



**Federal Deposit Insurance Corporation**  
550 17th Street NW, Washington, DC 20429-9990

**Financial Institution Letter**  
**FIL-45-2006**  
**May 16, 2006**

## **Complex Structured Finance Activities**

### ***Interagency Statement on Sound Practices for Activities With Elevated Risk***

#### **Summary:**

The FDIC, along with the other federal banking agencies and the Securities and Exchange Commission, is issuing the attached statement for public comment. The statement informs financial institutions of the internal controls and risk-management procedures that should be used to identify, manage and address the heightened legal or reputational risks that may arise from their involvement in certain complex structured finance transactions. The FDIC will accept comments on this statement through June 15, 2006.

#### **Distribution:**

FDIC-Supervised Banks (Commercial and Savings)

#### **Suggested Routing:**

Chief Executive Officer  
Chief Financial Officer  
Chief Accounting Officer  
Chief Risk Officer

#### **Related Topics:**

Internal Controls  
Risk Management Policies and Procedures  
Legal and Reputational Risks

#### **Attachment:**

[Interagency Statement on Sound Practices Concerning Elevated Risk Complex Structured Finance Activities - PDF](#) 84k ([PDF Help](#))

#### **Contact:**

Jason C. Cave, Associate Director, Capital Markets Branch, at [jcave@fdic.gov](mailto:jcave@fdic.gov) or (202) 898-3548

Bobby R. Bean, Sr. Quantitative Risk Analyst, at [bbean@fdic.gov](mailto:bbean@fdic.gov) or (202) 898-3575

#### **Note:**

FDIC financial institution letters (FILs) may be accessed from the FDIC's Web site at [www.fdic.gov/news/news/financial/2006/index.html](http://www.fdic.gov/news/news/financial/2006/index.html).

To receive FILs electronically, please visit <http://www.fdic.gov/about/subscriptions/fil.html>.

Paper copies of FDIC financial institution letters may be obtained through the FDIC's Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA (1-877-275-3342 or 703-562-2200).

#### **Highlights:**

The attached interagency statement:

- Focuses on complex structured finance transactions entered into by institutions when the transactions
  - circumvent regulatory or financial reporting requirements or
  - evade tax liabilities or involve other illegal and/or improper behaviorand, therefore, warrant enhanced review due to the potential legal and reputational risks that arise.
- Illustrates the types of complex structured finance transactions that warrant increased review by the institution's senior management and board of directors.
- Describes the types of internal controls and risk-management procedures that the agencies believe should enable a financial institution to identify, monitor and control the heightened legal and reputational risk associated with various types of complex structured finance transactions.
- Applies primarily to large financial institutions. The statement generally does not apply to smaller institutions or to traditional structured finance transactions, such as securitizations and most types of derivative transactions.