



REGULATORY INTERPRETATION 2000-RI-23

Date: September 8, 2000

Subject: Election of Directors of the Federal Home Loan Bank of Seattle

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 Federal Home Loan Banks (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 Seattle Bank, which indicates that only three of the five elected directorships with terms commencing on January 1, 2001 may have a full three-year term, with the two remaining directorships being assigned a two-year term. The matrix further indicates that only three of the five elected directorships with terms commencing on January 1, 2002 may have a full three-year term, with the remaining two directorships having terms of one year. With regard to the five directorships with terms commencing on January 1, 2002, the final rule assigns to the board of directors of the Bank the responsibility for determining which two states shall be assigned the directorships with a one-year term, which the board may do on any reasonable basis. Accordingly, the first action that the board of directors of the Seattle Bank must take under the final rule is to assign the two directorships with a one-year term to two of the five states for which an elected directorship is to commence on January 1, 2002, *i.e.*, Montana, Oregon, Washington, Idaho or Wyoming, as indicated in the matrix. The board need not make any such determination with regard to the directorships that are to commence on January 1, 2001. 12 C.F.R. § 915.17(a)(3), *as amended*.

After assigning the directorships with a one-year term to two of those five states, the board of directors next must determine the manner in which to fill the Bank 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 new elections in 2000 (which would have to be for all states in which an elected directorship commences on January 1, 2001) or to declare elected those candidates who were elected in the 1999 elections, after confirming their eligibility to serve. Ordinarily, the election results would be used to determine which directors within a particular state are to be assigned to a reduced term, as well as which are to be assigned to a non-guaranteed directorship. Because no state in the Seattle Bank district has both guaranteed and non-guaranteed directorships or directorships with different terms in this class of directors, the use of these election results for this purpose is not an issue for the Bank.

With respect to the five elected directorships with terms commencing January 1, 2001, each directorship is to be assigned to the candidate who receives the most votes in the election for that state, with the exception of the Washington directorships. In that case, the two candidates who receive the most votes are to be assigned the directorships for Washington, each of which is to be a non-guaranteed directorship with a term of two years. Assuming that the board of directors were to adopt the 1999 election results, and that each of the directors-elect remains eligible, Mr. Sieberts, Ms. Yao and Mr. Hemingway would be assigned to the directorships with a three-year term for the states of Alaska, Hawaii and Utah, respectively, and Mr. Swanson and Mr. Walden would be assigned directorships with a two-year term for the state of Washington.

With respect to the directorships that are to commence on January 1, 2002, and assuming no change in the designation of directorships, the candidate from each state who receives the most votes in the 2001 election must be assigned the directorship for that state, the term of which will be either one or three years, depending on how the board of directors has assigned the directorships among the states. In the event that the board of directors were to assign the Washington directorship a term of one year, which would have the effect of placing all three Washington directorships in the same class, then in subsequent elections the allocation of the guaranteed directorship would be determined on the basis of the number of votes received by each director-elect, with the person receiving the most votes being awarded the guaranteed directorship.

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.