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December 26, 2002

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

Re: OTS No. 2002-54; Regulatory Reporting Standards: Qualifications for Independent Public Accountants Performing Audit Services for Voluntary Audit Filers; 67 Federal Register 70529; November 25, 2002

Dear Sir or Madam:

The Office of Thrift Supervision ("OTS") has issued an interim rule eliminating the mandatory adherence to the Securities and Exchange Commission's ("SEC") outside auditor independence rules for voluntary, independent audits of smaller, highly rated institutions and requested comments. The American Bankers Association ("ABA") supports the interim rule. The ABA brings together all categories of banking institutions to best represent the interests of the rapidly changing industry. Its membership – which includes community, regional, and money center banks and holding companies, as well as savings associations, trust companies, and savings banks – makes ABA the largest banking trade association in the country.

OTS regulations require that public accountants conducting independent audits follow the SEC independence rules. The OTS requires independent audits of savings associations that are publicly traded, have assets of \$500 million or more, or have a 3, 4, or 5 CAMEL rating. However, small, non-public, 1- or 2-rated savings associations are not required to obtain an independent audit. Nonetheless, many of these smaller institutions do provide voluntarily an independent audit, and the OTS believes that these voluntary, independent audits are helpful to the public, to the institutions and to the OTS.

The recently enacted Sarbanes-Oxley Act of 2002 establishes new requirements for independent audits by prohibiting a registered public accountant from performing an audit for a public company contemporaneously with providing that company with delineated non-audit services, including internal audit outsourcing services. This law will require the SEC to amend its auditor independence rules to include the same requirement. Since the OTS regulations apply the SEC rule to all OTS institution's audits, this results in the application of a requirement for public companies to nonpublic, smaller OTS institutions conducting voluntary

audits. The OTS has concluded that the additional costs of this requirement (from retaining two public auditors, one to do the audit and one to provide any non-audit services) and/or the limited availability of independent auditors to smaller institutions is likely to cause these smaller institutions to stop providing voluntary, independent audits. The OTS believes that this would result in a net loss of valuable audit information to the public, the institutions, and the OTS. The OTS wishes to prevent such a loss. The OTS concludes that amending the OTS requirement that all independent audits meet the SEC standards to require, instead, only that mandatory audits meet the SEC standards will result in the continuation of voluntary audits by smaller institutions. The ABA commends the OTS for its analysis and action.

The rule change will continue the many benefits that voluntary, annual audits provide; further, the rule change applies to smaller savings association the same standard applied to smaller banks by the bank supervisory agencies. ABA supports the interim rule and recommends that the OTS make the amendments final. If there are any questions on the issues raised by this letter, please do not hesitate to contact the undersigned at (202) 663-5324.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Dawn Causey", is written over a horizontal line. The signature is stylized with a large loop at the end.

C. Dawn Causey