



FEDERAL RESERVE BANK *of* KANSAS CITY

July 24, 2013

SR 13-11 Filing Procedures for Annual Independent Audits and Reports Required Under Federal Deposit Insurance Corporation (FDIC) Rules

Attention: Chief Executive Officer of Each Tenth District State Member Bank and Holding Company with Total Assets of \$500 Million or More

In Brief: The Board of Governors of the Federal Reserve System has issued guidance that reminds state member banks with total assets of \$500 million or more of their reporting requirements under 12 CFR 363. The guidance also outlines under what conditions these reporting requirements may be satisfied at the holding company level.

Highlights: SR 13-11 reminds institutions of the existing reporting requirements established under Section 112 of the Federal Deposit Insurance Corporation Improvement Act, as amended in 2009. The letter updates previous guidance communicated by SR 94-3, "Supervisory Guidance on the Implementation of Section 112 of the FDIC Improvement Act."

In summary, the guidance addresses:

- **Required Filings** – Certain reports are required to be filed in accordance with 12 CFR 363, including audited financial statements, the independent public accountant's report on the audited financial statements, management's report stating its responsibility for establishing controls over financial reporting and maintaining compliance with designated laws and regulations, and written communications issued by the independent public accountant.
- **Additional Filing Requirements for Institutions with \$1 Billion or More in Total Assets** – Additional reports are required for insured depository institutions with \$1 billion or more in total assets. These reports include management's assessment of the effectiveness of internal controls over financial reporting and the independent public accountant's attestation concerning the institution's internal control structure over financial reporting.
- **Reporting Requirements for Subsidiaries of Holding Companies** – Under certain circumstances, the filing requirements may be satisfied by the insured depository institution's holding company.
- **Required Management Report Signatures** – The guidance indicates who must sign the management reports included in the required filing, whether at the depository institution or the holding company level.
- **Filing Deadlines** – The guidance discusses when the required filing must be submitted.

Attachment: SR 13-11: Filing Procedures for Annual Independent Audits and Reports Required Under Federal Deposit Insurance Corporation (FDIC) Rules

Contact: Questions regarding the guidance may be directed to your Central Point of Contact, or Paul Oseland at (405) 270-8632 or (800) 333-1030, extension 2708632

Internet: A copy of the SR Letter is available on the Federal Reserve Board of Governors' web site at: <http://www.federalreserve.gov/bankinforeg/srletters/sr1311.htm>

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**BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION

SR 13-11

May 20, 2013

TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE BANK AND TO STATE MEMBER BANKS

SUBJECT: Filing Procedures for Annual Independent Audits and Reports Required Under Federal Deposit Insurance Corporation (FDIC) Rules

Applicability to Community Banking Organizations: This guidance applies to all state member banks with total consolidated assets of \$500 million or more.

The Federal Reserve is issuing this letter to remind state member banks with \$500 million or more in total assets as of the beginning of their fiscal year of the key longstanding reporting and filing requirements for insured depository institutions in FDIC regulation for “Annual Independent Audit and Reporting Requirements” as amended in 2009.¹ This letter explains existing reporting requirements for state member banks. In addition to describing the existing required report filings, this letter indicates when an insured depository subsidiary may file its audited financial statements at the holding company level.²

Required Filings

Under the FDIC rules, an insured depository institution with total assets of \$500 million or more as of the beginning of its fiscal year is required to file two copies of the following reports with the applicable federal banking agency, the FDIC, and the appropriate state supervisory agency:

1. Audited comparative financial statements.
2. Independent public accountant’s report on the audited financial statements.

¹ See 12 CFR part 363

² For the purposes of this guidance, the term “holding company” refers to a bank holding company or a savings and loan holding company, as applicable.

3. Management report that contains:
 - a. A statement of management's responsibilities for:
 - Preparing the annual financial statements,
 - Establishing and maintaining an adequate internal control structure and procedures over financial reporting, and
 - Complying with designated safety and soundness laws and regulations pertaining to insider loans and dividend restrictions.
 - b. An assessment by management of:
 - Compliance with the designated safety and soundness laws and regulations pertaining to insider loans and dividend restrictions during the year, which must state management's conclusions regarding compliance and disclose any noncompliance with these laws and regulations.³
 - c. Signatures of management (chief executive officer (CEO) and chief accounting officer (CAO) or chief financial officer (CFO)).
4. Any written communications issued to the board of directors or management by the independent public accountant.

Additional Filing Requirements for Institutions with \$1 Billion or More in Total Assets

An insured depository institution with \$1 billion or more in total assets as of the beginning of its fiscal year is required to file two copies of the reports listed above as well as two copies of the following additional reports with the appropriate federal banking agency, the FDIC, and the appropriate state supervisory agency:

- a. Report that contains an assessment by management of the effectiveness of the internal control structure over financial reporting as of the end of the fiscal year, and
- b. Independent public accountant's attestation report concerning the institution's internal control structure over financial reporting that includes the Call Report and/or the FR Y-9C report.

Reporting Requirements for Subsidiaries of Holding Companies

Under the FDIC rules, an insured depository institution that is a subsidiary of a holding company may file its audited financial statements at the holding company level (top-tier or mid-tier) if the holding company has total insured depository institution assets comprising 75 percent or more of the holding company's consolidated assets as of the beginning of the fiscal year. Furthermore, in accordance with 12 CFR part 363, the other reporting requirements can be satisfied at the holding company level if the holding company provides services and functions comparable to the insured depository institution, and the insured depository subsidiary (a) has

³ See Appendix B of 12 CFR part 363 for further details and illustrative examples of the appropriate wording for the management report.

less than \$5 billion in total assets or (b) has a CAMELS composite rating of “1” or “2” when its total assets are \$5 billion or more.

In order to facilitate effective and prudential supervision of the holding company, a holding company that has institutions subject to the FDIC rules must submit one copy of the required reports to the appropriate Federal Reserve Bank regardless of whether or not the holding company submitted these reports on a consolidated basis for its insured depository subsidiaries, and regardless of the charter of the insured depository subsidiary under the holding company. Refer to SR letter 94-3, “Supervisory Guidance on the Implementation of Section 112 of the FDIC Improvement Act,” for further guidance on this filing requirement.

Required Management Report Signatures

As specified in 12 CFR part 363, an insured depository institution and holding company must adhere to the following signature requirements:

- If the audited financial statements and the management report requirements are satisfied entirely at the insured depository institution level, the management report must be signed by the CEO, as well as the CAO or CFO, at the insured depository institution level.
- If the audited financial statements and the management report requirements are satisfied entirely at the holding company level, the management report must be signed by the CEO, as well as the CAO or CFO, at the holding company level.
- If the audited financial statement requirements are satisfied at the holding company level and the management report requirement is satisfied at the insured depository institution level or one or more component requirements are satisfied at the holding company and the remaining component requirements are satisfied at the insured depository institution level, the management report must be signed by the CEO, as well as the CAO or CFO, of both the holding company and the insured depository institution.

Filing Deadlines

As indicated in 12 CFR part 363, a depository institution is required to file its reports within 120 days after the end of its fiscal year if:

- 1) the depository institution is neither a public holding company nor a subsidiary of a public holding company, or
- 2) the depository institution is a subsidiary of a public holding company and its consolidated total assets (or the consolidated total assets of all of its parent holding company’s insured depository institution subsidiaries) comprise less than 75 percent of the consolidated total assets of the public holding company as of the beginning of its fiscal year.

Further, a depository institution must file its reports within 90 days after the end of its fiscal year if:

- 1) the depository institution is a public company, or
- 2) the depository institution is a subsidiary of a public holding company and its consolidated total assets (or the consolidated total assets of all of its parent holding company's insured depository institution subsidiaries) comprise 75 percent or more of the consolidated total assets of the public holding company as of the beginning of its fiscal year.⁴

Late Report Filings

The agencies will not grant an extension of time for filing the required reports. An insured depository institution that is unable to complete these filing requirements must submit a notification of late filing, on or before the deadline for filing the required reports, to the FDIC, the appropriate federal banking agency, and the appropriate state supervisory agency that discloses the reasons in detail for the late filing and the date the reports will be filed.

Questions and Contact Information

The Federal Reserve Banks are asked to distribute this letter to state member banks, as well as to the appropriate supervisory staff. Questions regarding the attached guidance should be addressed to Steven P. Merriett, Deputy Associate Director and Chief Accountant, at (202) 452-2531; or Terrill Garrison, Senior Accounting Policy Analyst at 202-452-2712. In addition, questions may be sent via the Board's public website.⁵

Michael S. Gibson
Director

Cross References:

- SR letter 94-3, "Supervisory Guidance on the Implementation of Section 112 of the FDIC Improvement Act"

⁴ U.S. Securities and Exchange Commission reporting deadlines may differ depending on whether an institution is considered to be an accelerated or non-accelerated filer.

⁵ <http://www.federalreserve.gov/apps/contactus/feedback.aspx>