



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

Financial Institution Letter
FIL-5-2016
January 15, 2016

INTERAGENCY ADVISORY ON EXTERNAL AUDITS OF INTERNATIONALLY ACTIVE U.S. FINANCIAL INSTITUTIONS

Summary: The FDIC, the Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System (the agencies) are issuing an advisory to indicate their support for the principles and expectations set forth in the Basel Committee on Banking Supervision's March 2014 guidance on "External audits of banks" (BCBS external audit guidance). The advisory also explains the agencies' supervisory expectations regarding how internationally active U.S. financial institutions should address differences between the standards and practices followed in the United States and the principles and expectations in the BCBS external audit guidance. For purposes of the advisory, internationally active U.S. financial institutions include insured depository institutions with consolidated total assets of \$250 billion or more or consolidated total on-balance sheet foreign exposure of \$10 billion or more.

Statement of Applicability to Institutions under \$1 Billion in Total Assets: This Financial Institution Letter is not applicable to insured depository institutions with consolidated total assets of less than \$1 billion.

Distribution:

FDIC-Supervised Banks (Commercial and Savings)
and FDIC-Supervised Savings Associations

Suggested Routing:

Chief Executive Officer
Audit Committee Members
Chief Audit Executive

Related Topics:

Federal Deposit Insurance Act Section 36
Part 363 of the FDIC's Regulations
BCBS External Audit Guidance

Attachment:

[Interagency Advisory on External Audits of Internationally Active U.S. Financial Institutions January 15, 2016](#)

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Note:

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

Highlights:

- The BCBS external audit guidance is intended for internationally active banks. The guidance in the interagency advisory applies only to internationally active banks as defined in the advisory.
- To address differences between U.S. standards and practices and the principles and expectations in the BCBS external audit guidance, the audit committee of an internationally active bank is encouraged to:
 - Consider whether the audit committee's policies should explicitly address the criteria for tendering the external audit contract and whether it should periodically be put out for bid;
 - Ensure the institution's external auditor considers regulatory capital ratios in planning and performing the audit and inquire as to how the external auditor factored these ratios into the external auditor's materiality assessments; and
 - Request that the institution's external auditor provide written feedback about the external auditor's interactions with the institution's internal audit function, including observations on the adequacy of the internal audit work.
- The agencies continue to encourage open and candid communication between an institution's external auditor and the institution's supervisors.