

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 November 30, 2020. 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 September 23, 2020 (85 FR 59797). No comments were received.

9. Payment or Gift to Respondents

None.

10. Confidentiality

The information will be kept private to the extent provided by law.

11. Information of a Sensitive Nature

This collection contains no sensitive information.

12. Estimates of Hour Burden and Annualized Cost

| 2020 Summary of Annual Burden and Internal Cost (3064-0148) | | | | | | | |
|---|----------------|-----------------------|---------------------------------|----------------------------------|-----------------------------|-----------------------|-------------------------------|
| Information Collection (IC) Description | Type of Burden | Obligation to Respond | Estimated Number of Respondents | Estimated Frequency of Responses | Estimated Time per Response | Frequency of Response | Total Annual Estimated Burden |
| Complex Structured Finance Transactions | Voluntary | Mandatory | 1 | 1 | 25.00 | On Occasion | 225.00 |
| TOTAL HOURLY BURDEN | | | | | | | 25.00 |

Total Annual Burden: 100 hours

The total estimated annual cost for all respondents is:

25 hours x \$92.23 = \$2,355.75

| Estimated Category of Personnel Responsible for Complying with the PRA Burden | Total Estimated Hourly Compensation | Estimated Weights | Weighted Hourly Wage |
|---|-------------------------------------|-------------------|----------------------|
| Executives and Managers ¹ | \$121.85 | 62.5% | \$76.16 |
| Financial Analysts ² | \$78.46 | 12.5% | \$9.81 |
| Clerical ³ | \$33.05 | 25% | \$8.26 |
| Weighted Average | | | \$94.23 |

Source: Bureau of Labor Statistics: "National Industry-Specific Occupational Employment and Wage Estimates: Industry: Credit Intermediation and Related Activities (5221 And 5223 only)" (May 2019), Employer Cost of Employee Compensation (June 2020), Consumer Price Index (June 2020).

Note: The 75th percentile wage information reported by the BLS in the Specific Occupational Employment and Wage Estimates does not include health benefits and other non-monetary benefits. According to the March 2020 Employer Cost of Employee Compensation data compensation rates for health and other benefits are 33.9 percent of total compensation. Additionally, the wage has been adjusted for inflation according BLS data on the Consumer Price Index for Urban Consumers (CPI-U) so that it is contemporaneous with the non-wage compensation statistic. The inflation rate was 0.67 percent between May 2019 and June 2020.

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

None.

14. Estimate of annualized costs to the government

1 Occupation (SOC Code): Management Occupations (110000).

2 Occupation (SOC Code): Financial and Investment Analysts, Financial Risk Specialists, and Financial Specialists, All Other (132098).

3 Occupation (SOC Code): Office and Administrative Support Occupations (430000).

None.

15. Change in burden

There is no change in the method or substance of the collection. The reduction in respondents 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.