



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 and 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 and Consumer Affairs Branch, at jcave@fdic.gov or (202) 898-5548

Bobby R. Bean, Quantitative Risk Analyst, at bbean@fdic.gov or (202) 898-5775

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.

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 behavior
and, 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.