

with GAAP shall incorporate the GAAP that best reflects the underlying economic substance of the transaction at issue. Regulatory reporting requirements shall, at a minimum:

(i) Incorporate GAAP whenever GAAP is the referenced accounting instruction for regulatory reports to the Federal banking agencies;

(ii) Incorporate safe and sound practices contained in OTS regulations, bulletins, examination handbooks and instructions to regulatory reports. Such safety and soundness requirements shall be no less stringent than those applied by the Comptroller of the Currency for national banks; and

(iii) Incorporate additional safety and soundness requirements more stringent than GAAP, as the Director may prescribe.

(2) *Exceptions.* Regulatory reporting requirements that are not consistent with GAAP, if any, are not required to be reflected in audited financial statements, including financial statements contained in securities filings submitted to the OTS pursuant to the Securities and Exchange Act of 1934 or parts 563b, 563d, or 563g of this chapter.

(3) *Compliance.* When the OTS determines that a savings association's regulatory reports did not conform to regulatory reporting requirements in previous reporting periods, the association shall correct its regulatory reports in accordance with the directions of the OTS.

§ 562.4 Audit of savings associations and savings association holding companies.

(a) *General.* The OTS may require, at any time, an independent audit of the financial statements of, or the application of procedures agreed upon by the OTS to a savings association, savings and loan holding company, or affiliate (as defined by 12 CFR 563.41) by qualified independent public accountants when needed for any safety and soundness reason identified by the Director.

(b) *Audits required for safety and soundness purposes.* The OTS requires an independent audit for safety and soundness purposes:

(1) If a savings association has received a composite rating of 3, 4 or 5, as defined at § 516.5(c) of this chapter; or

(2) If, as of the beginning of its fiscal year, a savings and loan holding company controls savings association subsidiary(ies) with aggregate consolidated assets of \$500 million or more.

(c) *Procedures.* (1) When the OTS requires an independent audit because such an audit is needed for safety and soundness purposes, the Director shall determine whether the audit was conducted and filed in a manner satisfactory to the OTS.

(2) The Director may waive the independent audit requirement described at paragraph (b)(1) of this section, if the Director determines that an audit would not provide further information on safety and soundness issues relevant to the examination rating.

(3) When the OTS requires the application of procedures agreed upon by the OTS for safety and soundness purposes, the Director shall identify the procedures to be performed. The Director shall also determine whether the agreed upon procedures were conducted and filed in a manner satisfactory to the OTS.

(d) *Qualifications for independent public accountants.* The audit shall be conducted by an independent public accountant who:

(1) Is registered or licensed to practice as a public accountant, and is in good standing, under the laws of the state or other political subdivision of the United States in which the savings association's or holding company's principal office is located;

(2) Agrees in the engagement letter to provide the OTS with access to and copies of any work papers, policies, and procedures relating to the services performed;

(3)(i) Is in compliance with the American Institute of Certified Public Accountants' (AICPA) Code of Professional Conduct; and

(ii) Meets the independence requirements and interpretations of the Securities and Exchange Commission and its staff; and

(4) Has received, or is enrolled in, a peer review program that meets guidelines acceptable to the OTS.

(e) *Voluntary audits.* When a savings association, savings and loan holding company, or affiliate (as defined by 12 CFR 563.41) obtains an independent

Pt. 563

12 CFR Ch. V (1–1–11 Edition)

audit voluntarily, it must be performed by an independent public accountant who satisfies the requirements of paragraphs (d)(1), (d)(2), and (d)(3)(i) of this section.

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PART 563—SAVINGS ASSOCIATIONS—OPERATIONS

Subpart A—Accounts

Sec.

- 563.1 Chartering documents.
- 563.4 [Reserved]
- 563.5 Securities: Statement of non-insurance.

Subpart B—Operation and Structure

- 563.22 Merger, consolidation, purchase or sale of assets, or assumption of liabilities.
- 563.27 Advertising.
- 563.33 Directors, officers, and employees.
- 563.36 Tying restriction exception.
- 563.39 Employment contracts.
- 563.41 Transactions with affiliates.
- 563.43 Loans by savings associations to their executive officers, directors and principal shareholders.
- 563.47 Pension plans.

Subpart C—Securities and Borrowings

- 563.74 Mutual capital certificates.
- 563.76 Offers and sales of securities at an office of a savings association.
- 563.80 Borrowing limitations.
- 563.81 Inclusion of subordinated debt securities and mandatorily redeemable preferred stock as supplementary capital.

Subpart D—Registration of Residential Mortgage Loan Originators

- 563.101 Authority, purpose, and scope.
- 563.102 Definitions.
- 563.103 Registration of mortgage loan originators.
- 563.104 Policies and procedures.
- 563.105 Use of unique identifier.

APPENDIX A TO SUBPART D OF PART 563—EXAMPLES OF MORTGAGE LOAN ORIGINATOR ACTIVITIES

Subpart E—Capital Distributions

- 563.140 What does this subpart cover?
- 563.141 What is a capital distribution?

- 563.142 What other definitions apply to this subpart?
- 563.143 Must I file with OTS?
- 563.144 How do I file with the OTS?
- 563.145 May I combine my notice or application with other notices or applications?
- 563.146 Will the OTS permit my capital distribution?

Subpart F—Financial Management Policies

- 563.161 Management and financial policies.
- 563.170 Examinations and audits; appraisals; establishment and maintenance of records.
- 563.171 Frequency of safety and soundness examination.
- 563.172 Financial derivatives.
- 563.176 Interest-rate-risk-management procedures.
- 563.177 Procedures for monitoring Bank Secrecy Act (BSA) compliance.

Subpart G—Reporting and Bonding

- 563.180 Suspicious Activity Reports and other reports and statements.
- 563.190 Bonds for directors, officers, employees, and agents; form of and amount of bonds.
- 563.191 Bonds for agents.
- 563.200 Conflicts of interest.
- 563.201 Corporate opportunity.

Subpart H—Notice of Change of Director or Senior Executive Officer

- 563.550 What does this subpart do?
- 563.555 What definitions apply to this subpart?
- 563.560 Who must give prior notice?
- 563.565 What procedures govern the filing of my notice?
- 563.570 What information must I include in my notice?
- 563.575 What procedures govern OTS review of my notice for completeness?
- 563.580 What standards and procedures will govern OTS review of the substance of my notice?
- 563.585 When may a proposed director or senior executive officer begin service?
- 563.590 When will the OTS waive the prior notice requirement?

AUTHORITY: 12 U.S.C. 375b, 1462, 1462a, 1463, 1464, 1467a, 1468, 1817, 1820, 1828, 1831o, 3806, 5101 *et seq.*; 31 U.S.C. 5318; 42 U.S.C. 4106.

SOURCE: 54 FR 49552, Nov. 30, 1989, unless otherwise noted.