

April 27, 2004

MEMORANDUM TO: The Board of Directors

FROM: Michael J. Zamorski
Director
Division of Supervision and Consumer Protection

SUBJECT: Interagency Statement on Sound Practices Concerning
Complex Structured Finance Activities

PROPOSAL

The OCC, FRB, FDIC, OTS, and SEC (collectively, the “Agencies”) are requesting public comment on a proposed interagency statement on sound practices concerning complex structured finance activities of entities supervised by the Agencies.

As recent events have highlighted, 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.

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, among other things, provides that financial institutions should have 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.

Concur.

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Attachment

Concur:

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