Ludwig Announces Pilot Project for Bank Auditor/Examiner Cooperation

Comptroller of the Currency Eugene A. Ludwig today announced plans for a pilot program to test coordination of the respective review activities of national bank examiners and certified public accountants at ten large national banks. The voluntary project is designed to reduce regulatory burden on banks by developing guidelines for cooperation between accountants and examiners in their respective review activities.

"In the more competitive environment banks face today, we must now begin to achieve the full promise of cooperative efforts," Mr Ludwig said in a speech to the annual meeting of the Association of Independent Certified Public Accountants. "I would go further and say that increased cooperation and efficiency is an obligation examiners and auditors share."

The Comptroller said that staff members from the Comptroller's Office (OCC) are talking to CPA firms, trade associations, bankers, and examiners to identify ten large regional and multinational banks that might be interested in volunteering for this project. Once the banks are identified, he said, examiners and auditors involved in each bank will share auditing and examination plans for the coming year. One possible outcome might be identification of a specific risk area upon which to focus and develop a plan for cooperation, he said.

The Comptroller said that the program is intended to generate:

- Better coordination of procedures for reviewing common areas of concern to reduce examination and audit time;
- Opportunities to share information about use of technology to improve the efficiency of examinations and audits; and
- Opportunities to share information and data, thereby eliminating duplicative information requests.

The Comptroller noted that a recent vote by the Federal Financial Institutions Examination Council (FFIEC) to adopt Generally Accepted Accounting Principles (GAAP) for use on all call reports holds out the promise of reducing reporting burdens for insured depository institutions. However, he also noted that this change raised supervisory issues that have yet to be resolved, including regulatory capital determinations, the application of legal lending limits and limits on permissible investment activities, and he urged bankers to participate in the resolution of those issues. "The move to
GAAP call reports illustrates the importance of on-going industry dialogue and the need to work together to achieve the mutual objectives of reduced burden and enhanced safety and soundness," he said.

Mr. Ludwig noted that some GAAP/RAP differences reflect supervisory concerns that might be inconsequential or outdated. "For those significant concerns that remain, which I hope will be few," he said, "we will seek to devise the least burdensome method possible for continuing to ensure that bank safety and soundness is not compromised."

Mr. Ludwig also noted that future GAAP developments might raise similar supervisory issues and said that bank supervisors would therefore continue to be involved in the GAAP rule-making process. He also noted that, in some instances, supervisory objectives might not be consistent with the needs of users of general purpose financial statements. "In those instances," he said, "we cannot allow bank supervision policy to be compromised by those who set accounting standards. Even though regulatory reporting will be based on GAAP, we may be obligated to establish additional requirements to maintain effective supervision in the least burdensome manner possible."

# # #

The OCC charters, regulates and examines America's approximately 3,000 national banks which hold more than half of the nation's bank assets. Its mission is to ensure the safety and soundness of the national banking system.