



May 26, 2000

Senior Executive Vice President and Chief Operating Officer
Federal Home Loan Bank

NO-ACTION LETTER: Amendment of Federal Home Loan Bank President's Incentive
Compensation Plan (2000-NAL-04)

Dear Mr. :

This letter is in response to the Federal Home Loan Bank (FHLBank) request for the Federal Housing Finance Board (Finance Board) to take a no-action position with respect to an amendment to the FHLBank President's 1999 incentive compensation plan (Plan).

We understand that, in accordance with the Finance Board's former Compensation Regulation, the FHLBank board of directors adopted a resolution on or before January 31, 1999 establishing the performance measures and targets upon which the President's 1999 incentive compensation would be based. *See* former 12 C.F.R. § 932.19(c)(2)(iv). We understand further that, on March 19, 1999, the FHLBank board of directors approved a resolution that materially changed the President's incentive compensation plan to increase the growth in advances target from \$1 billion to \$1.8 billion.

On September 21, 1999, the Finance Board Office of Supervision issued Advisory Bulletin Number 99-11, which advised the FHLBanks that they must obtain a waiver of the Compensation Regulation prior to amending a President's Plan after the January 31 deadline. The FHLBank board of directors did not obtain the waiver of section 932.19(c)(2)(iv) of the Compensation Regulation prior to amending the President's Plan. Because the FHLBank board of directors had already amended the President's Plan prior to the issuance of the Advisory Bulletin, and the FHLBank was, therefore, in violation of the Compensation Regulation, the FHLBank now is requesting that the Finance Board take a no-action position with respect to the amendment made March 19, 1999.

In order to issue a no-action letter as to this matter, Finance Board staff would need to be satisfied both that: (i) it would have recommended approval of a request from the FHLBank for waiver of former section 932.19(c)(2)(iv) had such request been made on a timely basis, *i.e.*, before the FHLBank board of directors action of March 19, 1999; and (ii) that the matter is material, *i.e.*, that a no-action position adopted by Finance Board staff at this time would have an effect on the incentive compensation earned by or paid to the FHLBank president. As to the former, I believe that the Finance Board would have recommended approval of a timely request for a waiver, in that the FHLBank was proposing to amend the Plan by increasing its

performance targets. As to the latter, however, in that the FHLBank's actual 1999 performance vastly exceeded the incentive goals set forth in both the original Plan and the Plan as amended on March 19, the incentive compensation earned by the FHLBank President would, we presume, be the same under either the original Plan or the Plan as amended. As a result, we see no reason for the FHLBank to use the amended Plan in setting the FHLBank President's incentive compensation for 1999. Accordingly, there is no reason for a no-action letter allowing the use of the amended Plan and, therefore, the request for a no-action letter is denied.

If you have any questions regarding this letter, please contact Jennifer R. Salamon of the Program Assistance Division at (202) 408-2974.

Sincerely,

/s/ William W. Ginsberg

William W. Ginsberg
Managing Director

cc: James L. Bothwell
Mitchell Berns
Deborah F. Silberman