

The Interagency Statement on Sound Practices Concerning  
Complex Structured Finance Transactions  
Supporting Statement  
(3064-0148)

The Interagency Statement on Sound Practices Concerning Complex Structured Finance Transactions (Statement), issued jointly by the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Office of Thrift Supervision, and the Securities and Exchange Commission (Agencies) describes the types of internal controls and risk management procedures that the Agencies believe are particularly effective in assisting financial institutions to identify and address the reputational, legal, and other risks associated with complex structured finance transactions. The Statement's guidance that covered institutions develop and maintain specified written policies and procedures constitutes a recordkeeping requirement that required OMB approval pursuant to the Paperwork Reduction Act.

A. Justification

1. Circumstances that make the collection necessary

Structured finance products normally serve the legitimate business interests of customers and are an essential part of U.S. and international capital markets. But a financial institution may assume substantial reputational and legal risk if it enters into a complex structured finance transaction with a customer and the customer uses the transaction to circumvent regulatory or financial reporting requirements, evade tax liabilities, or further other illegal or improper behavior. Financial institutions need effective policies and procedures to identify those complex structured finance transactions that may involve heightened reputational and legal risk, to ensure that these transactions receive enhanced scrutiny by the institution, and to ensure that the institution does not participate in illegal or inappropriate transactions.

2. Use of the information

A financial institution's policies and procedures should ensure that its operations comply with applicable law and regulations. This is critical to the institution's well being since it may face substantial legal risk, including enforcement actions by an Agency and lawsuits by private parties, if it participates in structured finance transactions used by a customer to circumvent regulatory or financial reporting requirements, evade tax liabilities, or further other illegal or improper behavior. The policies and procedures also help the institution avoid reputational risk when the transactions involved are structured to technically comply with existing laws and regulations.

3. Consideration of the use of improved information technology

State nonmember banks may adopt any existing technology relevant to producing or retaining the information.

4. Efforts to identify duplication

There is no duplication. This collection is unique in that it involves policies and procedures specific to a particular institution and appropriate to the types of structured finance transactions that the institution conducts.

5. Minimizing burden on small entities

Small institutions are not involved in transactions of this type. Therefore, this collection of information imposes no burden on them.

6. Consequences of no collection or less frequent collection

Reducing the recordkeeping policies and procedures in the Interagency Statement would hazardously increase the reputational and legal risks of covered entities.

7. Special circumstances necessitating collection inconsistent with 5 CFR 1320.6

None.

8. Efforts to consult with persons outside the agency

The FDIC coordinated closely with the other Agencies in developing the Interagency Statement, and published it for comment before finalizing it. Before submitting this request to OMB to renew the collection, the FDIC sought comment on it with a 60-day PRA notice published on August 22, 2013, 78 FR 52194. No comments were received.

9. Payment to respondents

None.

10. Assurance of confidentiality

No assurance of confidentiality is made.

11. Justification for questions of a sensitive nature

There are no questions of a sensitive nature.

12. Burden estimate

The Agencies believe that institutions involved in complex structured finance transactions have already developed the policies and procedures addressed in the Interagency Statement. Thus, the development time for the policies and procedures is usual and customary for any large institution involved in transactions of this type. Further, responsible institutions update regularly their policies and procedures to ensure that they address transactions appropriately and are adequate for that institution.

Six state nonmember banks have the capacity to be involved in complex structured finance transactions activities. The FDIC estimates it will take 25 hours per institution to update the necessary policies and procedures regarding these activities. Therefore, recordkeeping burden for this information collection is as follows:

6 recordkeepers @ 1 response = 6 responses  
 6 responses @ 25 hours = 150 burden hours

The estimated cost of the hour burden to respondents is as follows:

Clerical:	25% x 150	=	37.50 @ \$ 25	=	\$ 781.25
Managerial/Technical:	25% x 150	=	37.50 @ \$ 60	=	\$1,875.00
Senior Management /Professional	50% x 150	=	75 @ \$100	=	<u>\$6,250.00</u>
Total:				=	<u>\$8,906.25</u>

13. Capital, Start-Up, Operating, and Maintenance Costs

None.

14. Estimate of annualized costs to the government

None.

15. Change in burden

There is no change in burden.

16. Publication

The information is not published (this is a recordkeeping requirement).

17. Display of expiration date

Not applicable.

18. Exceptions to certification statement

None.

B. Collections of Information Employing Statistical Methods

Not applicable.