



## REGULATORY INTERPRETATION 2000-RI-14

**Date:** September 8, 2000

**Subject:** Election of Directors of the Federal Home Loan Bank of Pittsburgh

### ***Request Summary:***

The Federal Housing Finance Board (Finance Board) has received a number of inquiries concerning recent amendments to its regulations pertaining to the election of Federal Home Loan Bank (Bank) directors. Because of those inquiries, the Finance Board has determined to provide to each Bank written guidance on how the amendments are to be applied to the Bank, which is the purpose of this regulatory interpretation.

### ***Background:***

On June 23, 2000, the Board of Directors of the Finance Board adopted a final rule implementing the amendments made by the Gramm-Leach-Bliley Act, Pub. L. No. 106-102, 133 Stat. 1338 (Nov. 12, 1999) (GLB Act), regarding the election of directors of the Banks. 65 Fed. Reg. 41560 (July 6, 2000) (final rule). The final rule, which took effect on August 7, 2000, addresses the status of the 1999 director elections conducted by each Bank and how the terms of the elected directors are to be adjusted in order to stagger the board of directors, as required by the GLB Act.

### ***Analysis and Interpretation:***

The final rule includes a matrix for the Pittsburgh Bank, which indicates the duration of the term to be assigned to each elected directorship and whether the directorship is to be guaranteed or non-guaranteed. Of the four elected directorships with terms commencing on January 1, 2001, three are to have a full three-year term and one is to have a two-year term. Of the four elected directorships with terms commencing on January 1, 2002, three are to have a full three-year term and one is to have a one-year term.

The first action that the board of directors of the Pittsburgh Bank must take under the final rule with regard to its elected directorships is to determine the manner in which to fill those directorships that have terms commencing on January 1, 2001. The final rule requires the Bank to conduct a new election for those directorships only if, for any state, there are not enough eligible candidates remaining from the 1999 election for that state (*i.e.*, those candidates who remain eligible to serve as a Bank director) to fill all of the elected directorships for that state that

are to commence on January 1, 2001. Thus, the Bank must first determine whether the number of candidates from each state in the 1999 election who remain eligible to serve equals or exceeds the number of directorships for that state that are to commence on January 1, 2001. If so, then no new election is required. If not, then the Bank must conduct a new election for that state in 2000, in which election all directorships from that state that commence on that date would be included.

If no new election is required, then the board of directors, in its discretion, may determine whether to conduct a new election in 2000 for Pennsylvania (the only state in which an elected directorship is to commence on January 1, 2001) or to declare elected those candidates who were elected in the 1999 election, after confirming their eligibility to serve. If the board of directors were to adopt the results of the 1999 election, those results also would be used to determine which directors within a particular state are to be assigned to a reduced term. If the board were to conduct new elections in 2000, it would use the results from those elections to assign reduced terms. As there are no non-guaranteed directorships for the Pittsburgh Bank, the requirement that the election results also are to be used to assign non-guaranteed directorships does not apply to the Bank.

Assuming that the board of directors were to adopt the 1999 election results for Pennsylvania, and that each of the directors-elect were to remain eligible, then Mr. Connelly, Mr. Maus and Mr. Dunkle each would be awarded a guaranteed directorship with a term of three years, and Mr. Snyder would be awarded a guaranteed directorship with a term of two years. With respect to the directorships that are to commence on January 1, 2002, and assuming no change in the designation of directorships, the director-elect from West Virginia, Pennsylvania and Delaware who receives the most votes in the 2001 election must be assigned a guaranteed directorship for that state with a term of three years, and the director-elect from Pennsylvania with the second most votes must be assigned a guaranteed directorship with a term of one year.

A Regulatory Interpretation applies only to the particular transaction or activity proposed by the requestor, may be relied upon only by the requestor, and is subject to modification or rescission by action of the Board of Directors of the Finance Board. 12 C.F.R. part 907.