



Federal Housing Finance Agency

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Roundtable Recap: Corporate Governance and System Structure

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During the *FHLBank System at 100: Focusing on the Future* roundtable in Boston, Massachusetts, participants wrestled with issues related to corporate structure and corporate governance. Participants spoke candidly and expressed a range of views, and all shared ideas for change, including alternatives to the current FHLBank structure. Some argued for a centralized organization with some local presence. Another alternative offered was a regional structure based on commonality of interest. With a centralized organization, it was suggested that the local presence would be authorized to implement innovative solutions unique to the locality and have financial independence in developing responsive programs, and risk would be centrally managed.

The discussion then turned to membership composition. A participant offered that to determine appropriate membership composition requires understanding the System's mission. If it is to serve small community banks, then large banks should exit the System. Another participant countered that large Banks provide for more resiliency in the System. All acknowledged that large banks' departure would significantly reduce the System's size and likely drive the FHLBanks to consolidate. Reductions in membership would also reduce annual Affordable Housing Program (AHP) contributions, although the minimum contribution reasonably could be raised to 20 percent of the FHLBanks' net income as a shock absorber for the decline in the required AHP contribution. Further, it was argued that AHP should be more expansive than affordable housing and include small business and other community needs.

In terms of corporate governance, topics debated included board size, board member terms, and independent director selection. While participants presented divergent views on these matters, there was general consensus that there should be a greater commitment to diversity in board composition. It was suggested that eligibility requirements for public interest directors should be more closely tailored to the FHLBanks' mission. The discussion turned to executive and director compensation, and, as with the other topics discussed, there was not uniformity in the participants' positions. It was suggested that serving as a director would be better viewed as an honor and a public service, which would reduce compensation. Another participant warned that by capping executive management's pay to a bureaucratic scale, interest in innovation may get lost.

FHFA prepared this roundtable recap to summarize key discussion points. Please [visit the website](#) to view the full roundtable transcript and video recording.