changes. The intent of this law, as we have always interpreted, is to ascertain that "management" is maintaining an effective financial reporting system. And as most of the financial institutions that are attempting to comply with FDICIA and SOX 404 would attest, a company that is less than 75% of a holding company would still be a "material entity" and therefore reliance on the financial reporting must be evaluated.

(12) Provide illustrative management reports to assist institutions in complying with the annual reporting requirements.

The examples are helpful.