

Summary of the September 21, 2004 Meeting Regarding the Interagency Statement on Sound Practices Concerning Complex Structured Finance Activities

On September 21, 2004, representatives and members of the International Swaps and Derivatives Association, Inc.; the Securities Industry Association; and the Bond Market Association met with staff of the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System at the associations' request to discuss the proposed Interagency Statement on Sound Practices Concerning Complex Structured Finance Activities ("Statement"). (A list of attendees is below.) Industry representatives reiterated key points expressed in the comment letters submitted by the associations and the individual member financial institutions represented at the meeting.

For example, industry representatives expressed concern that the Statement could be read as requiring financial institutions to conduct detailed and burdensome reviews of transactions that have one or more of the characteristics identified in the Statement, even if such transactions did not, in fact, present heightened levels of reputational or legal risk to the institutions and regardless of the institutions' role in the transactions. They indicated that subjecting a large number of transactions to elevated review could overburden senior management and increase the legal risks to financial institutions. Some representatives suggested that the Statement should not apply to complex structured finance transactions ("CSFTs") for which the clients are individuals or governments.

The industry representatives also asked that the Statement make clear that it is not intended to create private rights of action for customers or third parties or alter the current legal standards under which a financial institution may be held liable to a customer or third party for participating in a CSFT. In addition, they expressed concern that the Statement is overly prescriptive, providing examples of recommended procedures in the Statement that they said were impractical. Finally, they recommended that the Statement should take into consideration the different international legal frameworks that apply to CSFTs. Specifically, they expressed concern that, if U.S. financial institutions are required to comply with the Statement on a global basis, they may be placed at a competitive disadvantage with foreign financial institutions that are not covered by the Statement.

ATTENDEES	AFFILIATION
Kieran Fallon	Federal Reserve Board
Anne Zorc	Federal Reserve Board
Greg Feldberg	Federal Reserve Board
Donald Lamson	OCC
Jerry Quinn	Securities Industry Association
John Anderson	International Swaps and Derivatives Association
Sarah Lee	Bank of America
John Albright	UBS
Edward Rosen	Cleary, Gottlieb, Steen & Hamilton
Marjorie Gross	The Bond Market Association
Hugh Conroy	Citigroup
Carl Howard	Citigroup
Kathy Dick	OCC
Sabeth Siddique	Federal Reserve Board
Raymond Natter	OCC
Ellen Broadman	OCC