

**FEDERAL RESERVE BANK OF SAN FRANCISCO**  
101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

September 10, 2003

**BANKING SUPERVISION AND REGULATION:  
ACCOUNTING FIRMS AND AUDITING**

To State Member Banks, Bank  
Holding Companies, U.S. Branches  
and Agencies of Foreign Banks,  
and Others Concerned,  
in the Twelfth Federal Reserve District

**Agencies Issue Final Rules on Disciplinary Actions Against Accountants and Accounting Firms Performing Certain Audit Services (Docket R-1139)**

The federal bank 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. Proposed rules were published for comment in the *Federal Register* in January 2003.

The final rules, which take effect on October 1, 2003, establish procedures under which the agencies can, with good cause, remove, suspend, or bar an accountant or firm from performing audit and attestation services for insured depository institutions with assets of \$500 million or more. The rules permit immediate suspensions in limited circumstances.

The rules provide that 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 services for banking organizations subject to section 36. Also, the rules prohibit an accountant or accounting firm from performing audit 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 has taken certain disciplinary action against the accountant or firm.

The rules are being issued by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision. The rules amend each agency's rules of practice separately, but are substantively identical.

You may download and print Docket R-1139 at the <http://www.federalreserve.gov/boarddocs/press/bcreg/2003/20030808/attachment.pdf> page.

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**Additional Information**

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's Internet site, at <http://www.frbsf.org/banking/letters>. Paper copies of the Board's notice (**Docket R-1139**) are available from our Corporate Services Department. To request copies to be sent by mail, please call (415) 974-2060.

For additional information about the final rules, please contact our Banking Supervision and Regulation Department at (415) 974-2936.

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