

SUPPORTING STATEMENT  
THE INTERAGENCY STATEMENT ON SOUND PRACTICES CONCERNING  
COMPLEX STRUCTURED FINANCE TRANSACTIONS  
(OMB No. 3064-0148)

INTRODUCTION

The Federal Deposit Insurance Corporation (FDIC) is requesting a three-year renewal of the Interagency Statement on Sound Practices Concerning Complex Structured Finance Transactions (Statement) (OMB No. 3064-0148), 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, and the Securities and Exchange Commission (Agencies) which 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 current clearance for the collection expires on July 31, 2017. There is no change in the method or substance of the collection.

A. JUSTIFICATION

1. Circumstances and Need

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 Collected

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. Use of Technology to Reduce Burden

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 Less Frequent Collections

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

7. Special Circumstances

None.

8. Consultation with Persons Outside the FDIC

A notice seeking public comment for a 60-day period was published in the *Federal Register* on April 28, 2017 (82 FR 19718). No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

Any information deemed to be of a confidential nature would be exempt from public disclosure in accordance with the provisions of the Freedom of Information Act (5 U.S.C. 552).

11. Information of a Sensitive Nature

This collection contains no sensitive information.

12. Estimates of Hour Burden and Annualized Cost

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.

Four 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:

4 recordkeepers @ 1 response = 4 responses  
4 responses @ 25 hours = 100 burden hours

The estimated cost<sup>1</sup> of the hour burden to respondents is as follows:

Office and Administrative

Support Occupations:	25% x 100 = 25 hours @ \$ 28.71	= \$ 717.75
Financial Managers:	25% x 100 = 25 hours @ \$ 93.76	= \$ 2,344.00
Top Executives:	50% x 100 = 50 hours @ \$ 124.39	= <u>\$ 6,219.50</u>
Total:		\$ 9,281.25

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<sup>1</sup> Total annual burden cost estimate is based on hourly compensation estimates and include May 2015 75<sup>th</sup> percentile hourly wages reported by the BLS which have been adjusted for changes in the CPI-U: Top Executives, Financial Managers, and Office and Administrative Support Occupations are \$124.39, \$93.76, and \$28.71, respectively.

2017 Summary of Annual Burden and Internal Cost (3064-0148)						
	Type of Burden	Estimated Number of Respondents	Estimated Number of Responses	Estimated Time per Response	Frequency of Response	Total Annual Estimated Burden
<b>Management Official Interlocks</b>	Recordkeeping	4	1	25	On Occasion	100
<b>TOTAL HOURLY BURDEN</b>						100
Internal Cost: Office and Administrative Support Occupations (25%)	\$28.71					\$717.75
Internal Cost: Financial Managers (25%)	\$93.76					\$2,344.00
Internal Cost: Top Executives (50%)	\$124.39					\$6,219.50
<b>TOTAL INTERNAL COST</b>						\$9,281.25

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 the method or substance of the collection. The 50 reduction in burden hours is a result of economic fluctuation. In particular, the number of respondents has decreased while the hours per response remain the same.

16. Publication

The information is not published.

17. Display of expiration date

Not applicable.

18. Exceptions to certification statement

None.

B. STATISTICAL METHODS

Not applicable.