

No.: 97-86  
Date: December 17, 1997

FEDERAL HOUSING FINANCE BOARD

Technical Amendment to the Financial Management Policy to  
Permit Placement of Federally Insured Deposits With All Members

WHEREAS, section 11(g) of the Federal Home Loan Bank Act permits Federal Home Loan Banks (FHLBanks) to invest in deposits in banks and trust companies, see 12 U.S.C. § 1431(g); and

WHEREAS, section 934.4 of the regulations of the Federal Housing Finance Board (Finance Board) defines "deposits in banks or trust companies" to include, *inter alia*, Federal Deposit Insurance Corporation- (FDIC) insured depository institutions and National Credit Union Share Insurance Fund- (NCUSIF) insured credit unions designated by a FHLBank's board of directors, see 12 C.F.R. § 934.4; 12 U.S.C. § 1422(12); and

WHEREAS, section II.B.3 of the FHLBank System Financial Management Policy (FMP), see Res. 96-45 (July 3, 1996), authorizes FHLBanks to place U.S. dollar deposits having a remaining term to maturity not exceeding nine (9) months only with "eligible financial institutions," which are deemed to include only those members and other institutions that have at least \$100 million in Tier I capital and that are classified as "Level III" institutions under the FMP, see FMP § II(B) fn. 1; and

WHEREAS, although section II.B.6 of the FMP permits FHLBanks to invest without restriction in marketable obligations issued or guaranteed by the United States, the requirements of FMP section II.B.3 can be interpreted as prohibiting FHLBank investment in deposits with members that are not eligible financial institutions, even where such deposits are fully insured by the FDIC or NCUSIF; and

WHEREAS, in order to enhance the cooperative nature of the FHLBank System, the Finance Board wishes to clarify that FHLBanks may place deposits with any of their member institutions to the extent that such deposits are fully insured by the FDIC or NCUSIF; and

WHEREAS, the Finance Board wishes to clarify also that such fully-insured deposits are eligible to meet the liquidity requirements set forth in section BIB of the FMP;

NOW THEREFORE BE IT RESOLVED THAT, the Finance Board hereby amends the FMP, as revised by resolution 96-45 on July 3, 1996, to include:

- (1) in section II.B.3, a second sentence reading as follows: "Deposits insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) may be placed with members that are not eligible financial institutions."; and
- (2) in section II.B.5 following the words "eligible financial institutions", the words ", or deposits which otherwise meet the requirements of section II.B.3".

By the Board of Directors of the  
Federal Housing Finance Board

A handwritten signature in black ink, appearing to read "B. A. Morrison". The signature is written in a cursive style with a large initial "B".

Bruce A. Morrison, Chairman