



May 26, 2000

Vice President of Human Resources
Federal Home Loan Bank

NO-ACTION LETTER: Amendment of Federal Home Loan Bank President's Incentive
Compensation Plan (2000-NAL-05)

Dear Ms. :

This letter is in response to the Federal Home Loan Bank (FHLBank) request for the Federal Housing Finance Board (Finance Board) to waive the provisions of the former Compensation Regulation with respect to an amendment to the FHLBank President's 1999 incentive compensation plan (Plan).

We understand that, in accordance with the Finance Board's former Compensation Regulation, the FHLBank board of directors adopted a resolution on or before January 31, 1999, establishing the performance measures and targets upon which the President's 1999 incentive compensation would be based. *See* former 12 C.F.R. § 932.19(c)(2)(iv). We understand further that, in June 1999, the board approved a resolution that materially changed the President's incentive compensation plan to establish the dividend target spread and to change the way Year 2000 achievements would be evaluated to make the Y2K component a factor that affected the President's entire incentive compensation payment.

On September 21, 1999, the Finance Board Office of Supervision issued Advisory Bulletin Number 99-11, which advised the FHLBanks that they must obtain a waiver of the Compensation Regulation prior to amending a President's Plan after the January 31 deadline. The FHLBank board of directors did not obtain the waiver of section 932.19(c)(2)(iv) of the Compensation Regulation prior to amending the President's Plan. Because the FHLBank board of directors already had amended the President's Plan prior to the issuance of the Advisory Bulletin, and the FHLBank was, therefore, in violation of the Compensation Regulation, the FHLBank now is requesting that the Finance Board waive the former Compensation Regulation with respect to the amendment made in June 1999. Because the FHLBank's request for regulatory relief was made after the FHLBank board of directors amended the President's 1999 Plan, Finance Board staff has analyzed this request as a request for a no-action letter, rather than as a request for a waiver.

In order to issue a no-action letter as to this matter, Finance Board staff would need to be satisfied both that: (i) it would have recommended approval of a request from the FHLBank for waiver of former section 932.19(c)(2)(iv) had such request been made on a timely basis, *i.e.*, before the FHLBank board of directors action of June 1999; and (ii) that the matter is material, *i.e.*, that a no-action position adopted by Finance Board staff at this time would have an effect on the incentive compensation earned by or paid to the FHLBank president.

As to the former, I believe that Finance Board staff would have recommended approval of a timely request for a waiver, in that the FHLBank was proposing to amend the Plan to enhance the effect of the Y2K component and to establish a dividend target spread. As to the latter, the incentive compensation earned by the FHLBank President would be materially different, we presume, under the Plan as amended. As a result, there is good cause for the FHLBank to use the amended Plan in setting the FHLBank President's incentive compensation for 1999. Accordingly, there is good cause for a no-action letter allowing the use of the amended Plan and, therefore, the request for a no-action position is granted.

This letter expresses only the position of Finance Board staff, and may be modified or superseded by the Board of Directors of the Finance Board. Because this letter is based upon your representations, any change in the facts or circumstances from those presented may warrant a staff recommendation that the Finance Board take appropriate supervisory action.

If you have any questions regarding this letter, please contact Jennifer R. Salamon of the Program Assistance Division at (202) 408-2974.

Sincerely,

/s/ William W. Ginsberg

William W. Ginsberg
Managing Director

cc: James L. Bothwell
Mitchell Berns
Deborah F. Silberman