



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

**Financial Institution Letter**  
**FIL-96-2007**  
**November 2, 2007**

## **ANNUAL AUDIT AND REPORTING REQUIREMENTS**

### **Proposed Amendments to Part 363**

**Summary:** The FDIC is requesting comments on the attached proposed amendments to Part 363 of its regulations, which sets forth annual independent audit and reporting requirements for insured institutions with \$500 million or more in total assets. The FDIC is proposing to amend Part 363 in light of changes in the industry; certain sound audit, reporting, and audit committee practices incorporated in the Sarbanes-Oxley Act of 2002; and the FDIC's experience in administering Part 363. The amendments are also intended to provide clearer and more complete guidance for compliance. Comments are due by January 31, 2008.

**Distribution:**

Selected FDIC-insured institutions

**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 Amendments to Part 363

**Contact:**

FDIC Regional Accountant or Harrison Greene,  
Senior Policy Analyst, Division of Supervision and  
Consumer Protection, on 202-898-8905 or  
[hgreene@fdic.gov](mailto:hgreene@fdic.gov)

**Note:**

FDIC financial institution letters (FILs) may be  
accessed from the FDIC's Web site at  
[www.fdic.gov/news/news/financial/2007/index.html](http://www.fdic.gov/news/news/financial/2007/index.html).

To receive FILs electronically, please visit  
<http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters  
may be obtained through the FDIC's Public  
Information Center, 3501 Fairfax Drive, E-1002,  
Arlington, VA 22226 (1-877-275-3342 or 703-562-  
2200).

**Highlights:**

- **Annual Reporting Requirements** – The proposal would require disclosure of the internal control framework and identified material weaknesses, provide relief from reporting for certain merged institutions, provide relief from reporting on internal control for acquired businesses, require management's assessment of compliance with laws and regulations to disclose any noncompliance, and provide illustrative management reports.
- **Independent Public Accountants** – The proposal would clarify the independence standards applicable to accountants, require certain communications to audit committees, and establish retention requirements for audit working papers.
- **Filing and Notice Requirements** – The proposal would extend the annual report filing deadline for non-public institutions and include a late filing notification requirement.
- **Audit Committees** – The proposal would specify the audit committee's duties regarding the independent public accountant, require audit committees to ensure that audit engagement letters do not contain unsafe and unsound limitation of liability provisions, and require boards of directors to apply written criteria for evaluating audit committee members' independence.
- **Scope** – The proposal would revise the criteria for institutions to comply with Part 363 at a holding company level.