

SUPPORTING STATEMENT
for the Paperwork Reduction Act Information Collection Submission for
“Interagency Statement on Sound Practices Concerning Complex Structured Finance
Transactions”
OMB Control No. 3235-0622

In May 2006, the Securities and Exchange Commission (“Commission”), together with the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision (collectively, “Agencies”), issued for public comment a revised Interagency Statement on Sound Practices Concerning Elevated Risk Complex Structured Finance Transactions (“statement”). The statement 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 is intended 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.

A. JUSTIFICATION

1. Necessity of Information Collection

A financial institution may assume substantial reputational and legal risk if the institution 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.

As financial intermediaries, financial institutions play a critical role in ensuring the integrity of financial markets and maintaining the trust and public confidence essential to the proper functioning of the capital markets. Structured finance products normally serve the legitimate business interests of customers and are an essential part of U.S. and international capital markets. Financial institutions need effective policies and procedures in place 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. Purpose and Use of the Information Collection

Financial institutions’ policies and procedures should ensure that an institution’s operations are conducted in compliance with applicable law and regulations. This is critical to the institution’s well being since an institution may face substantial legal risk, including enforcement action by an Agency and lawsuits by private parties, if it participates in structured finance transactions that are 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 where the transactions involved are

structured to technically comply with existing laws and regulations.

3. Consideration Given to the Information Technology

Registered broker-dealers and investment advisers may adopt any existing technology relevant to producing or retaining the information.

4. 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. Effect 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 Not Conducting Collection

This collection involves only usual and customary recordkeeping and requires no submission to the Commission.

7. Inconsistencies with Guidelines in 5 CFR Part 1320.5(d)(2)

There are no special circumstances. This collection is consistent with the guidelines in 5 CFR 1320.5(d)(2).

8. Consultations Outside the Agency

The required Federal Register notice with a 60-day comment period soliciting comments on this collection of information was published. No public comments were received.

9. Payment or Gift

None.

10. Confidentiality

No assurance of confidentiality is made.

11. Sensitive Questions

The information collection does not collect personally identifiable information and no information is collected or maintained by the Commission. Neither a PIA nor a SORN are required; the PAW is sufficient.

12. Information Collection Burden

The collections of information contained in the statement involve the types of policies and procedures already adopted by the large institutions that participate in developing complex structured finance transactions for customers. The statement 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 Agencies believe that involved institutions already have developed the policies and procedures addressed in the 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 would update regularly their policies and procedures to ensure that they address transactions appropriately and are adequate for that institution. Nevertheless, the Commission has estimated the burden at 25 recordkeeping burden hours per respondent per year.

The Commission believes that 5 registered broker-dealers or investment advisers are involved in complex structured finance transactions activities. The Commission is providing an estimate of 25 burden hours per respondent to cover updating the policies and procedures needed regarding these activities. Therefore, the recordkeeping burden for this information collection is as follows:

5 respondents @ 25 hours = 125 burden hours

Burden type	Respondents subject to Interagency Statement	Number of hours spent complying with Interagency Statement annually	Total burden (hours) annually
Recordkeeping	5	25	125

13. Costs to Respondents

Not applicable: (a) it is not anticipated that respondents will have to incur any capital and start up costs to comply with the rule; (b) it is not anticipated that the respondents will have to incur any additional operational or maintenance costs.

14. Costs to Federal Government

Not applicable.

15. Change in Burden

There is no change.

16. Information Collection Planned for Statistical Purposes

Not applicable. The information collection is not used for statistical purposes.

17. Approval to Omit OMB Expiration Date

The Commission is not seeking approval to omit the expiration date.

18. Exceptions to Certification for Paperwork Reduction Act Submissions

This collection complies with the requirements in 5 CFR 1320.9.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This collection does not involve statistical methods.