SEC knew about repos accounting before Lehman: report

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(Reuters) - The U.S. securities regulator was aware of Wall Street's potentially questionable accounting practice of classifying repurchase agreements as sales instead of borrowings long before the collapse of Lehman Brothers raised the issue, the Wall Street Journal reported on Wednesday.

Since 2004, the Securities and Exchange Commission (SEC) has questioned 115 transactions by 102 different companies to assess if they accounted properly for repurchase agreements, or repos, among other short term trades, the Journal said citing a report prepared by research firm AuditAnalytics.com.

AuditAnalytics.com has reviewed more than 115,000 comment letters the SEC had sent to companies asking questions about their securities filings, the paper said.

A SEC spokesman declined to comment to the Journal and SEC could not immediately be reached for comment by Reuters outside of regular U.S. business hours.

The repo controversy was brought into focus when a bankruptcy examiner said Lehman Brothers Holdings Inc had improperly classified certain repo transactions as sales.

This move by Lehman removed some $50 billion in assets from its balance sheet in 2008, presenting a stronger financial picture than existed, according to the examiner's report.

Over the past two weeks, Citigroup Inc, AIG and Bank of America Corp have disclosed that they have classified certain repos as sales instead of showing them as loans in their books of accounts. All of them have said the amounts involved were immaterial.

"The SEC at least knew of this issue and tried to inquire when they could," Don Whalen, AuditAnalytics.com's director of research, told the Wall Street Journal.

(Reporting by Sakthi Prasad in Bangalore; Editing by Tomasz Janowski)