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**Deloitte  
& Touche**

June 18, 2004

Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW.  
Washington, D.C. 20549-0609

**File Number S7-22-04**  
**Interagency Statement on Sound Practices Concerning Complex Structured Finance Activities**

Dear Mr. Katz:

Deloitte & Touche LLP is pleased to respond to the request for comments from the five federal agencies on the proposed statement concerning complex structured finance activities of financial institutions. We recognize the importance of internal control and risk management procedures to assist financial institutions in effectively managing and addressing the risks related to complex structured finance activities. Our observations that follow relate to the section entitled "Guidelines for Incorporating Structured Finance Transactions into Existing Management Procedures, Controls and Systems - Transactional Approval and Accounting and Disclosure by Customers."

The proposed policy statement states the following:

While acknowledging its ultimate responsibility for the approval of complex structured finance transactions, the organization's policies also should clearly outline when third-party legal professionals should be engaged to review and opine on transactions, and when third-party accounting or tax professionals should be engaged to consult on transactions.

We recognize the complexity of such transactions and the importance of involving qualified professionals in evaluating their risks and accounting implications. However, independent certified public accountants are required to comply with specific generally accepted auditing standards when rendering oral or written reports on the application of accounting principles when the certified public accountant is not also engaged to report on the financial statements (for example, when the certified public accountant is engaged to issue an audit report)<sup>1</sup>. It is important that the agencies be familiar with the professional boundaries in which certified public accountants must act to ensure that these boundaries are compatible with their expectations under the policy statement.

For example, AU 625 makes a distinction between specific transactions and hypothetical transactions. Certified public accountants are precluded from issuing written reports on the application of accounting principals to a hypothetical transaction (paragraph .04). In our experience, as the customer and the

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<sup>1</sup> AU Section 625, *Reports on the Application of Accounting Principles*, of the auditing standards issued by the American Institute of Certified Public Accountants and adopted by the Public Company Accounting Oversight Board on an interim basis.

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financial institution evaluate a complex structured transaction, the terms of the “deal” are modified and modified again, in an iterative process, – sometimes up to the point of execution. Some certified public accountants and their clients consider such transactions hypothetical until they are consummated.

As another example, if one were to conclude that the complex structured transaction was considered a specific transaction, paragraph 9 of AU Section 625 requires the certified public accountant that was engaged by the financial institution to consult with the certified public accountant of the financial institution’s customer (i.e., the other party to the complex structured transaction) to ascertain all of the available facts relevant to forming a professional judgment. The proposed policy statement says that “there may be circumstances where the financial institution or the third-party accounting professionals...will wish to communicate directly with the customer’s independent auditors to discuss the transaction.” Thus, if the transaction is considered “specific,” such consultation is required.

The agencies should evaluate whether these restrictions are compatible with the objectives of the policy statement. Further, the agencies should specifically refer to the requirements of AU Section 625 in the final policy statement.

Finally, there can be no assurance that the customer will actually apply the principles found to be appropriate by the certified public accountant engaged by the financial institution, or even agree that they are the appropriate principles.

We appreciate the opportunity to comment. If you would like to discuss our observations further, please feel free to contact T. Glenn Stastny at (203) 761-3285.

Sincerely,

/s/ Deloitte & Touche LLP

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