



RESCINDED

December 13, 1993

Any attachments to this document are rescinded only as they relate to national banks and federal savings associations.

MEMORANDUM FOR CHIEF EXECUTIVE OFFICERS

FROM: Jonathan L. Fiechter
Acting Director *Jonathan L. Fiechter*

SUBJECT: Independent Audit Requirement
Reduction of Regulatory Burden

Over the past year, one of the priorities of the Office of Thrift Supervision (OTS) has been to reduce the regulatory burden on savings associations where possible, without compromising safety and soundness considerations. Early in 1993, for example, the OTS revised a number of rules dealing with such matters as liability growth, appraisals, and the number of directors required for an institution. None of the changes alone was expected to have a major impact on the industry, but taken together, they reduced regulatory burden.

As a continuation of this effort to reduce regulatory burden, effective for years ending on or after December 31, 1993, the OTS will no longer require that independent accountants perform tests of savings associations' compliance with the Bank Secrecy Act, as has been required by PA Bulletin 7a-3. Those procedures have also been performed by examiners, as part of the compliance program, and are therefore a duplicative cost to savings associations. Accordingly, independent accountants are no longer required to perform, nor report on, the procedures referred to in the Bulletin. The OTS will continue to monitor compliance with all provisions of the Bank Secrecy Act, and take any appropriate enforcement action.

Moreover, the OTS will soon publish a notice of proposed rulemaking to reconsider the burden imposed by OTS regulations that require every savings association to obtain an independent audit annually. Banking regulations (most notably FDIC regulation 12 CFR Part 363) generally require annual independent audits only for institutions with assets of \$500 million or more. The notice proposes alternative methods for reducing the independent audit burden, while balancing the objective of eliminating unnecessary differences between banking and savings association regulation, with safety and soundness considerations.