



Policy Reference & Name : AEBC 72 India Statutory Auditor Appointment Policy

Effective Date : 16th May 2025



1.0 OVERVIEW AND PURPOSE

The purpose of this India Statutory Auditor Appointment Policy (hereinafter referred to as “the Policy”) is to ensure that the Bank appoint auditors for annual statutory audit of AEBC India Branch in adherence to RBI Circular ‘Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)’ dated April 27, 2021.

2.0 POLICY SCOPE

This Policy is applicable to AEBC India for compliance towards Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) issued by RBI.

3.0 KEY DEFINITIONS

- Asset size means total assets
- Network of audit firms as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014
- Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above
- Words and expressions used in this Policy and not defined herein but defined in the RBI circular shall have the meaning respectively assigned to them in the RBI circular

4.0 POLICY REQUIREMENTS

- a) **Prior Approval of Reserve Bank of India (RBI):** Bank shall take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory auditors, on an annual basis in terms of the requirements given in the policy. For this purpose, Bank shall apply to Department of Supervision, RBI before 31st July of the reference year.

ii) For this purpose, Bank shall approach the Central Office of RBI (Department of Supervision).

- b) **Number of Statutory auditors and Branch Coverage:**



American Express Banking Corp. Policy

AEBC follows the regulation mentioned under RBI Circular (DoS.CO.ARG/SEC.01/08.91.001/2021-22) with respect to the guidelines for appointment of Statutory Auditors

c) Eligibility Criteria of Auditors

Bank shall appoint audit firm(s) as its statutory auditors fulfilling the eligibility norms as prescribed in RBI circular attached in Appendix.

d) Independence of Auditors

- i) Bank shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged to the AEBC India CEC of the Bank and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- ii) Concurrent auditors of the Bank shall not be considered for appointment as Statutory auditors of the Bank. The audit of the Entity and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Bank for the same reference year shall also be explicitly factored in while assessing independence of the auditor.
- iii) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory auditors for the Bank or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory auditors. However, during the tenure as statutory auditor, an audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest, and Bank may take their own decision in this regard, in consultation with the AEBC India CEC.
- iv) A conflict would not normally be created in the case of the following special assignments (indicative list): (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements, (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements, (iv) reporting on financial information or segments thereof
- v) The restrictions as detailed in para d) iii) and iv) above, should also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

e) Professional Standards of Statutory auditors

- i) The Statutory auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- ii) The AEBC India CEC shall review the performance of Statutory auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory auditors or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the AEBC India CEC, with the full details of the audit firm.
- iii) In the event of lapses in carrying out audit assignments resulting in misstatement of Bank's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the Statutory auditors in relation to Entities, the Statutory auditors would be liable to be dealt with suitably under the relevant statutory/regulatory framework.



f) Tenure and Rotation

AEBC follows RBI circular for appointment & reappointment of Statutory Auditors.

g) Audit Fees and Expenses

- i) The audit fees for Statutory auditors of the Bank shall be decided in terms of the relevant statutory/regulatory provisions.
- ii) The audit fees for Statutory auditors of the Bank shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.
- iii) The AEBC India CEC shall approve audit fees of Statutory auditors.

h) Procedure for Appointment of Statutory auditors

- i) Bank shall shortlist minimum of 2 audit firms for every vacancy of Statutory auditors so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of Statutory auditors does not get delayed. However, in case of reappointment of Statutory auditors by bank till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.
- ii) The Bank shall place the name of shortlisted audit firms, in order of preference, before AEBC India CEC for selection as Statutory auditors. Upon selection of Statutory auditors by the bank in consultation with AEBC India CEC and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of Statutory auditors.
- iii) The Bank shall obtain a certificate, along with relevant information as per Form I as given in the appendix, from the audit firm(s) proposed to be appointed as Statutory auditors by the Bank to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of Statutory auditors of the Bank, under the seal of the said audit firm.
- iv) The Banks shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per Form II as given in the appendix, stating that the audit firm(s) proposed to be appointed as statutory auditor by them comply with all eligibility norms prescribed by RBI for the purpose.
- v) While approaching the RBI for its prior approval for appointment of Statutory auditors, Bank shall indicate their total asset size as on March 31st of the previous year (audited figures) and recommend names of audit firms for appointment as Statutory auditors in the order of preference and also furnish information as per Form I and Form II as given in the appendix, to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.

5.0 RELATED POLICIES, GUIDELINES AND SUPPORTING DOCUMENTS

The following is a list of related policies and related guidelines:

- RBI Circular ‘Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)’ dated April 27, 2021

6.0 POLICY APPENDICES



RBI Circular.pdf