

FEDERAL HOUSING FINANCE BOARD

No.: 92-568.1

Date: July 22, 1992

WHEREAS, the Federal Housing Finance Board regards the proper functioning of internal audit and the audit committees of the boards of directors of the Federal Home Loan Banks ("Bank" or "Banks") as vital to the maintenance of sound internal controls and the protection of Bank assets;

WHEREAS, the Finance Board has determined that the respective charters of the Banks' audit directors and audit committees should be revised to reflect changes resulting from the Financial Institutions Reform, Recovery, and Enforcement Act of 1989;

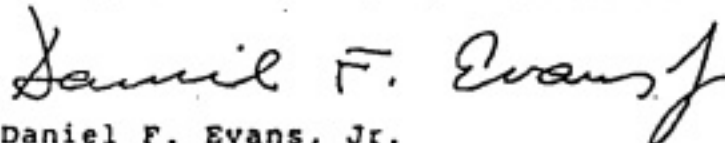
WHEREAS, it is the view of the Finance Board that these charters should be re-established by the Banks, subject only to guidelines promulgated by the Finance Board;

NOW, THEREFORE, BE IT RESOLVED, that the Finance Board will no longer require that the Banks request approval of proposed amendments to these charters so long as said charters and any changes thereto are consistent with approved guidelines;

BE IT FURTHER RESOLVED, that the Finance Board adopts guidelines attached to this resolution as the minimum standards that should be adopted by the Banks for revisions of the respective audit charters, that such charters should be revised by each Bank by year-end 1992, and that revised charters should be promptly provided to the District Banks Directorate;

BE IT FURTHER RESOLVED, that Federal Home Loan Bank Board Resolution no. 86-329, dated April 1, 1986, is hereby rescinded.

By the Federal Housing Finance Board



Daniel F. Evans, Jr.
Chairman

Attachment #1

Guidelines: Audit Director Charters

1. The Charter shall contain a description of Audit Director responsibilities.
2. The Audit Director shall report functionally to the Audit Committee, which shall be responsible for the selection, compensation, and performance evaluation of the Audit Director, and administratively to the President of the Bank.
3. The Audit Director shall be: (a) Technically competent and have broad business experience; (b) Thoroughly knowledgeable of auditing standards and accounting principles; (c) Certified as a certified public accountant, certified internal auditor, certified information systems auditor, certified chartered bank auditor, or have another appropriate professional credential.
4. The Audit Director shall be responsible to serve the Bank in a manner consistent with the Standards for the Professional Practice of Internal Auditing and with the professional standards of conduct of the Institute of Internal Auditors.
5. The Audit Director or a designated representative shall have access to all Bank personnel and to all records and property within the Bank not specifically restricted by law or regulation. Any restrictions placed on audit scope shall be reported to the Audit Committee and if not resolved, to the Federal Housing Finance Board.

Attachment #2

Guidelines: Audit Committee Charters

1. The Charter shall include a statement of Audit Committee responsibilities, including a statement of its purpose to assist the full board of directors in fulfillment of its fiduciary responsibilities.
2. The Audit Committee shall consist of at least three Board members. Membership on the Committee shall include public interest directors and industry directors.
3. In determining the membership of the Audit Committee, the board of directors should provide for continuity of service.
4. The Audit Committee shall meet at least twice annually with the Audit Director. The Audit Committee shall meet in executive session with both the Audit Director and the external auditors at least annually.
5. The Audit Committee shall oversee the selection, compensation, and performance evaluation of the Audit Director.
6. Written minutes shall be prepared for each meeting and a copy of such minutes forwarded to the Federal Housing Finance Board.
7. The Charters of the Audit Director and Audit Committee shall be reviewed and approved at least annually by the Audit Committee and board of directors, respectively.