

October 5, 2009

BY EMAIL

Alfred M. Pollard, Esq. General Counsel
Federal Housing Finance Agency
Fourth Floor
1700 G Street, N.W.
Washington, DC 20552
Attention: Comments/RIN 2590-AA10

RE: Record Retention

Dear Mr. Pollard:

The Federal Housing Finance Agency (“FHFA”) has issued a notice of proposed rulemaking with respect to record retention (the “Proposed Rule”). This letter sets forth the comments of the Federal Home Loan Bank of Chicago (the “Bank”) with respect to the Proposed Rule. We thank you for the opportunity to be heard on this important matter.

The Bank understands the importance of maintaining adequate business records not only from a supervisory perspective but from a corporate governance perspective. Given the importance of the topic, we believe it is critical that the requirements of a records retention program, and especially what constitutes a record, be clear to maximize the effectiveness of a records retention program.

It is in light of the above that we offer the following comments regarding the Proposed Rule.

I. Definitions

- **Background:** Under the Proposed Rule, “record” is defined to mean:

any information, whether generated internally or received from outside sources by a regulated entity or the Office of Finance or employee, maintained in connection with a regulated entity or Office of Finance business (which business, in the case of the Office of Finance, shall include any functions performed with respect to the FICO), regardless of the following—

(1) Form or format, including hard copy documents (e.g., files, logs, and reports) and electronic documents (e.g., e-mail, databases, spreadsheets, PowerPoint presentations, electronic reporting systems, electronic tapes and back-up tapes, optical discs, CD-ROMS, and DVDs), and voicemail records;

(2) Where the information is stored or located, including network servers, desktop or laptop computers and handheld computers, other wireless devices with text messaging capabilities, and on-site or off-site at a storage facility;

(3) Whether the information is maintained or used on regulated entity-owned or Office of Finance equipment, or personal or home computer systems of an employee; or

(4) Whether the information is active or inactive.

- Comment: The Bank notes that the Proposed Rule's definition of "record" is very broad. Given the minimum requirements of a records retention program and management evaluation of the requirements, this broad definition would benefit from clarification. The Bank requests that the phrase "voicemail records" be removed from this definition since the Bank does not conduct business via voicemail, however, the removal of voicemail would not affect the Bank's recorded telephone lines over which transactions may be conducted since those lines could be considered a category of "electronic record". Additionally, the Bank requests that where the information is maintained or used be narrowed to regulated entity-owned equipment, thereby removing personal and home computers of employees and personal wireless devices (such as cell phones) from the scope of this definition. Bank employees may access and use records on their home computers but the official Bank record is maintained on Bank-owned equipment. To assist in accurately capturing business records, the Bank recommends that the FHFA adopt a more standard industry-wide definition of "record."
- Background: Under the Proposed Rule, "Active record" is defined as "a record that is necessary to conduct the current business of an office or business unit of a regulated entity or the Office of Finance, and therefore, readily available for consultation and reference."
- Comment: The Bank requests that these terms be clarified. The phrase "current business" is ambiguous, is the intention that records that are needed for current business determined monthly, quarterly, yearly? A more standard definition of "active record" should be considered. Such a definition could include that an "active record" refers to the end of the last year in which the matter is active -- for example, while the contract is active or the Bank owns the subject property.

II. Establishment and Evaluation of Record Retention Program

- Background: Section 1235.3(a) requires each regulated entity to establish and maintain a written record retention program and provide a copy of such program to the Deputy Director of the Division of Federal Home Loan Bank Regulation within 120 days of the effective date of the Proposed Rule.

- Comment: The Bank believes that the 120 day implementation period is not a sufficient amount of time to properly establish and implement a formal record retention program that would meet the requirements of the Proposed Rule. Compliance with the Proposed Rule would require significant planning, system implementations, internal process changes, and inventory analysis. Additionally, there may be also budgetary considerations. Therefore, the Bank recommends the adoption of a one-year implementation period.
- Background: Section 1235.3(b) requires management of the regulated entity to evaluate in writing the adequacy and effectiveness of the record retention program at least every three years.
- Comment: The Bank requests that the FHFA provide guidance on the form and content of management's evaluation of the records retention program. By providing such guidance, the FHFA can ensure that all FHLBs are evaluating their programs consistently.

III. Access to Records

- Background: The Proposed Rule requires that records must be readily available for inspection within a reasonable period upon request by the FHFA. A reasonable period is no longer than one business day for requests made during the course of an onsite examination and for requests made outside of an onsite examination, a reasonable period is three business days.
- Comment: The Bank believes that the time periods identified in the Proposed Rule, and in 12 C.F.R. 914.3, are not sufficient periods to retrieve off-site records or to restore information to the Bank's systems so that the records would be available to view. Therefore, the Bank requests that the time periods be changed so that requests for records during onsite examinations be provided within three business days. For requests outside of an onsite examination, the Bank believes that a reasonable period is five business days. The banking agencies, such as the OCC, require that financial institutions maintain records in a way that makes them accessible in a reasonable period of time. The OCC does not identify what it considers a reasonable time period, presumably recognizing that the time period to access to various records may vary depending on how and where the records are retained.

IV. Approval of the Policy Statement on Retention of Records

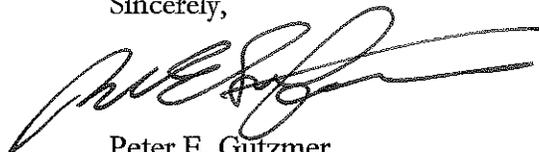
- Background: In 1993, the FHFA's predecessor, the Federal Housing Finance Board, issued FHFBB Res. No. 93-50 "Approval of the Policy Statement on Retention of Records" (May 26, 1993) ("Records Retention Policy"). This Records Retention Policy discussed the objectives of the policy, the retention periods of FHLB documents and the availability of such documents.

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- Comment: The Bank recommends that the FHFA provide that the Records Retention Policy is superseded by the final rule.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter E. Gutzmer", with a long horizontal flourish extending to the right.

Peter E. Gutzmer
Executive Vice President,
General Counsel &
Corporate Secretary

PEG:dkm