



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, D.C. 20429-9990

**Financial Institution Letter**  
**FIL-72-2005**  
**August 2, 2005**

## **ANNUAL INDEPENDENT AUDITS AND REPORTING REQUIREMENTS**

### **Proposed Amendment to Part 363**

**Summary:** The FDIC is proposing to amend Part 363 of its regulations by raising the asset size threshold from \$500 million to \$1 billion for requirements relating to internal control assessments and reports by management and external auditors, and the requirement that members of the audit committee, who must be outside directors, be independent of management. Comments are due by September 16, 2005.

#### **Distribution:**

FDIC-Insured Institutions With \$500 Million or More  
in Total Assets

#### **Suggested Routing:**

Chief Executive Officer  
Chief Financial Officer  
Board of Directors  
Audit Committee

#### **Related Topics:**

Federal Deposit Insurance Act Section 36  
Part 363 of the FDIC's Regulations

#### **Attachment:**

Proposed Amendment to Part 363

#### **Contact:**

FDIC Regional Accountant or Senior Policy Analyst  
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#### **Note:**

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#### **Highlights:**

- The FDIC's annual audit and reporting requirements, including audit committee requirements, apply to insured institutions with \$500 million or more in total assets ("covered institutions").
- As proposed, for covered institutions with between \$500 million and \$1 billion in total assets, management would no longer be required to assess and report on the effectiveness of internal control over financial reporting, the external auditors would no longer be required to examine and attest to management's internal control assertions, and the outside directors on the audit committee would no longer be required to be independent of management.
- The proposal would relieve covered institutions with total assets of less than \$1 billion from these requirements only for purposes of Part 363. These covered institutions must continue to comply with the remaining provisions of Part 363, including the annual financial statement audit requirement.
- The proposal would not relieve public covered institutions from their obligations to comply with the provisions of the Sarbanes-Oxley Act and the Securities and Exchange Commission's implementing rules on internal control assessments by management and attestations by external auditors and, if applicable, audit committee independence.
- The amendments are proposed to take effect December 31, 2005.

