



# OCC BULLETIN

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Comptroller of the Currency  
Administrator of National Banks

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Subject: Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters  
Description: Final Advisory

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TO: Chief Executive Officers of All National Banks, Department and Division Heads, and All Examining Personnel

The Office of the Comptroller of the Currency, the Office of Thrift Supervision, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the National Credit Union Administration (collectively, the agencies), have issued an advisory titled, "Interagency Advisory on the Unsafe and Unsound Use of Limitation of Liability Provisions in External Audit Engagement Letters." The purpose of the advisory is to alert financial institutions that they should not enter into external audit arrangements that include certain limitation-of-liability provisions that the agencies deem to be unsafe and unsound. The guidance applies to all financial institutions, regardless of size, whether or not the financial institution is a public company, or whether the external audit is required or voluntary.

A proposed interagency advisory was published on May 10, 2005. The agencies received 44 comment letters on the proposal from auditors, financial institutions, trade organizations, attorneys, arbiters, and other interested parties. Comments were considered in drafting the final interagency advisory, and are summarized in the attached *Federal Register* notice that transmits the final advisory.

The advisory is effective for engagement letters entered into on or after February 9, 2006. This advisory does not apply to previously executed engagement letters. Nevertheless, the agencies encourage any financial institution subject to a multi-year audit engagement letter containing unsafe and unsound limitation of liability provisions to seek to amend its engagement letter to be consistent with the advisory for periods ending in 2007 or later. The agencies may take appropriate supervisory action if the noted provisions are included in external audit engagement letters or other agreements related to audits that are executed on or after the effective date of the advisory.

For further information, please contact your OCC district accountant or the OCC's Chief Accountant's office at (202) 874-5180.

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Chief Accountant

Attachment: [71 FR 6847](http://www.occ.treas.gov/fr/fedregister/71fr6847)  
[<http://www.occ.treas.gov/fr/fedregister/71fr6847.pdf>]