



भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA
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RBI/2017-18/29

DBS.ARS.BC.04/08.91.001/2017-18

July 27, 2017

The Chief Executive Officers
All Indian Private Sector Banks/ All Foreign Banks operating in India

Dear Sir/Madam,

Appointment of Statutory Central Auditors (SCAs) – modification of rest period

Please refer to DBS.No.ARS.BC.8/08.91.001/2000-2001 dated January 30, 2001 addressed to private sector banks in terms of which, inter alia, an audit firm, subject to its fulfilling the prescribed eligibility norms will be allowed to continue as the SCA for a particular bank for a period of four years and, thereafter, the said firm will be compulsorily rested for a period of two years.

2. It has been observed in a review of the appointment of statutory auditors in private sector/foreign banks that, in some cases, the same audit firm was reappointed after a gap of two years' rest. In a few other private sector/foreign banks, the immediately preceding statutory auditor firm was appointed on completion of the four year tenure of the current statutory auditor. The statutory central audit responsibility in such banks thus remained confined to two audit firms which were appointed on a cyclical basis.

3. The Rest and Rotation Policy in appointment of SCAs for banks has been mandated in order that audit functions are looked at afresh, as a new team is likely to examine the issues in a bank from a different perspective. The policy also aims to deter the auditors and auditee from establishing a comfortable relationship that may lead to compromise in strict adherence to audit principles.

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4. To address the above and ensure that rest and rotation policy is followed in letter and spirit, it has been decided that, henceforth, an audit firm, after completing its four year tenure in a particular private/foreign bank, will not be eligible for appointment as SCA of the same bank for a period of six years.

5. The above guidelines are also applicable to foreign banks.

Yours faithfully

(Prabhakar Jha)
General Manager

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