



FEDERAL HOUSING FINANCE AGENCY

ADVISORY BULLETIN

AB 2015-04

FHLBANK UNSECURED CREDIT EXPOSURE REPORTING

Introduction

This Advisory Bulletin (AB) applies to the Federal Home Loan Banks (FHLBanks) and the Office of Finance (OF), and describes changes to the manner in which the FHLBanks are to report their unsecured credit exposures. The AB provides guidance to the FHLBanks in fulfilling the requirements of Section 932.9(e)(1), Section 932.9(e)(2), Section 1273.6(f), and Section 1260.2 of the Federal Housing Finance Agency (FHFA) regulations, which pertain to FHLBank reporting requirements and OF monitoring requirements, as described below. This AB replaces and supersedes the Federal Housing Finance Board guidance on unsecured credit reporting requirements provided by AB-02-07, dated August 27, 2002.

Background

Section 932.9(e)(1) of FHFA regulations provides that each FHLBank must periodically report to the FHFA certain information regarding its unsecured credit exposures. In recent years, the FHLBanks fulfilled this requirement by reporting their unsecured credit exposures by counterparty to the OF, which compiles the data into a consolidated monthly report and provides that information to FHFA. Under Section 1273.6(f) of FHFA regulations, OF is required to monitor and compile relevant data on each FHLBank and the FHLBank System's unsecured credit exposures to individual counterparties.

Section 932.9(e)(2) separately requires each FHLBank to report similar information on their combined secured and unsecured extensions of credit to individual counterparties. In accordance with AB-02-07, the FHLBanks currently report this information to FHFA through their call reports.

In addition to the above processes, FHFA has issued a special data request (SDR), SDR-2011-04, pursuant to which it requires the FHLBanks to report certain unsecured credit information on a weekly basis. Information collected under this SDR is shared with the FHLBanks and OF as set forth in part 1260 of FHFA regulations (Sharing of Information among the Federal Home Loan Banks).

In coordination with FHLBank and OF representatives, FHFA has developed a new reporting process whereby the FHLBanks will submit information required under Section 932.9(e)(1) directly to FHFA, instead of reporting it to OF. Effective June 30, 2015, all FHLBanks should submit information directly to FHFA through the new extranet reporting interface developed to satisfy regulatory reporting requirements related to unsecured credit. Existing FHFA Call Report System requirements concerning FHLBank combined secured and unsecured exposures to individual counterparties remain in force and unchanged.

Guidance

Section 932.9(e)(1) Reporting

Section 932.9(e)(1) of FHFA regulations requires each FHLBank to report monthly the total amount of unsecured credit extensions to any single counterparty that exceeds five percent of the FHLBank's total capital or five percent of the counterparty's Tier 1 capital. If the FHLBank has extended unsecured credit to affiliated counterparties, it must use the affiliates' combined Tier 1 capital for these calculations.

The FHLBanks have been fulfilling these reporting requirements by reporting their unsecured credit exposures by counterparty to the OF, which uses the data to prepare a consolidated monthly report for FHFA. Under the new reporting requirement, information about FHLBank capital and counterparty Tier 1 capital amounts used to evaluate maximum allowable counterparty exposure will now come directly from information that FHFA collects.

With implementation of the new reporting process, the FHLBanks should submit monthly reports on unsecured extensions of credit by counterparty to the FHFA through the new extranet reporting portal. FHLBanks should no longer submit FHFA-required information on unsecured credit exposures to OF. Information on the FHLBanks' net derivative exposures to particular counterparties will also ultimately be included in the new reporting requirements and submitted through the same portal.

With these changes to the FHLBanks' unsecured credit reporting requirements, FHFA has determined that the FHLBanks need not continue to submit the weekly reports of their unsecured credit exposures required by SDR-2011-04. Although a separate SDR will be forthcoming, the reporting system outlined in this AB will be effectively immediately.

Section 932.9(e)(2) Reporting

FHLBanks should continue to report through the Call Report System the information required by Section 932.9(e)(2) of FHFA regulations regarding total extensions of secured and unsecured credit to any single counterparty or group of affiliated counterparties that exceeds five percent of the FHLBank's total assets. FHLBank assets should be determined as of the same month-end as the month in which the FHLBanks made the extension of credit.

Section 1273.6(f) Monitoring

Section 1273.6(f) of FHFA regulations requires the OF to monitor and compile relevant data on each FHLBank's and the System's unsecured credit exposures to individual counterparties. Currently, OF carries out those responsibilities based on the unsecured credit exposure data that the FHLBanks submit to OF each month. With implementation of the new reporting interface, the OF will have access through the FHFA extranet to Bank-reported unsecured credit data and will be able to monitor and compile relevant data on unsecured credit exposures in that manner.

Section 1260.2(a) Bank Information to be Shared

Section 1260.2(a) of FHFA regulations requires FHFA to distribute to the FHLBanks and the OF financial and supervisory information regarding each FHLBank and the System. FHFA's information sharing notice, which sets forth the categories of information to be distributed to the FHLBanks, states that the information contained in the weekly report on each FHLBank and the FHLBanks' collective unsecured credit exposures should be shared with all FHLBanks. Under the new reporting process implemented by this AB, this weekly report will be discontinued and will be replaced by the monthly report to FHFA, as described above. FHFA, therefore, will share the monthly data on unsecured exposures with the FHLBanks and will make appropriate modifications to the existing information sharing notice through a separate document.

Advisory bulletins communicate guidance to FHFA supervision staff and the regulated entities on specific supervisory matters pertaining to the FHLBanks, Fannie Mae, and Freddie Mac. If you have any questions on this AB, please contact the Division of Federal Home Loan Bank Regulation's Principal Examiner Jack Phelps at jack.phelps@fhfa.gov or 202-649-3522 or Associate Director- *Safety and Soundness Examinations* Gary L. Bucher at gary.bucher@fhfa.gov or 202-649-3522.