

**FEDERAL HOUSING FINANCE BOARD****12 CFR Parts 922, 931, 932, 933, 934, and 941**

[No. 98-11]

RIN 3069-AA55

**Election of Federal Home Loan Bank Directors**

AGENCY: Federal Housing Finance Board.

ACTION: Proposed rule.

**SUMMARY:** The Federal Housing Finance Board (Finance Board) is proposing to amend its regulations on the election of Federal Home Loan Bank (Bank) directors. The rule would devolve responsibility for determining the eligibility of elective directors and administering the Bank director election process from the Finance Board to the Banks. The proposed rule is part of the Finance Board's continuing effort to transfer management and governance responsibilities to the Banks and is consistent with the goals of the Regulatory Reinvention Initiative of the National Performance Review.

**DATES:** The Finance Board will accept comments on the proposed rule in writing on or before June 29, 1998.

**ADDRESSES:** Mail comments to Elaine L. Baker, Secretary to the Board, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006. Comments will be available for public inspection at this address.

**FOR FURTHER INFORMATION CONTACT:** Patricia L. Sweeney, Program Analyst, Compliance Assistance Division, Office of Policy, 202/408-2872, or Roy S. Turner, Jr., Attorney-Advisor, Office of General Counsel, 202/408-2512, Federal Housing Finance Board, 1777 F Street, N.W., Washington, D.C. 20006.

**SUPPLEMENTARY INFORMATION:****I. Statutory and Regulatory Background**

Pursuant to section 7 of the Federal Home Loan Bank Act (Act), which sets forth the eligibility requirements and the procedures for electing and appointing Bank directors, and regulations promulgated thereunder, the Finance Board's predecessor, the former Federal Home Loan Bank Board (FHLBB), determined the eligibility of all Bank directors, administered the Bank director elections, and appointed public interest directors. See 12 U.S.C. 1427 (1989); 12 CFR part 522 (1989). After Congress abolished the FHLBB in 1989, see Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), Pub.L. 101-73, sec. 401, 103 Stat. 183 (Aug. 9, 1989), the Finance

Board adopted the FHLBB regulations on Bank directors, without change. See 54 FR 36757 (Sept. 5, 1989), *codified at* 12 CFR part 932. The Finance Board subsequently amended its regulations to implement the changes FIRREA made to the eligibility requirements for, and to apply the conflicts of interest limitations FIRREA imposed on, Bank directors. 55 FR 1393 (Jan. 16, 1990); 56 FR 55205 (Oct. 25, 1991); see FIRREA, secs. 707, 710(b)(4), 103 Stat. 417, 418, *codified at* 12 U.S.C. 1427.

Since the enactment of FIRREA the Finance Board has determined the eligibility of all Bank directors, has administered the election of Bank directors, and has appointed public interest directors. As part of the Finance Board's continuing effort to devolve management and governance responsibilities to the Banks, the Finance Board believes it appropriate to transfer the administration of the elections, including the responsibility to determine the eligibility of elective directors, to the Banks. The proposal would not affect the appointment of public interest directors, which remains within the sole discretion of the Finance Board.

The proposed rule would amend, redesignate, or eliminate various provisions of part 932, and would include conforming amendments to parts 931, 933, 934, and 941. The Finance Board also is proposing to revise the current conflicts of interest and financial disclosure requirements established by part 922 of its regulations for appointed members of the Board of Directors of the Finance Board. All of the proposed changes are consistent with the goals of the Regulatory Reinvention Initiative of the National Performance Review. See E.O. 12861, 58 FR 48255 (Sept. 11, 1993).

**II. Analysis of the Proposed Rule**

The proposal would include a separate definition section for the election regulations, the principal provisions of which are described below.

**A. Definitions—§ 932.1****1. "Bona Fide Resident"—§ 932.1**

Both the Act and current regulation use the term "bona fide resident" to identify individuals eligible to serve as a director of a Bank. See 12 U.S.C. 1427(a); 12 CFR 932.18(a)(2) (1997). Neither the Act nor the regulation, however, defines the term. The proposed rule would define "bona fide resident" of a Bank district. The definition would include alternative

means of being considered a "bona fide resident" of a Bank district.

First, an individual would be a "bona fide resident" if he or she maintains a principal place of residence within the Bank's district. The concept of a principal place of residence generally requires both physical presence and intent to remain, or an intent to return after an absence. An individual's principal place of residence usually is the same as the permanent residence reported to the Internal Revenue Service.

There have been some instances in which an officer or director of a member located in one state maintains a principal residence in an adjacent state, which happens to be in another Bank district. In such cases, the individual would not be eligible to serve as Bank director under a "principal residence" test. By interpretation, and on a case-by-case basis, the Finance Board has allowed such individuals to serve as Bank directors, provided they own or lease a residence, other than their principal residence, in the district.

As a second means of being deemed a "bona fide resident," the proposal would codify this interpretation. The rule would deem an individual to be a "bona fide resident" if he or she owns or leases in his or her name a residence within the Bank's district, and maintains a requisite employment nexus, *i.e.*, if an elective director, he or she also is a director or officer of a member located within the district or, if an appointive director, he or she is employed within the Bank district. Qualifying residences might include vacation homes, or other homes used seasonally or on a part-time basis, that the individual owns or leases in his or her name. For elective directors, a person is eligible to serve only as a representative of the state in which the principal place of business of his or her employer (the member) is located, although the residence, whether principal or otherwise, may be in any state within the district.

**2. "Docket Number"—§ 932.1**

Various provisions of the current regulations require a Bank to identify its members by name, city or county and state. As a matter of practice, the Finance Board assigns a docket number to each new member, which is used by the Finance Board and the Banks to identify that member. The proposed rule would define "docket number" as the number assigned by the Finance Board and used by the Finance Board and the Banks to identify a particular member. The term is used in several provisions of the proposed regulation and is

intended to assist staff of the Banks in administering the elections by distinguishing between members that have the same or similar names.

### 3. "Member"—§ 932.1

Section 2(4) of the Act defines "member" as an institution that has subscribed for stock in a Bank. 12 U.S.C. 1422(4). For purposes of the election of directors, section 7(b) of the Act defines the term "member" as "a member of a Federal Home Loan Bank which was a member of such bank at the end of" the calendar year preceding the election. 12 U.S.C. 1427(b). The proposed rule would define "member" as an institution admitted to membership and owning capital stock in a Bank, which tracks the general definition of "member." To conform to the section 7 definition of "member," the proposal would include textual references to the "record date" where appropriate.

### 4. "Record Date"—§ 932.1

The proposed rule defines December 31 of the year preceding the election as the "record date" for the Bank director elections.

### 5. "Voting State"—§ 932.1

The proposed rule would define a "voting state" to mean the District of Columbia, Puerto Rico, or state in the United States in which a member's principal place of business is located as of the record date. Puerto Rico would be designated as the voting state for members whose principal place of business is located in the Virgin Islands, which conforms to current practice. Hawaii would be designated as the voting state for members whose principal place of business is located in Guam, which conforms to current practice, as well as for members whose principal place of business is located in American Samoa and the Commonwealth of Northern Mariana Islands, which is new.

### B. Dates—§ 932.2

Section 932.14(f) of the current regulation provides that if a date prescribed in the regulations falls on Saturday, Sunday or holiday, the next business day shall be included in the time allowed. See 12 CFR 932.14(f)(1997). The proposed rule would amend this provision by substituting "federal holiday" for "holiday" and expanding it to include dates set by the Banks pursuant to the proposal, as well as those specified in the regulations.

### C. Director Elections—§ 932.3

#### 1. Responsibilities of the Banks

Under the existing regulation, the Finance Board is solely responsible for the conduct and administration of the director elections. Proposed § 932.3 would transfer this responsibility to the Banks and would require them to administer and conduct an annual election to fill those directorships, the terms of which have been designated by the Finance Board as commencing on January 1 of the following year. That would include existing directorships that have been designated as continuing, plus any newly designated seats. The disinterested members of the board of directors, or a committee of disinterested directors, would have the responsibility for administering the election, which would allow their oversight and approval of the process, and would not preclude the use of staff as well. The proposal would provide that the term of each elective directorship shall commence on January 1 of the year immediately following the election. Each Bank would have the discretion to determine the dates for the various stages of the election process, so long as the Bank completes the process in sufficient time to allow newly elected directors to assume their seats on January 1 of the year following the election.

#### 2. Designation of Elective Directorships

Section 7(a) of the Act provides that the board of directors of each Bank shall have a minimum of fourteen members: eight elective directors and six appointive directors. See 12 U.S.C. 1427(a). Section 7(b) of the Act requires the Finance Board to designate the number of elective directorships representing the members of each state in a Bank district. See *id.* 1427(b). The Act also requires the Finance Board to allocate the elective directorship seats among the states within the Bank district based upon the ratio of the required Bank stock held by members in the state to the total required Bank stock in the district, ensuring that "in the case of each state such number shall not be less than one and shall be not more than six." See *id.* 1427(c).

Section 932.3(b) of the proposed rule carries forward the requirements of sections 7(a), 7(b) and 7(c) of the Act, requiring the Finance Board annually to designate the number of elective directorships for each Bank district. The proposed rule would specify the methodology by which the Finance Board would make the required allocation of directors. The process would begin by allocating one elective

directorship to each state within a Bank district. If the number of elective directorships so allocated is less than eight, the proposed rule § 932.3(b)(2) would require the Finance Board to allocate the remaining directorships by using the method of equal proportions, until the total number allocated for the district equals eight. The method of equal proportions is the formula used by Congress to apportion congressional seats among the fifty states. The Act does not prescribe details of the Finance Board's allocation, and the Finance Board is proposing to adopt this method because it believes that the method is a reasonable means of implementing congressional intent on how Bank director seats should be allocated.

The Act also includes a grandfather provision, which guarantees that each state is entitled to at least the number of elective directorships that it had on December 31, 1960. See 12 U.S.C. 1427(c). Section 932.3(b)(3) carries this requirement forward in the proposed rule, requiring the Finance Board to allocate any additional elective directorships necessary to comply with the grandfather provision.

Section 7(e) of the Act authorizes the Finance Board to add an elective seat to the board of the Bank of the district in which Puerto Rico is located if at the time the district has fewer than five states. See 12 U.S.C. 1427(e). Section 932.9 of the current regulation allocates one additional elective directorship to the Bank of New York, representing the Commonwealth of Puerto Rico. Section 932.3(b)(4) of the proposal would implement this requirement.

The Act also provides the Finance Board with the discretionary authority to increase the number of elective directorships up to thirteen, and the number of appointive directorships up to three-fourths of the number of elective directorships, in any district with five or more states. See 12 U.S.C. 1427(a). The proposal would include this provision, and would provide that in creating any additional appointive directorships the Finance Board may round up to the nearest whole number.

Section 932.3(c) of the proposed rules would require the Finance Board to notify each Bank, by May 10 of each year, of the total number of elective directorships established for the Bank and the number of elective directorships representing the members in each state in the district. The proposal also would codify current practice of allowing incumbent directors to retain their seats for the remainder of their term in the event that the Finance Board were to reduce the number of seats allocated to a particular state as part of the annual

designation of seats. The proposal also would include a transition provision, making clear that these amendments do not affect the current terms of office of the elective directors, and precluding the Banks from altering the commencement or termination dates of those terms. Thus, the proposal would retain the current staggering of elective directorship terms at each Bank.

#### *D. Capital Stock Report—§ 932.4*

Section 932.12 of the existing regulation requires each Bank to submit to the Finance Board by April 15 a report detailing the number of shares of Bank stock each of its members was required to hold at the end of the preceding calendar year. See 12 CFR 932.12 (1997). Proposed § 932.4 would continue this requirement, but would require submission of the report by April 10. Each Bank's report must include the following information for its district: the number of members within each voting state and the number of shares of capital stock required to be held by each member as of the record date and the aggregate total number of shares of capital stock required to be held by all members in each voting state as of the record date. The number of shares of stock is to be the greater of either the advances-to capital stock requirement or the minimum capital stock requirement. If a member has elected to purchase its minimum capital stock holding in installments, the number of shares of capital stock the member would be deemed to own for these purposes would be the cumulative total of shares actually purchased as of the record date.

As is currently the practice, the Finance Board would rely upon information from the capital stock report to designate elective directorships among the states in each Bank district. Each Bank also must notify each of its members of its minimum capital holdings pursuant to § 933.22(b)(1) and must certify to the Finance Board that it has done so and that to the best of its knowledge, the information within the capital stock report is accurate and complete.

Proposed § 932.4 would permit a member to object to its required capital holdings pursuant to § 933.22(b)(1), provided it does so in writing to the Finance Board within 15 days after the date on which it receives that information. The Finance Board then must promptly resolve any differences about the data, after which the Finance Board's determination would be final.

#### *E. Determination of Member Votes—§ 932.5*

Section 7(b) of the Act provides that in electing directors, each member may cast a number of votes equal to the number of shares of capital stock in the Bank the member was required to hold as of the record date, which may not exceed the average number of shares required to be held by all of the members as of the record date. See 12 U.S.C. 1427. At present, the Finance Board determines the number of votes each member may cast. Under the proposal, the Banks would assume this responsibility.

There are a number of provisions in the current regulations terminating voting rights on the basis of events occurring after the record date, such as a merger, withdrawal from membership or receivership. See 12 CFR §§ 933.24–933.28 (1997). By keying the existence of voting rights exclusively to the number of shares held as of the record date, the proposal would allow the legal successor to any such member to exercise whatever voting rights the member could have exercised in the election. In years subsequent to such a transaction, the successor's right to vote, if any, would be determined by its own membership status.

#### *F. Elective Director Nominations—§ 932.6*

##### 1. Election Announcement

Section 932.13 of the existing regulation requires the Finance Board to provide a written election announcement to the members by June 15 and to allow members until July 15 to submit nominating certificates. See 12 CFR 932.13(a), (b) (1997). Under proposed § 932.6, the Banks would provide to each member a written announcement of the upcoming annual director election, and would be required to do so within a reasonable time in advance of the election. The election announcement must include: (1) the number of elective directorships designated as representing the members in each voting state in the Bank district; (2) the name of each Bank director, the name and city or county and state of the member each elective director serves as an officer or director or the organization with which each appointive director is affiliated, if any, and the expiration date of each director's term of office, (3) an attachment indicating the name and city, county and state of every member in the member's voting state, and the number of votes each such member may cast in the election; and (4) a nominating certificate for the appropriate voting state. If there is no

election in a state, the Bank need not provide the attachment and the nominating certificate.

##### 2. Nominations

Consistent with section 7(b) of the Act, proposed § 932.6(b) authorizes any member eligible to vote in an election to nominate a qualified individual to run for election for any open elective directorship in its voting state. See U.S.C. 1427(b). In order to do so, a member must submit to its Bank, before a deadline to be designated by the Bank, a nominating certificate that has been duly adopted or certified by its governing body or by an individual with authority to act on behalf of its governing body. The certificate must include the name of the nominee and the name, location and docket number of the member at which the nominee serves as an officer or director. A member may submit only one nominating certificate for each open directorship. Unlike the current rule, members would submit nominating certificates exclusively to their Bank; the Finance Board would no longer receive or review the certificates.

To provide members with sufficient time to complete and submit nominating certificates, proposed § 932.6(b)(3) requires the Banks to set a deadline for submissions to the Bank, which must be at least 30 days after the date on which the Bank mails the notice of the election. The Bank may not consider nominating certificates received after the deadline. To facilitate compliance reviews by Finance Board examiners, proposed § 932.6(b)(3) requires a Bank to retain all nominating certificates it receives for at least two (2) years after the date of election.

##### 3. Accepting Nominations

Proposed § 932.6(c) requires each Bank, upon receiving a nomination, to notify the nominee in writing. The Bank will notify the nominee once regardless of the number of nominations received by the nominee. To accept a nomination, the nominee must submit an executed Form E-1 (See Appendix A to the Preamble) to the Bank prior to a deadline established by the Bank, which must be at least 30 days after the date of the notice of the nomination. A nominee may decline the nomination by advising the Bank in writing or by failing to submit the Form E-1 before the deadline.

#### *G. Eligibility Requirements for Elective Directors—§ 932.7*

Proposed § 932.7 would require the Banks to verify that nominees meet statutory and regulatory eligibility

requirements for elective directors before placing their names on the ballots. See 12 U.S.C. 1427. Under the current rule, the Finance Board makes the determination regarding eligibility. See 12 CFR 932.14 (1997).

The Banks must determine that each elective director-nominee is a citizen of the United States and a bona fide resident of the Bank's district. In addition, the nominee must be an officer or director of a member that is located in the voting state to be represented by the elective directorship and was a member as of the record date. The member also must meet the minimum capital requirements of its appropriate federal or state regulator.

The proposed rule would require information concerning state regulatory requirements only if the member is not subject to supervision by a federal regulator. If a member is subject to regulation by both a state and federal regulator, *i.e.*, state-chartered financial institution insured by the Federal Deposit Insurance Corporation, the individual need only submit information concerning the federal regulator's capital requirements. The term "appropriate federal regulator" has the same meaning as the term "appropriate Federal banking agency" in section 2[3] of the Federal Deposit Insurance Act, and, for federally insured credit unions, means the National Credit Union Administration. See 12 U.S.C. 1813(q); 12 CFR 931.26 (1997). The proposed regulation would continue to define the term "appropriate state regulator" to mean any state officer, agency, supervisor or other entity that has regulatory authority over, or is empowered to institute enforcement action against, a member. See 12 CFR 933.1(f) (1997).

Under the proposed rule, the Banks would (as the Finance Board has done) verify a nominee's eligibility by relying on the information each nominee provides on Form E-1. The proposed rule does not provide for any review of an adverse decision on a particular nominee's eligibility. The Finance Board considered establishing some such mechanism, but has opted not to do so, principally due to the time constraints involved and the relatively straightforward nature of the eligibility requirements. Moreover, the procedures adopted for making such determinations will be subject to the scrutiny of the Finance Board's examiners. The Finance Board specifically requests comments on the need for such a provision.

To assist the Banks in their eligibility determinations, the proposed rule includes three provisions describing situations in which a nominee would

not be eligible to be a director. Each of these provisions is based on a statutory prohibition. Specifically, a nominee is not eligible to become an elective director if he or she is currently an elective director, unless the current term of office would expire before the commencement of the new term of office. In addition, a nominee's prospective service must not be barred by the term limit provisions of the Act, and a nominee may not be an incumbent appointive director. The term limit provision makes ineligible any person who has been elected to, and served all or part of, each of three consecutive full terms of office as an elective director, if less than two years have passed since the expiration of the last term. See 12 U.S.C. 1427(d)(term limit provision). Any such individual would be eligible to run for an elective directorship that begins two years after the end of that director's third term.

#### H. Election Process—§ 932.8

##### 1. Ballots

Similar to the current process conducted by the Finance Board, the proposed rule would require the Bank to prepare a ballot for each voting state with a directorship to be filled in the election, and to mail the ballot to all members located in that state that were members as of the record date. An institution that becomes a member after the record date is not eligible to vote in that year's election, and a Bank may not provide any such institution with a ballot or allow it to vote during that year. The ballot must include certain minimum information, including an alphabetical listing of the names of each nominee, the name, location and docket number of the member at which each nominee serves, the nominee's title or position with the member, and the number of elective directorships to be filled. The Bank must prepare and mail the ballot promptly after verifying the eligibility of the nominees, and must include on the ballot a statement that write-in candidates are not permitted and a confidentiality statement that the Bank will not disclose how the member voted, which is intended to maintain ballot secrecy.

The rule would allow a Bank to include other relevant information on the ballot, at its discretion, such as the number of votes that the respective member may cast. The proposed rule permits Banks to conduct a 30-day balloting period, at a minimum.

##### 2. Lack of Nominees

In those instances where the number of nominations received for an open

elective directorship in any state is less than or equal to the number of directorships to be filled in the elections, the proposed § 932.8(b) requires a Bank to declare elected any eligible nominee. The Bank also must notify the members in the affected voting state that the directorships have been filled without an election due to a lack of nominees. If there is no nominee for a particular seat, the Bank shall declare the seat vacant and the Bank's board of directors shall fill the vacancy by majority vote, in accordance with the provision regarding vacant Bank directorships. Any person chosen to fill a vacancy must meet all of the eligibility requirements for that seat, which means that it could not be filled by a director or officer of a member located in another state, or by a person barred by the term limits provisions from serving as an elective director.

##### 3. Voting

The proposed rule provides that a member may cast a number of votes equal to the amount of stock required to be held as of the record date. The rule also would provide that a member may not pool its votes for a single nominee, when there are two or more open elective directorships to be filled; any nominee selected will receive only the number of votes that the member is entitled to cast. Proposed § 932.8(c) also would prohibit a member from splitting its votes among the nominees for a single open elective directorship.

Proposed § 932.8(c) further requires a member to vote for only one nominee for each available elective directorship. Each nominee shall receive all of the votes the member is entitled to cast. The member must execute the ballot by resolution of its governing body or by an individual with authority to act on behalf of its governing body, and deliver it to the Bank before the closing date established by the Bank. The closing date must be at least 30 days after the ballots are mailed to the members. A member may not change a ballot after it has been delivered to the Bank, and any ballots not cast in accordance with these requirements will be void.

##### 4. Counting Ballots

Proposed § 936.8(d) provides that a Bank may not open any ballot until after the closing date and may not include any ballot delivered after the closing date. Promptly after the polls close, each Bank must tabulate the votes cast in accordance with the regulatory requirements and declare elected the nominee who received the highest number of votes. If more than one elective directorship is to be filled, the

Bank must declare elected the nominee who received the next highest number of votes and so on until all open elective directorships are filled. In the event of a tie for the last available seat, the proposed rule requires the board of directors of the Bank, by majority vote, to declare elected one of the nominees for whom the number of votes cast was tied. Proposed § 932.8(d)(3) requires the Bank to retain all ballots for at least two (2) years after the date of the election, and bars it from disclosing the way in which a particular member voted.

#### 5. Report of Election

Promptly following the election, proposed § 932.8(e) requires each Bank to provide written notice of the election results to the Finance Board, all members in its district, and each nominee. The report of the election must include: (1) the name of the newly elected director, the name and location of the member at which he or she serves and his or her title or position at the member; (2) the voting state the newly elected director represents; (3) the expiration date of the new director's term of office; (4) the number of members voting in the election and the number of votes actually cast, each reported by voting state; and (5) the number of votes cast for each nominee.

#### *I. Prohibition on Actions to Influence Director Elections—§ 932.9*

##### 1. Prohibition

Section 932.9 of the proposed rule revises and restates the coverage of the prohibition on actions to influence the election of Bank directors contained in § 931.15 of the current rule. See 12 CFR 931.15 (1997). Proposed § 932.5(a)(1) would prohibit any director, officer, attorney, employee, or agent of the Finance Board or of a Bank from directly or indirectly communicating, in any form, support for the nomination or election of a particular individual for an elective directorship, or from taking any other action to influence the votes for the directorship. Proposed § 932.9 would extend to members the prohibition on communications indicating that any official of the Finance Board or of a Bank supports a particular candidate, but members would not be subject to the "take any other action" element of the prohibition. In effect, the provision would allow members to express opinions about director nominees so long as they do not suggest that the Finance Board or the Bank endorses a particular candidate.

##### 2. Exception for Incumbent Bank Directors

Proposed § 932.9(b) would provide an exception from the prohibition on actions to influence the election. The exception would permit an incumbent Bank director acting in his or her personal capacity to support the nomination or election of any individual, provided that the director does not purport to represent the views of the Bank, the Finance Board, or any director, officer, attorney, employee or agent of the Bank or of the Finance Board. The use of the word "any" is intended to allow a director to promote his or her own candidacy, as well as that of other persons. The reference to "personal capacity" is intended to preclude the use of a director's official title, position, or authority associated with the position of Bank director, such as through use of Bank stationery, to endorse a candidate.

#### *J. Selection of Appointive Directors—§ 932.10*

##### 1. Selection

Consistent with section 7(a) of the Act, proposed § 932.10 would provide that the Finance Board has sole discretion to select all appointive directors. See 12 U.S.C. 1427(a). For ease of administration and to ensure uniform treatment and rigorous review, the Finance Board will continue to rely upon Form A-1 (See Appendix A to the Preamble), the Appointive Director Eligibility Certification Form, to elicit the information it requires to determine whether prospective and incumbent appointive directors meet all of the statutory eligibility requirements. In order to reduce the reporting burden, the Finance Board has revised Form A-1 and is proposing to eliminate Form A-2.

##### 2. Term of Office

Proposed § 932.10 designates January 1 as the commencement date for appointive directors' terms of office.

#### *K. Conflicts of Interest Policy for Bank Directors—§ 932.11*

##### 1. Adoption of Conflicts of Interest Policy

To prevent conflicts of interest that may affect a Bank director in the performance of his or her official duties, the proposed rule includes a conflicts of interest provision that would replace the financial disclosure requirements and the prohibitions on service, financial interests, financial relationships, and gifts in the current regulation. See 12 CFR 932.18(b)-(d), 932.21(b)-(c) (1997). The proposal

would require the board of directors of each Bank to adopt a written conflicts of interest policy, and would specify its minimum contents. The Finance Board intends the proposed provisions, which are somewhat more general in nature and afford more latitude to the Banks, to more closely parallel the requirements of general corporate practices.

Under proposed § 932.11(a), the conflicts of interest policy each Bank adopts, at a minimum, must:

(1) Require the directors to administer the affairs of the Bank fairly and impartially and without discrimination in favor of or against any member or nonmember borrower, See 12 U.S.C. 1427(j);

(2) Prohibit the use of a director's official position for personal gain;

(3) Require directors to disclose actual or apparent conflicts of interest, and establish procedures for addressing such conflicts;

(4) Provide internal controls to ensure that reports are filed and the conflicts are disclosed and resolved in accordance with the conflicts of interest requirements; and

(5) Establish procedures to monitor compliance with the conflicts of interest policy.

##### 2. Disclosure and Recusal

Proposed § 932.11(b) requires a director to inform promptly the board of directors of any and all situations where the director or any immediate family member has a financial interest in a matter before the board of directors. This disclosure also applies to any financial interest the director may have in any organization or any individual doing business with the Bank, excluding any interest relating to the member at which the director serves. The proposed rule also requires each director to refrain from participating in deliberations, determinations or voting concerning any matter, that directly or indirectly affects the financial or other personal interests of the director or a member of his or her immediate family, or that would result in a detriment to the Bank or unfair advantage to the Bank or its members. For example, this prohibition would preclude a director from serving as a consultant to his or her Bank. All directors also are required to provide any additional information required by the board or its designee to consider and resolve any conflicts of interest.

The proposed rule also would prohibit directors from disclosing or using any confidential information the director acquires in the course of official duties, to obtain a financial benefit for

themselves, their immediate family, or their member.

### 3. Gifts

Section 932.11(c) of the proposed regulation would prohibit a director or immediate family member from accepting any substantial gift that the recipient has reason to believe is given in order to influence a director's actions, or where acceptance of the gift could have the appearance of influencing the director's performance of his or her official duties. For purposes of this provision, § 932.11(e) defines the term "substantial gift" to mean gifts of more than token value; (ii) entertainment or hospitality the cost of which is in excess of what considered reasonable, customary, and accepted business practice; (iii) any other items or services for which a director pays less than market value.

### 4. Compensation

Section 931.11(d) of the proposed regulation would prohibit a director from accepting compensation for services performed for the Bank from any source other than the Bank for which the services are performed.

### 5. Definitions

Proposed § 932 defines terms that are used in the conflicts of interest section of the regulation.

Section 932.11(e)(1) of the proposed rule defines "immediate family member" to mean a Bank director's parent, sibling, spouse, child, or dependent or any other relative sharing the same residence as the director.

Section 932.11(e)(2) defines the term "financial interest" to mean a direct or indirect interest in any activity, transaction, property, or relationship that involves receiving or providing something of monetary value, and includes, but is not limited to: (i) Any contractual right to the payment of money, whether contingent or fixed; (ii) ownership or control of 10 percent or more of any class of equity security, or any security, including subordinated debt; (iii) employment in a policy making position; or (iv) service as an officer, director, partner, or as a trustee or in a similar fiduciary capacity.

#### *L. Reporting Requirements for Bank Directors—§ 932.12*

##### 1. Annual Report

Under §§ 932.18(f) and 932.21(g) of the current rules, every appointive and elective director must annually submit to his or her Bank either an executed form A-1 (appointive directors) or E-1 (elective directors). The Finance Board believes that the current annual

reporting requirements may be unnecessarily burdensome and duplicative when there have been no changes since the director last submitted such information. Therefore, under § 932.12(a) of the proposed rule, if there have been no changes since a director last submitted the requested information, a director need only annually submit a certification stating that no changes have occurred. The director must make this certification by signing section A of the appropriate parts of Form E-1, for elective directors, or A-1, for appointive directors. If changes have occurred, proposed § 932.12(a) would require the director to complete the appropriate parts of either Form E-1 or A-1. Under the proposed rule, both elective and appointive directors would submit their annual reports to their Bank, but the Banks would be required to forward a copy of the Form A-1 to the Finance Board.

##### 2. Report of Noncompliance

Proposed § 932.12(b) carries forward the requirements of the existing regulation that appointive and elective directors who know or have reason to believe at any time they no longer meet the statutory or regulatory eligibility requirements, must report the facts causing the loss of eligibility in writing within 30 days of first discovering those facts. See 12 CFR 932.18(f); 12 CFR 932.21(g)(2)(1997). Under the current regulation, such reports are filed only with the Finance Board; the proposal would require all directors to notify the Bank, but appointive directors also would be required to forward a copy to the Finance Board.

#### *M. Ineligible Bank Directors—§ 932.13*

Consistent with section 7(f) of the Act, § 932.13 of the proposed rule provides that a directorship (whether elective or appointive) will immediately become vacant upon the determination by the Finance Board or the Bank (for elective directors) or by the Finance Board (for appointive directors) that the director no longer meets any of the statutory or regulatory eligibility requirements, or has failed to comply with the reporting requirements under proposed § 932.12. See 12 U.S.C. 1427(f). As is the case under the existing regulation, an elective director who has been determined to be ineligible or to have failed to comply with the reporting requirements may not continue to act as a director. See 12 U.S.C. 1427(f)(3); 12 CFR 932.21(f) (1997). Also, consistent with the existing regulation an appointive director who has been determined to be ineligible or who has failed to comply with the reporting

requirements may continue to serve as a director until a successor assumes the appointive directorship or the term of office expires, whichever occurs first. See 12 U.S.C. 1427(f)(2); 12 CFR 932.18(e)(1). The Finance Board, in its sole discretion, would retain the authority to grant an appointive director a period of time, not longer than ninety (90) days, to come into compliance with the eligibility or reporting requirements.

#### *N. Vacant Bank Directorships—§ 932.14*

##### 1. Vacant Elective Directorships

Proposed § 932.14 implements the provisions of section 7(f) of the Act that concern vacant elective directorships. See 12 U.S.C. 1427(f)(1), (3). Under the proposed rule, as soon as practicable after a vacancy occurs, a Bank must fill the unexpired term of office of a vacant elective directorship by a majority vote of the remaining directors, and may do so regardless of whether the remaining directors constitute a quorum of the board. A person filling a vacancy must satisfy all of the statutory and regulatory eligibility requirements for elective directors, which the Bank must verify before allowing the person to assume the office. Promptly after verifying the individual's eligibility, the Bank must provide a written notice to the Finance Board and each of its members that includes the name of the new elective director, the name and location of the member for which the new director serves, the new director's title or position with the member, the voting state the new director represents, and the expiration date of the new director's term of office.

##### 2. Vacant Appointive Directorships

Proposed § 932.14(b) implements the provisions of section 7(f) of the Act that concern vacant appointive directorships. See 12 U.S.C. 1427(f)(1), (2). Under the proposed rule, as soon as practicable after a vacancy occurs, the Finance Board must fill the unexpired term of office of a vacant appointive directorship in the same manner it fills open appointive directorships. Promptly after filling a vacant appointive directorship, the Finance Board must provide a written notice to the appropriate Bank that includes the name of the new appointive director, the name and location of the organization with which the new director is affiliated, if any, the new director's title or position with such organization, and the expiration date of the new director's term of office. The Bank, in turn, must promptly provide this information to each of the members within its district.

*O. Minimum Number of Elective Directorships—§ 932.15*

Proposed § 932.15 redesignates the list of grandfathered directorships and revises it to identify only those states that were entitled to more than one elective directorship on December 31, 1960. The substance of the grandfather provision for the remaining states is preserved through the proposed designation provision, which would allocate a minimum of one seat to each state.

*P. Technical Changes to Part 932*

Additional changes to provisions of part 932 that concern Bank directors are intended to eliminate obsolete references and reorganize provisions that appear in the current regulation. Accordingly, the Finance Board is proposing to redesignate the following provisions of Part 932 without change: § 932.26, concerning the location of Bank board of directors and committee meetings, redesignated to § 932.16 of subpart B; § 932.27, concerning the compensation and expenses of Bank directors, to § 932.17 of subpart B; § 932.40, concerning selection by the Bank of officers and employees, to § 932.18 of subpart C; and § 932.41, concerning compensation of Bank officers and employees, to § 932.19 of subpart C. The Finance Board is proposing to eliminate provisions of part 932 that would be rendered obsolete by the proposed changes. See 12 CFR 932.23, 932.28–29, 932.50–51, 932.60–62.

*Q. Part 922*

The Finance Board has identified the financial and service prohibitions and reporting requirements applicable to the four Finance Board directors appointed by the President, by and with the advice of the Senate (appointed Finance Board directors) as unnecessarily burdensome or duplicative. See 12 U.S.C. 1422a(b)(1)(B); 12 CFR part 922. Accordingly, the Finance Board proposes to eliminate part 922 of its regulations. Repeal of part 922 is consistent with the goal of the Regulatory Reinvention Initiative of the National Performance Review to reduce the total number of regulations of executive agencies.

Section 2A(b)(1)(B) of the Act requires appointed Finance Board directors to be citizens of the United States. See 12 U.S.C. 1422a(b)(1)(B). Because an individual appointed Finance Board director must satisfy all statutory conditions, § 922.2, which essentially reiterates the statutory requirements is unnecessary.

Section 2A(b)(2)(C) imposes conflicts of interest limitations on appointed Finance Board directors, including a prohibition on serving as a director or officer of any Bank or any member of any Bank, or holding shares of, or any other financial interest in, any member of any Bank. See 12 U.S.C. 1422a(b)(2)(C). Under the Ethics in Government Act of 1978, as amended, 5 U.S.C. App. 101 *et seq.*, and the implementing regulations promulgated by the Office of Government Ethics (OGE), 5 CFR parts 2635 and 2636, appointed Finance Board directors are subject to conflicts of interest limitations that are more exacting than, and encompass the prohibitions imposed by, section 2A of the Act. OGE regulations also require appointed Finance Board directors to disclose as a part of the Senate confirmation process and annually thereafter in writing to the Finance Board's designated agency ethics official and OGE, detailed information regarding financial interests that may pose conflicts of interest. See 5 U.S.C. App. 101(c); 5 CFR 2634.201, 2634.202 (1997). Therefore, the conflicts of interest provisions contained in §§ 922.3 through 922.5, essentially duplicate existing reporting requirements, and thus are unnecessary.

*R. Parts 931, 933, 934, and 941*

The Finance Board is proposing to make conforming changes to parts 931, 933, 934, and 941 of its regulations. See 12 CFR parts 931, 933, 934, and 941. The Finance Board is proposing to eliminate definitions of terms that appear currently in part 932 but would no longer be used under the proposal. See *id.* §§ 931.13–40.

Section 932.3 of the current rule concerns Bank dividends which the Finance Board is proposing to redesignate without change to part 934 of the Finance Board's regulations, which concerns the operations of the Banks. See *id.* part 934.

Part 933 of the Finance Board's regulations concern membership in the Banks. See *id.* part 933. The proposed changes to part 932 would conflict with certain provisions of the membership rule that concern voting rights. Accordingly, the Finance Board is proposing to eliminate all references to voting rights that appear in § 933.18 and §§ 933.24 through 933.28.

**III. Regulatory Flexibility Act**

The proposed rule implements statutory requirements binding on all Banks, all Bank members, and all prospective and incumbent Bank directors. The Finance Board is not at liberty to make adjustments in those

requirements to accommodate small entities. The Finance Board has not imposed any additional regulatory requirements that will have a disproportionate impact on small entities. In addition, in an effort to reduce the reporting burden on prospective and incumbent Bank directors, the Finance Board has streamlined Form E–1, the Elective Director Eligibility Certification Form, and Form A–1, the Appointive Director Eligibility Certification Form, eliminated Forms E–2 and A–2, and will allow individuals to certify that no changes have occurred since they last submitted required information rather than completing anew the entire form. Thus, in accordance with the provisions of the Regulatory Flexibility Act, the Finance Board hereby certifies that this proposed rule, if promulgated as a final rule, will not have a significant economic impact on a substantial number of small entities. 5 U.S.C. 605(b).

**IV. Paperwork Reduction Act**

The Finance Board has submitted to the Office of Management and Budget (OMB) an analysis of the collection of information contained in Forms E–1 and A–1 and the proposed rule, described more fully in part II of the *Supplementary Information*. The Finance Board will use the information collection to determine whether prospective and incumbent appointive directors satisfy the statutory and regulatory eligibility and reporting requirements. Only individuals meeting these requirements may serve as appointive Bank directors. See 12 U.S.C. 1427(a), (f)(2). The Banks and, where appropriate, the Finance Board, will use the information collection to determine whether prospective and incumbent elective directors satisfy the statutory and regulatory eligibility and reporting requirements. Only individuals meeting these requirements may serve as elective Bank directors. See *id.* 1427(a), (b), (f)(3). Responses are required to obtain or retain a benefit. See *id.* 1427. The Finance Board and Banks will maintain the confidentiality of information obtained from respondents pursuant to the collection of information as required by applicable statute, regulation, and agency policy. Books or records relating to this collection of information must be retained as provided in the regulation.

Likely respondents and/or recordkeepers will be the Banks, Bank members, and prospective and incumbent Bank directors. Potential respondents are not required to respond to the collection of information unless the regulation collecting the information

displays a currently valid control number assigned by the OMB. See 44 U.S.C. 3512(a).

The estimated annual reporting and recordkeeping hour burden is:

a. Number of respondents .....	3,442
b. Total annual responses .....	3,442
Percentage of these responses collected electronically .....	0
c. Total annual hours requested .....	1,172
d. Current OMB inventory .....	376
e. Difference .....	796

The estimated annual reporting and recordkeeping cost burden is:

a. Total annualized capital/startup costs .....	\$180,000.00
b. Total annual costs (O&M) .....	24,000.00
c. Total annualized cost requested ..	0
d. Current OMB inventory .....	0
e. Difference .....	\$204,000.00

Comments concerning the accuracy of the burden estimates and suggestions for reducing the burden may be submitted to the Finance Board in writing at the address listed above.

The Finance Board has submitted the collection of information to OMB for review in accordance with section 3507(d) of the Paperwork Reduction Act of 1995, *codified at* 44 U.S.C. 3507(d). Comments regarding the proposed collection of information may be submitted in writing to the Office of Information and Regulatory Affairs of the Office of Management and Budget, Attention: Desk Officer for Federal Housing Finance Board, Washington, D.C. 20503 by June 29, 1998.

#### List of Subjects

##### 12 CFR Part 922

Conflict of interests.

##### 12 CFR Part 931

Banks, banking, Federal home loan banks.

##### 12 CFR Part 932

Banks, banking, Conflict of interests, Elections, Ethical conduct, Federal home loan banks, Financial disclosure, Reporting and recordkeeping requirements.

##### 12 CFR Part 933

Credit, Federal home loan banks, Reporting and recordkeeping requirements.

##### 12 CFR Part 934

Federal home loan banks, Securities, Surety bonds.

#### 12 CFR Part 941

Federal home loan banks, Organization and functions (Government agencies).

Accordingly, the Federal Housing Finance Board hereby proposes to amend chapter IX, title 12, parts 922, 931, 932, 933, 934, and 941 of the Code of Federal Regulations as follows:

#### PART 922—[REMOVED]

1. Under the authority in 12 U.S.C. 1422a and 1422b, remove part 922.

#### PART 931—DEFINITIONS

1. The authority citation for part 931 continues to read as follows:

**Authority:** 12 U.S.C. 1422a and 1422b.

#### §§ 931.13 through 931.40 [Removed]

2. Remove §§ 931.13 through 931.40.

#### §§ 931.11 and 931.12 [Redesignated as §§ 931.5 and 931.6]

3. Redesignate §§ 931.11 and 931.12 as §§ 931.5 and 931.6, respectively.

#### PART 934—OPERATIONS OF THE BANKS

1. The authority citation for part 934 continues to read as follows:

**Authority:** 12 U.S.C. 1422a, 1422b, 1431(g), 1432(a), and 1442.

#### § 932.3 [Redesignated as § 934.17]

2. Redesignate § 932.3 as § 934.17.

#### PART 932—DIRECTORS, OFFICERS, AND EMPLOYEES OF THE BANKS

1. Revise the heading of part 932 to read as set forth above.

2. Revise the authority citation for part 932 to read as follows:

**Authority:** 12 U.S.C. 1422a(a)(3), 1422b(a), 1426, and 1427; 42 U.S.C. 8101 *et seq.*

3. Revise the table of contents of part 932 to read as follows:

#### Subpart A—Definitions

Sec.

932.1 Definitions.

932.2 Dates.

#### Subpart B—Bank Directors

932.3 Director Elections.

932.4 Capital Stock Report.

932.5 Determinations of member votes.

932.6 Elective director nominations.

932.7 Eligibility requirements for elective directors.

932.8 Elections process.

932.9 Prohibition on actions to influence director elections.

932.10 Selection of appointive directors.

932.11 Conflicts of interest policy for Bank directors.

932.12 Reporting requirements for Bank directors.

932.13 Ineligible Bank directors.

932.14 Vacant Bank directorships.

932.15 Minimum number of elective directorships.

932.16 Site of board of directors and committee meetings.

932.17 Compensation and expenses of Bank directors.

#### Subpart C—Selection of Bank Officers and Employees.

932.18 Selection of Bank officer and employees.

932.19 Compensation of Bank officers and employees.

4. Designate §§ 932.1 and 932.2 as subpart A and add a subpart heading to read as follows:

#### Subpart A—Definitions

5. Revise § 932.1 to read as follows:

#### § 932.1 Definitions.

For purposes of this part:

*Act* means the Federal Home Loan Act, as amended (12 U.S.C. 1421 *et seq.*).

*Bank* or *Banks* means a Federal Home Loan Bank or the Federal Home Loan Banks.

*Bona fide resident* of a Bank district means an individual who:

(1) Maintains a principal residence within the Bank district; or

(2) Owns or leases in his or her own name a residence within the Bank district and, if serving as an elective director, is an officer or director of a member located in a voting state within the Bank district; or

(3) If serving as an appointive director, is employed within a voting state within the Bank district.

*Docket Number* means the number assigned to each member by the Finance Board and used by the Finance Board and the Banks to identify a particular member.

*Finance Board* means the agency established as the Federal Housing Finance Board.

*Member* means an institution admitted to membership and owning capital stock in a Bank.

*Record date* means December 31 of the calendar year immediately preceding the election year.

*Voting state* means the District of Columbia, Puerto Rico, or the state of the United States in which a member's principal place of business, as determined in accordance with part 933 of this chapter, is located as of the record date. The voting state of a member with a principal place of business located in the U.S. Virgin Islands as of the record date shall be Puerto Rico, and the voting state of a member with a principal place of business located in American Samoa,

Guam, or the Commonwealth of the Northern Mariana Islands as of the record date shall be Hawaii.

6. Add § 932.2 to subpart A to read as follows:

**§ 932.2 Dates.**

If any date specified in this part, or specified by a Bank pursuant to this part, falls on a Saturday, Sunday, or federal holiday, the relevant time period shall be deemed to include the next business day.

7. Designate §§ 932.3 through 932.17 as subpart B and add a subpart heading to read as follows:

**Subpart B—Bank Directors**

8. Add § 932.3 to subpart B to read as follows:

**§ 932.3 Director elections.**

(a) *Responsibilities of the Banks.* Each Bank annually shall conduct an election the purpose of which is to fill all elective directorships designated by the Finance Board as commencing on January 1 of the calendar year immediately following the year of the election. Subject to the provisions of the Act and in accordance with the requirements of this part, the disinterested members of the board of directors of each Bank, or a committee of disinterested directors, shall administer and conduct the annual election of directors. The term of office of each elective directorship shall be two years and shall commence on January 1 of the calendar year immediately following the year in which the election is held. Each Bank shall complete the election in sufficient time to allow newly elected directors to assume their seats on January 1 of the year immediately following the election.

(b) *Designation of elective directorships.* The Finance Board annually shall establish the number of elective directorships for each Bank, which are to be allocated as follows:

(1) One elective directorship shall be allocated to each state within the Bank district;

(2) If the total number of elective directorships allocated pursuant to paragraph (b)(1) of this section is less than eight, the Finance Board shall allocate additional elective directorships among the states, using the method of equal proportions, until the total allocated for the Bank equals eight;

(3) If the number of elective directorships allocated to any state pursuant to paragraphs (b)(1) and (2) of this section is less than the number allocated to that state on December 31, 1960, as specified in § 932.15, the

Finance Board shall allocate such additional elective directorships to that state until the total allocated equals the number allocated to the Bank on December 31, 1960;

(4) Pursuant to section 7(e) of the Act, the Federal Home Loan Bank of New York is hereby allocated one additional elective directorship, which is designated as representing the members in the Commonwealth of Puerto Rico;

(5) Pursuant to section 7(a) of the Act, in any Bank district that includes five or more states, the Finance Board may increase the number of elective directorships up to thirteen, and the number of appointive directorships up to three-fourths of the number of elective directorships. In determining the number of appointive directorships, the Finance Board may round up to the nearest whole number.

(c) *Notification.* On or before May 10 of each year, the Finance Board shall notify each Bank in writing of the total number of elective directorships established for the Bank and the number of elective directorships designated as representing the members in each voting state in the Bank district. If the Finance Board's annual designation of elective directorships for a particular state would result in a decrease in the number of seats allocated to that state for the following year, the decrease shall not require any incumbent director to surrender his or her directorship prior to the expiration of the full term of office.

(d) *Transition.* The term of office of each elective directorship existing on the effective date of this section shall continue to its scheduled expiration date, and the Banks may not thereafter alter the commencement or expiration date for any elective directorship in conducting the annual election of directors.

9. Add § 932.4 to subpart B to read as follows:

**§ 932.4 Capital Stock Report.**

(a) On or before April 10 of each year, each Bank shall submit to the Finance Board, for its use in designating the elective directorships, and to each member a capital stock report that indicates, as of the record date, the number of members in each voting state in the Bank's district, and the number of shares of capital stock required to be held by each member (identified by docket number), and the aggregate total number of shares of capital stock required to be held by all members in each voting state in the Bank's district. The Bank shall certify to the Finance Board that to the best of its knowledge the information provided in the capital

stock report is accurate and complete, and that it has notified each member of its minimum capital holdings pursuant to § 933.22(b)(1) of this chapter. A member may object to its required capital holdings determined under § 933.22(b)(1) of this chapter by notifying the Finance Board and its Bank in writing within 15 days after the date on which the member receives that information. The Finance Board shall promptly resolve any differences, which determination by the Finance Board shall be final.

(b) A Bank shall determine the number of shares of capital stock each member is required to hold as of the record date in the following manner:

(1) The number of shares of capital stock shall be equal to the greater of the advances-to-capital stock requirement under § 935.15(a) of this chapter, or the minimum capital stock requirement under § 933.20(a) of this chapter.

(2) If a member has elected to purchase its minimum required capital stock in installments under § 933.20(b)(2) of this chapter, the number of shares of capital stock required to be held as of the record date shall be the cumulative total of shares of capital stock actually purchased as of the record date.

10. Add § 932.5 to subpart B to read as follows:

**§ 932.5 Determination of member votes.**

(a) *Authority.* The Bank shall determine, in accordance with this section, the number of votes each member of the Bank may cast in the election of directors.

(b) *Determination.* The number of votes a member may cast for any elective director nominee shall be the lesser of the number of shares of capital stock the member was required to hold as of the record date, as determined in accordance with § 932.4(b), or the average number of shares of capital stock required to be held by all of the members in its voting state as of the record date.

11. Add § 932.6 to subpart B read as follows:

**§ 932.6 Elective director nominations.**

(a) *Election announcement.* Within a reasonable time in advance of an election, a Bank shall provide to each member in its district a written notice of the election that includes:

(1) The number of elective directorships designated as representing the members in each voting state in the Bank district;

(2) The name of each incumbent Bank director, the name and location of the member at which each elective director

serves, and the name and location of the organization with which each appointive director is affiliated, if any, and the expiration date of each Bank director's term of office;

(3) An attachment indicating the name, location, and docket number of every member in the member's voting state, and the number of votes each such member may cast in the election, as determined in accordance with § 932.5(b); and

(4) A nominating certificate.

(b) *Nominations.* (1) Any member that is entitled to vote in the election may nominate an eligible individual to fill each available elective directorship for its voting state by submitting to its Bank, prior to a deadline to be established by the Bank, a nominating certificate duly adopted by the member's governing body or by an individual authorized to act on behalf of the member's governing body.

(2) The nominating certificate shall include the name of the nominee and the name, location, and docket number of the member at which the nominee serves as an officer or director.

(3) The Bank shall establish a deadline for submitting nominating certificates, which shall be no earlier than 30 calendar days after the date on which the Bank mails the notice required by paragraph (a) of this section, and the Bank shall not accept certificates received after that deadline. The Bank shall retain all nominating certificates for at least two years after the date of the election.

(c) *Accepting nominations.* A Bank shall notify in writing any person nominated for an elective directorship promptly upon receipt of the nominating certificate. A person may accept the nomination only by submitting an executed Form E-1 to the Bank prior to the deadline established by the Bank. (Form E-1 is available pursuant to § 900.51 of this chapter). A Bank shall allow each nominee at least 30 calendar days after the date of the notice of nomination within which to submit the executed form. A nominee may decline the nomination by so advising the Bank in writing, or by failing to submit the Form E-1 prior to the deadline. Each Bank shall retain all information received under this paragraph for at least two years after the date of the election.

12. Add § 932.7 to subpart B read as follows:

**§ 932.7 Eligibility requirements for elective directors.**

(a) *Eligibility verification.* A Bank shall verify that each nominee meets all of the eligibility requirements for

elective directors set forth in the Act and this part before placing that nominee on the ballot prepared by the Bank under § 932.8(a).

(b) *Eligibility requirements.* Each elective director, and each nominee, shall be:

(1) A citizen of the United States;

(2) A bona fide resident of the Bank district; and

(3) An officer or director of a member that is located in the voting state to be represented by the elective directorship, was a member of the Bank as of the record date, and meets all minimum capital requirements established by its appropriate federal regulator or appropriate state regulator. For purposes of this paragraph (b)(3), the term *appropriate federal regulator* has the same meaning as the term "appropriate Federal banking agency" in section 2[3] of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)), and, for federally insured credit unions, shall mean the National Credit Union Administration, and the term *appropriate state regulator* means any state officer, agency, supervisor, or other entity that has regulatory authority over, or is empowered to institute enforcement action against, a member.

(c) *Restrictions.* A nominee is not eligible if he or she:

(1) Is an incumbent elective director, unless:

(i) The incumbent director's term of office would expire before the new term of office would begin; and

(ii) The new term of office would not be barred by the term limit provision of section 7(d) of the Act.

(2) Is a former elective director whose service would be barred by the term limit provision of section 7(d) of the Act.

(3) Is an incumbent appointive director.

13. Revise § 932.8 to read as follows:

**§ 932.8 Election process.**

(a) *Ballots.* Promptly after verifying the eligibility of all nominees in accordance with § 932.7(a), a Bank shall prepare a ballot for each voting state for which an elective directorship is to be filled and shall mail the ballot to all members within that state that were members as of the record date. A ballot shall include at least the following provisions:

(1) An alphabetical listing of the names of each nominee for the member's voting state, the name, location, and docket number of the member at which each nominee serves, the nominee's title or position with the member, and the number of elective directorships to be filled by members in that voting state in the election;

(2) A statement that write-in candidates are not permitted; and

(3) A confidentiality statement prohibiting the Bank from disclosing how a member voted.

(b) *Lack of nominees.* If, for any voting state, the number of nominees is equal to or less than the number of elective directorships to be filled in the election, the Bank shall not prepare or distribute a ballot, and shall declare elected any eligible nominee, declare vacant any elective directorship that lacks an eligible nominee, and notify the members in the affected voting state in writing that the directorships have been filled without an election due to a lack of nominees. If necessary, as soon thereafter as practicable, the board of directors shall fill, by a majority vote, any elective directorship that has been declared vacant for a lack of a nominee, in accordance with § 932.14(a).

(c) *Voting.* For each directorship to be filled, a member may cast the number of votes determined by the Bank pursuant to § 932.5. A member may not split its votes among multiple nominees for a single directorship, nor, where there are multiple directorships to be filled for a voting state, may it cumulatively vote for a single nominee. To vote, a member shall:

(1) Mark on the ballot the name of not more than one of the nominees for each elective directorship to be filled in the member's voting state. Each nominee so selected shall receive all of the votes that the member is eligible to cast.

(2) Execute the ballot by resolution of the member's governing body, or by an appropriate writing signed by an individual authorized to act on behalf of the governing body.

(3) Deliver the executed ballot to the Bank on or before the closing date that has been established by the Bank, which shall be no earlier than 30 calendar days after the date the ballots are mailed in accordance with paragraph (b) of this section. A member may not change a ballot after it has been delivered to the Bank.

(4) Any ballots cast in violation of this subsection shall be void.

(d) *Counting ballots.* A Bank shall not open any ballot until after the closing date, and may not include in the election results any ballot received after the closing date. Promptly after the closing date, each Bank shall tabulate, by each voting state, the votes cast in accordance with paragraph (c) of this section, and shall declare elected the nominee receiving the highest number of votes.

(1) If more than one elective directorship is to be filled in a voting state, the Bank shall declare elected

each successive nominee receiving the next highest number of votes until all open elective directorships for that voting state are filled.

(2) In the event of a tie for the last available seat, the incumbent board of directors of the Bank shall, by a majority vote, declare elected one of the nominees for whom the number of votes cast was tied.

(3) The Bank shall retain all ballots it receives for at least two years after the date of the election, and shall not disclose how any member voted.

(e) *Report of election.* Promptly following the election, each Bank shall provide written notice to its members, to each nominee, and to the Finance Board of the following:

(1) The name of each director-elect, the name and location of the member at which he or she serves, and his or her title or position at the member;

(2) The voting state represented by each director-elect;

(3) The expiration date of the term of office of each director-elect;

(4) The number of members voting in the election and the total number of votes cast, both reported by states; and

(5) The number of votes cast for each nominee.

14. Revise § 932.9 to read as follows:

**§ 932.9 Prohibition on actions to influence director elections.**

(a) *Prohibition.* Except as provided in paragraph (b) of this section:

(1) No director, officer, attorney, employee, or agent of the Finance Board or of a Bank may:

(i) Communicate in any manner that a director, officer, attorney, employee, or agent of the Finance Board or of a Bank, directly or indirectly, supports the nomination or election of a particular individual for an elective directorship; or

(ii) Take any other action to influence votes for a directorship.

(2) No member may take any action prohibited by paragraph (a)(1)(i) of this section.

(b) *Exception for incumbent Bank directors.* A Bank director acting in his or her personal capacity may support the nomination or election of any individual for an elective directorship, provided that no Bank director shall purport to represent the views of the Bank, the Finance Board, any other director, or any officer, attorney, employee, or agent of the Bank or of the Finance Board concerning the nomination or election of a particular individual for an elective directorship.

15. Revise § 932.10 to read as follows:

**§ 932.10 Selection of appointive directors.**

(a) *Selection.* In accordance with the Act, the Finance Board, in its sole discretion, shall select all appointive directors.

(b) *Term of office.* The term of office of each appointive directorship shall commence on January 1.

16. Revise § 932.11 to read as follows:

**§ 932.11 Conflict of interests policy for Bank directors.**

(a) *Adoption of conflict of interests policy.* Each Bank shall adopt a written conflict of interests policy that shall apply to all Bank directors. At a minimum, the conflicts of interest policy of each Bank shall:

(1) Require the directors to administer the affairs of the Bank fairly and impartially and without discrimination in favor of or against any member or nonmember borrower;

(2) Prohibit the use of a director's official position for personal gain;

(3) Require directors to disclose actual or apparent conflict of interests and establish procedures for addressing such conflicts;

(4) Provide internal controls to ensure that reports are filed and that conflicts are disclosed and resolved in accordance with this section; and

(5) Establish procedures to monitor compliance with the conflict of interests policy.

(b) *Disclosure and recusal.* (1) A director shall promptly inform the board of directors whenever he or she, or any immediate family member, has any financial interest in any matter before the board. Directors also shall disclose any financial interest in any organizations or with any individuals doing business with the Bank, other than an interest relating to the member at which the director serves. All directors shall refrain from considering, or voting on, any issue before the board that could result in a conflict, self-dealing, or any other circumstances that would result in a detriment to the Bank or in a noncompetitive, favored, unfair advantage either to the Bank or its members.

(2) All directors promptly shall provide to the full board of directors, audit committee of the board of directors, or to such other committee as the board of directors may establish for this purpose, any information relating to conflicts or potential conflicts of interests.

(3) Directors shall not disclose or use confidential information received by them solely by reason of their position with the Bank to obtain a financial interest for themselves or their immediate family members or member

institutions of which they are an officer or director.

(c) *Gifts.* Directors and their immediate family members shall not accept any substantial gift where the recipient has reason to believe that the gift is given in order to influence the director's actions as a member of the Bank's board of directors, or where acceptance of such gift gives the appearance of influencing the director's actions as a member of the board.

(d) *Compensation.* Directors shall not accept compensation for services performed for the Bank from any source other than the Bank for whom the services are performed.

(e) *Definitions.* For purposes of this section:

(1) *Immediate family member* means parent, sibling, spouse, child, or dependent, or any other relative sharing the same residence as the director.

(2) *Financial interest* means a direct or indirect financial interest in any activity, transaction, property, or relationship that involves receiving or providing something of monetary value, and includes, but is not limited to:

(i) Any contractual right to the payment of money, whether contingent or fixed;

(ii) Ownership or control of ten percent or more of any class of equity security, or any security, including subordinated debt;

(iii) Employment in a policy making position; or

(iv) Service as an officer, director, partner, or as a trustee or in a similar fiduciary capacity.

(3) *Substantial Gifts* includes:

(i) Gifts of more than token value;

(ii) Entertainment or hospitality, the cost of which is in excess of what is considered reasonable, customary, and accepted business practices; or

(iii) Any other items or services for which a director pays less than market value.

17. Revise § 932.12 to read as follows:

**§ 932.12 Reporting requirements for Bank directors.**

(a) *Annual reporting.* On or before March 1 of each year, each director shall submit to his or her Bank an executed Form E-1 (for elective directors) or an executed Form A-1 (for appointive directors), as appropriate. (Form A-1 is available pursuant to § 900.51 of this chapter). The Bank shall promptly forward a copy of each Form A-1 to the Finance Board.

(b) *Report of noncompliance.* If an elective or appointive director knows or has reason to believe that he or she no longer meets the eligibility requirements set forth in the Act or this part, the

director shall so inform the Bank in writing within 30 calendar days of first learning of the facts causing the loss of eligibility. An appointive director also shall inform the Finance Board at the same time, and in the same manner, that he or she informs the Bank.

18. Revise § 932.13 to read as follows:

**§ 932.13 Ineligible Bank directors.**

(a) *Elective directors.* Upon a determination by the Finance Board or a Bank that an elective director no longer satisfies the eligibility requirements set forth in the Act or this part, or has failed to comply with the reporting requirements of § 932.12, the elective directorship shall immediately become vacant. Any elective director that is determined to have failed to comply with the eligibility or reporting requirements shall not continue to act as a Bank director.

(b) *Appointive directors.* Except as provided herein, upon a determination by the Finance Board that an appointive director no longer satisfies the eligibility requirements set forth in the Act, or has failed to comply with the reporting requirements of § 932.12, the appointive directorship shall immediately become vacant. Notwithstanding the vacancy, an appointive director may continue to serve until a successor assumes the directorship or the term of office expires, whichever occurs first, and the Finance Board, in its sole discretion, may allow an appointive director up to 90 calendar days to comply with the eligibility or reporting requirements.

19. Revise § 932.14 to read as follows:

**§ 932.14 Vacant Bank directorships.**

(a) *Vacant elective directorships.* (1) As soon as practicable after a vacancy occurs, a Bank shall fill the unexpired term of office of a vacant elective directorship by a majority vote of the remaining Bank directors regardless of whether the remaining Bank directors constitute a quorum of the Bank's board of directors.

(2) An individual so selected to fill a vacant elective directorship shall satisfy all of the eligibility requirements for elective directors set forth in the Act and this part, and shall provide to the Bank an executed Form E-1. The Bank shall verify the individual's eligibility in accordance with § 932.7(a) before allowing the individual to assume the directorship, and shall retain the information it receives in accordance with § 932.6(c).

(3) Promptly after verifying the individual's eligibility under paragraph (a)(2) of this section, a Bank shall notify the Finance Board and each member

located in the Bank's district in writing of the following:

(i) The name of the new elective director, the name and location of the member (identified by docket number) at which the new director serves, and the new director's title or position with the member;

(ii) The voting state that the new elective director represents; and

(iii) The expiration date of the new elective director's term of office.

(b) *Vacant appointive directorships.*

(1) As soon as practicable after a vacancy occurs, the Finance Board shall fill the unexpired term of office of a vacant appointive directorship.

(2) Promptly after filling a vacant appointive directorship, the Finance Board shall notify the new appointive director's Bank in writing of the following:

(i) The name of the new appointive director, the name and location of the organization with which the new director is affiliated, if any, and the new director's title or position with such organization; and

(ii) The expiration date of the new appointive director's term of office.

(2) Promptly after receiving the notice required by paragraph (b)(2) of this section, a Bank shall provide each of its members with the information described in paragraphs (b)(2)(i) and (ii) of this section.

**§§ 932.15 through 932.19 [Removed]**

20. Remove §§ 932.15 through 932.19.

**§ 932.20 [Redesignated as § 932.15]**

21. Redesignate § 932.20 as § 932.15 and revise the second sentence and table to read as follows:

**§ 932.15 Minimum number of elective directorships.**

\* \* \* The following list sets forth the states whose members held more than one (1) seat on December 31, 1960:

State	No. of elective directorships on Dec. 31, 1960
California .....	3
Colorado .....	2
Illinois .....	4
Indiana .....	5
Iowa .....	2
Kansas .....	3
Kentucky .....	2
Louisiana .....	2
Massachusetts .....	3
Michigan .....	3
Minnesota .....	2
Missouri .....	2
New Jersey .....	4
New York .....	4
Ohio .....	4

State	No. of elective directorships on Dec. 31, 1960
Oklahoma .....	2
Pennsylvania .....	6
Tennessee .....	2
Texas .....	3
Wisconsin .....	4

**§§ 932.21 through 932.25 [Removed]**

22. Remove §§ 932.21 through 932.25.

**§ 932.26 [Redesignated as § 932.16]**

23. Redesignate § 932.26 as § 932.16 of subpart B.

**§ 932.27 [Redesignated as § 932.17]**

24. Redesignate § 932.27 as § 932.17 of subpart B.

**§§ 932.28 through 932.39 [Removed]**

25. Remove §§ 932.28 through 932.39.

26. Designate §§ 932.18 and 932.19 as subpart C and add a subpart heading to read as follows:

**Subpart C—Selection of Bank Officers and Employees**

**§ 932.40 [Redesignated as § 932.18]**

27. Redesignate § 932.40 as § 932.18 of subpart C, remove paragraph (d), and revise the section heading and paragraph (a) introductory text to read as follows:

**§ 932.18 Selection of Bank officers and employees.**

(a) *Bank presidents.* The board of directors of each Bank may appoint a president, who shall be the chief executive officer of the Bank, subject to the following limitations:

\* \* \* \* \*

**§ 932.41 [Redesignated as § 932.19]**

28. Redesignate § 932.41 as § 932.19 of subpart C and revise the section heading to read as follows:

**§ 932.19 Compensation of Bank officers and employees.**

\* \* \* \* \*

**§§ 932.42 through 932.62 [Removed]**

29. Remove §§ 932.42 through 932.62.

**PART 933—MEMBERS OF THE BANKS**

1. The authority citation for part 933 continues to read as follows:

**Authority:** 12 U.S.C. 1422, 1422a, 1422b, 1423, 1424, 1426, 1430, 1442.

2. Amend § 933.18 by revising paragraph (e) to read as follows:

**§ 933.18 Determination of appropriate Bank district for membership.**

\* \* \* \* \*

(e) *Effect of transfer.* A transfer of membership pursuant to this section shall be effective for all purposes, but shall not affect voting rights in the year of the transfer and shall not be subject to the provisions on termination of membership set forth in section 6 of the Act or §§ 933.27, 933.28, and 933.30, including the restriction on reacquiring Bank membership set forth in § 933.31.

\* \* \* \* \*

**§ 933.24 [Amended]**

3. Amend § 933.24 by removing paragraph (b)(4).

**§ 933.25 [Amended]**

4. Amend § 933.25 by removing paragraph (f).

**§ 933.26 [Amended]**

5. Amend § 933.26 by removing paragraph (e).

**§ 933.27 [Amended]**

6. Amend § 933.27 by removing paragraph (g).

**§ 933.28 [Amended]**

7. Amend § 933.28 by removing paragraph (d).

**PART 941—OPERATIONS OF THE OFFICE OF FINANCE**

1. The authority citation for part 941 continues to read as follows:

**Authority:** 12 U.S.C. 1422b, 1431.

2. Amend § 941.7 by revising paragraph (f)(2) to read as follows:

**§ 941.7 Office of Finance Board of Directors.**

\* \* \* \* \*

(f) \* \* \*

(2) *Private Citizen member.* The Office of Finance shall pay compensation and expenses to the Private Citizen member

of the OF board of directors in accordance with the requirements for payment of compensation and expenses to Bank directors set forth in § 932.17 of this chapter, except that, for these purposes:

(i) The Office of Finance policy on director compensation must be approved by the board of directors of the Finance Board;

(ii) Section 932.15(a)(3) and (c)(1)(ii) of this chapter shall not apply; and

(iii) The terms “average compensation per director” and “ACPD,” as used in § 932.15 of this chapter, shall be deemed to mean “maximum compensation of the Private Citizen member”.

**Note:** The following Appendix will not appear in the Code of Federal Regulations Appendix A to Preamble—Director Eligibility Certification Forms A-1 and E-1

**BILLING CODE 6725-01-U**

# Federal Home Loan Bank System

## Appointive Director Eligibility Certification Form (A-1)

### INSTRUCTIONS

If you need assistance in completing this form or have any questions, please contact (name, title, phone and fax numbers, e-mail address) at the Federal Housing Finance Board (Finance Board).

Please return this completed form and any attachments by the applicable deadline to (name and title or office), at the Finance Board.

### Who Must File and When

#### **Prospective FHLBank Appointive Directors**

If the Finance Board is considering you for, or has selected you to fill, a Federal Home Loan Bank (FHLBank) appointive directorship and you want to accept the appointment, if offered, you must complete this form and return it to the Finance Board on or before the deadline it establishes. The time allowed includes the next business day if the date specified by the Finance Board occurs on a Saturday, Sunday, or federal holiday. Any individual who does not submit this form to the Finance Board by the deadline will be deemed to have declined the appointment.

#### **Current FHLBank Appointive Directors**

On or before March 1 of each year during your term of office as a FHLBank appointive director other than the calendar year in which you were appointed, you must complete this form and return it to the Finance Board to update, if necessary, the information previously provided concerning compliance with the eligibility requirements for appointive directors. If you do not submit this form by the March 1 deadline, the Finance Board may declare the appointive directorship you fill to be vacant. The time allowed includes the next business day if March 1 occurs on a Saturday, Sunday, or federal holiday.

### Part I -- General Information

The Finance Board will use the information you provide in Part I to ensure that its records are as up-to-date and accurate as possible.

#### **Section A -- Certification**

If no changes have occurred since the last time you completed Part I, you may complete Part I by signing the certification.

## Section B -- Questions

If you have never completed, or if changes have occurred since the last time you completed, Part I, you must provide answers to each of the questions.

1. Please place your initials on the line that applies to you. You may check only one line. For example, if you are currently serving as a FHLBank appointive director and are filing the required annual update, check the line marked "I am a FHLBank appointive director."
2. Please print or type your full name.
3. Please list the name of each organization with which you are currently employed whether you work full- or part-time or are paid for your work, your title or position at that organization, the telephone and fax numbers where you can be reached, your electronic mail address, if any, the organization's street address, and, if different, the organization's mailing address. You may attach additional sheets if necessary.
4. For each directorship you currently hold, please list the name of the organization and the city or county and state in which the organization is located. You may attach additional sheets if necessary.
5. For each full-time public office to which you have been appointed or elected, please list the public office, your title or position, and the term of office.
6. For each full-time position you hold with a political party, please list the name of the political party, your title or position, and the date you entered into the position.
7. Section 1427(a) of the Federal Home Loan Bank Act (Bank Act) imposes certain conflicts of interest limitations on FHLBank appointive directors. See 12 U.S.C. § 1427(a). In order for the Finance Board to ensure your compliance with the statutory limitations, please attach a copy of the most recent information you disclosed to your FHLBank under its conflicts of interest policy concerning your or your immediate family's financial or other personal interests.

## Part II -- Eligibility Requirements

The Finance Board will use the information you provide in Part II to determine whether you meet, or continue to meet, the statutory eligibility requirements for FHLBank appointive directors. See 12 U.S.C. § 1427. Only individuals who satisfy these requirements may be appointed as, or continue to serve as, appointive directors.

### Section A -- Certification

If no changes have occurred since the last time you completed Part II, you may complete Part II by signing the certification.

### Section B -- Questions

If you have never completed, or if changes have occurred since the last time you completed, Part II, you must provide answers to each of the questions.

1. Section 1427(a) of the Bank Act requires each FHLBank appointive director to be a United States citizen. See 12 U.S.C. § 1427(a). Please place your initials in the appropriate column.

2. Section 1427(a) of the Bank Act requires each FHLBank appointive director to be a bona fide resident of a state within the FHLBank district served or to be served by the director. See 12 U.S.C. § 1427(a). Please place your initials on the appropriate line. You will be deemed a bona fide resident of a FHLBank district under two circumstances. First, you will be deemed a bona fide resident if you maintain a principal place of residence in a state within the FHLBank district. To claim a location as your principal place of residence generally requires both physical presence and intent to remain or to return after an absence. Your principal place of residence usually is the same as the permanent residence reported to the Internal Revenue Service. Please list that address. Second, you will be deemed a bona fide resident if you own or lease in your own name a residence in, and are employed in, a state within the FHLBank district. The second basis for a finding of bona fide residence requires "residence plus," that is, simple residence and an employment nexus, rather than residence with domiciliary intent. Please list the address of every other residence you either own or lease in your own name, including vacation homes or homes you use seasonally or on a part-time basis, and the name and location of your employer and any consumer or community organization of which you are a director, officer, employee, or member. The term "consumer or community organization" means an organization that currently is representing, and has represented for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections. You may attach additional sheets if necessary.

3. Finance Board policy requires each community interest FHLBank appointive director to represent currently, and to have represented actively or been involved with for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections. Please place your initials on the appropriate line. Please provide a description of your experience, including the length of time you have represented these interests. You may attach additional sheets if necessary.

4 and 5. Section 1427(a) of the Bank Act and Finance Board policy require each community interest FHLBank appointive director to be a director, officer, employee, or member of a consumer or community organization that currently is representing, and has represented for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections, and that operates in a state within the district of the appropriate FHLBank. See 12 U.S.C. § 1427(a). For both questions 4 and 5, please place your initials on the appropriate line. In answering question 5, please provide a description of the consumer or community organization with which you are affiliated, including the length of time it has represented consumer or community interests on banking services, credit needs, housing, or financial consumer protections. You may attach additional sheets if necessary.

# Federal Home Loan Bank System

## Appointive Director Eligibility Certification Form

The reporting period is January 1, 19\_\_ through December 31, 19\_\_.

### PART I GENERAL INFORMATION

#### Section A -- Certification

I hereby certify that no changes have occurred since I last completed and submitted to the Finance Board Part I of the FHLBank Appointive Director Eligibility Certification Form.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

#### Section B -- Questions

1. Check one of the following:

\_\_\_\_ I am a prospective FHLBank appointive director

\_\_\_\_ I am currently a FHLBank appointive director

2. Print or type your full name: \_\_\_\_\_

3. List your current employment:

\_\_\_\_\_  
Name of organization

\_\_\_\_\_  
Your title or position

\_\_\_\_\_  
Telephone number

\_\_\_\_\_  
Fax number

\_\_\_\_\_  
E-mail address

\_\_\_\_\_  
Street

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip code

\_\_\_\_\_  
Mailing address (if different) Street

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip code

## **PART II** **ELIGIBILITY REQUIREMENTS**

### **Section A -- Certification**

I hereby certify that no changes have occurred since I last completed and submitted to the Finance Board Part II of the FHLBank Appointive Director Eligibility Certification Form.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

### **Section B -- Questions**

For each question, place your initials in the appropriate column.

Yes   No

1. \_\_\_\_ \_\_\_\_ Are you a citizen of the United States?

2. \_\_\_\_ \_\_\_\_ Are you a bona fide resident of a state within the FHLBank district?

Provide the address of your permanent residence:

\_\_\_\_\_  
Street

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip code

Provide the address of every other residence you either own or lease in your own name:

\_\_\_\_\_  
Street

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip code

\_\_\_\_\_  
Street

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip code

Provide the location of your employer and any consumer or community organization of which you are a director, officer, employee, or member:

\_\_\_\_\_  
Name of organization

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Your title or position

\_\_\_\_\_  
Name of organization

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Your title or position

Yes No

3. \_\_\_\_\_ Are you currently representing and have you actively represented or been involved with for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections?

Describe your experience, including the length of time you have represented these interests.

Yes No

4. \_\_\_\_\_ Are you a director, officer, employee, or member of a consumer or community organization that operates in a state within the FHLBank district?

5. \_\_\_\_\_ Is the consumer or community organization with which you are affiliated currently representing, and has it represented for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections?

Describe the consumer or community organization, including the length of time it has represented these interests:

I HEREBY CERTIFY that the information provided on this FHLBank Appointive Director Eligibility Certification Form and on any attachments hereto is true, correct, and complete to the best of my knowledge.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ )

Signed and sworn to before me on this \_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Signature of Notary Public

(Seal)

My commission expires: \_\_\_\_\_

Yes No

- 3. \_\_\_\_ \_\_\_\_ Are you currently representing and have you actively represented or been involved with for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections?

Describe your experience, including the length of time you have represented these interests.

Yes No

- 4. \_\_\_\_ \_\_\_\_ Are you a director, officer, employee, or member of a consumer or community organization that operates in a state within the FHLBank district?
- 5. \_\_\_\_ \_\_\_\_ Is the consumer or community organization with which you are affiliated currently representing, and has it represented for at least two years, consumer or community interests on banking services, credit needs, housing, or financial consumer protections?

Describe the consumer or community organization, including the length of time it has represented these interests:

I HEREBY CERTIFY that the information provided on this FHLBank Appointive Director Eligibility Certification Form and on any attachments hereto is true, correct, and complete to the best of my knowledge.

\_\_\_\_\_  
Signature Date

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ )

Signed and sworn to before me on this \_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Signature of Notary Public

(Seal)

My commission expires: \_\_\_\_\_

## Federal Home Loan Bank System

### Elective Director Eligibility Certification Form (E-1)

#### INSTRUCTIONS

If you need assistance in completing this form or have any questions, please contact (name, title, phone and fax numbers, e-mail address) at the Federal Home Loan Bank (FHLBank) of \_\_\_\_\_.

Please return this completed form and any attachments by the applicable deadline to (name and title), Federal Home Loan Bank of \_\_\_\_\_, (address).

#### Who Must File and When

##### **FHLBank Elective Director Nominees**

If you have been notified by your FHLBank that a member has nominated you to be a FHLBank elective director, and you want to accept the nomination, you must complete this form and return it to your FHLBank on or before the deadline established by the FHLBank. The time allowed includes the next business day if the date specified by the FHLBank occurs on a Saturday, Sunday, or federal holiday. Any nominee who does not submit this form to his or her FHLBank by the deadline will be deemed to have declined the nomination.

##### **Current FHLBank Elective Directors**

On or before March 1 of each year during your term of office as a FHLBank elective director, other than the calendar year in which you were elected, you must complete this form and return it to your FHLBank to update, if necessary, the information previously provided concerning continued compliance with the eligibility requirements for elective directors. If you do not submit this form by the March 1 deadline, the FHLBank may declare the elective directorship you fill to be vacant and you will no longer be eligible to serve as a FHLBank director. The time allowed includes the next business day if March 1 occurs on a Saturday, Sunday, or federal holiday.

##### **Individuals Selected to Fill a Vacancy**

If you have been selected by your FHLBank to fill the unexpired term of office of a vacant FHLBank elective directorship, you must complete this form and return it to your FHLBank on or before the deadline established by the FHLBank. The time allowed includes the next business day if the date specified by the FHLBank occurs on a Saturday, Sunday, or federal holiday.

#### Part I -- General Information

Your FHLBank will use the information you provide in Part I to ensure that its records are as up-to-date and accurate as possible.

##### **Section A -- Certification**

If no changes have occurred since the last time you completed Part I, you may complete Part I by signing the certification.

### **Section B -- Questions**

If you have never completed, or if changes have occurred since the last time you completed, Part I, you must provide answers to each of the questions.

1. Please place your initials on the line that applies to you. You may check only one line. For example, if you are currently serving as a FHLBank elective director and are filing the required annual update, place your initials on the line marked "I am a FHLBank elective director."
2. Please print or type your full name.
3. Please list the name of each organization with which you are currently employed whether you work full- or part-time or are paid for your work, your title or position at that organization, the telephone and fax numbers where you can be reached, your electronic mail address, if any, the organization's street address, and, if different, the organization's mailing address. You may attach additional sheets if necessary.
4. For each directorship you currently hold, please list the name of the organization and the city or county and state in which the organization it is located. You may attach additional sheets if necessary.

### **Part II -- Eligibility Requirements**

Your FHLBank will use the information you provide in Part II to determine whether you meet, or continue to meet, the statutory and regulatory eligibility requirements for FHLBank elective directors. See 12 U.S.C. § 1427; 12 C.F.R. § 932.7. Only individuals who satisfy these requirements may run for an elective directorship or serve as an elective director.

### **Section A -- Certification**

If no changes have occurred since the last time you completed Part II, you may complete Part II by signing the certification.

### **Section B -- Questions**

If you have never completed, or if changes have occurred since the last time you completed, Part II, you must provide answers to each of the questions.

1. Section 1427(a) of the Federal Home Loan Bank Act (Bank Act) and the Federal Housing Finance Board (Finance Board) regulation concerning FHLBank elective director eligibility require each elective director to be a United States citizen. See 12 U.S.C. § 1427(a); 12 C.F.R. § 932.7(b)(1). Please place your initials in the appropriate column.
2. Section 1427(a) of the Bank Act and the Finance Board regulation concerning FHLBank elective director eligibility require each elective director to be a bona fide resident of a state within the FHLBank district served or to be served by the director. See 12 U.S.C. § 1427(a); 12 C.F.R. § 932.7(b)(2). Please place your initials in the appropriate column. You will be deemed a bona fide resident of a FHLBank district under two circumstances. First, you will be deemed a bona fide resident if you maintain a principal place of residence in a state within the FHLBank district. To claim a location as your principal place of residence generally requires both physical presence and intent to remain or to return after an absence. Your

principal place of residence usually is the same as the permanent residence reported to the Internal Revenue Service. Please list that address. Second, you will be deemed a bona fide resident if you own or lease in your own name a residence in a state, and are a director or officer of a member within a voting state located in, within the FHLBank district. A member's "voting state" is the state where its principal place of business is located. See 12 C.F.R. § 932.1(f). The second basis for a finding of bona fide residence requires "residence plus," that is, simple residence and an employment nexus, rather than residence with domiciliary intent. Please list the address of every other residence you either own or lease in your own name, including vacation homes or homes you use seasonally or on a part-time basis, and the location of the principal place of business of each FHLBank member you serve as an officer or director. You may attach additional sheets if necessary.

3. Section 1427(b) of the Bank Act and the Finance Board regulation concerning FHLBank elective director eligibility require each elective director to be either an officer or a director of a member located in a state within the FHLBank district served or to be served by the director. See 12 U.S.C. § 1427(b); 12 C.F.R. § 932.7(b)(3). Please place your initials in the appropriate column. The member you serve as an officer or director will be deemed within the FHLBank district if the member's principal place of business, as determined by your FHLBank in accordance with the Finance Board's membership regulation, is located in a state that is part of the district. See 12 C.F.R. § 933.18.

4. Section 1427(b) of the Bank Act and the Finance Board regulation concerning FHLBank elective director eligibility requires every member an elective director serves as an officer or director to meet all minimum capital requirements of its appropriate federal regulator or, if applicable, appropriate state regulator. See 12 U.S.C. § 1427(b); 12 C.F.R. § 932.7(b)(3). Please place your initials in the appropriate column. For each FHLBank member you serve as an officer or a director that is subject to regulation by a federal regulator, other than credit unions or insurance companies, please provide the name of its appropriate federal regulator, its actual regulatory capital ratios as of the most recent quarter end, and the minimum regulatory capital requirements of the federal regulator. A member's appropriate federal regulator generally is its primary federal regulator. See 12 C.F.R. § 932.7(b)(3). For each credit union FHLBank member you serve as an officer or a director, please provide the name of its appropriate regulator, its actual regulatory reserves as of the most recent quarter end, the minimum regulatory reserve requirement of its regulator, and the National Credit Union Administration's regulatory reserve requirement if it was required to transfer funds as of the most recent quarter end. For each insurance company FHLBank member you serve as an officer or director, please provide the name of its appropriate regulator, the regulatory capital ratios contained in its most recent regulatory financial report, and the minimum statutory and regulatory requirements and the capital standards established by the National Association of Insurance Commissioners. For each FHLBank member you serve as an officer or a director that is not subject to regulation by a federal regulator, please provide the name and the minimum regulatory capital requirements of the member's appropriate state regulator. Generally, an appropriate state regulator is any state officer, agency, supervisor, or other entity that has regulatory authority over, or is empowered to institute enforcement action against it. See 12 C.F.R. § 932.7(b)(3). For instance, if you are an officer or director of a state-chartered financial institution insured by the Federal Deposit Insurance Corporation (FDIC), you should provide information concerning the FDIC's capital requirements even though the institution may be subject to regulation by a state. Similarly, if you are an officer or director of an institution subject only to state regulation, please provide information concerning the appropriate state regulatory capital requirements. You may attach additional sheets if necessary.

5. The Finance Board regulation concerning FHLBank elective director eligibility prohibits an incumbent elective director from running for an open elective directorship unless the director's term of office expires before the new term of office would begin. See 12 C.F.R. § 932.7(c)(1)(i). Please place your initials in the appropriate column.

6. Section 1427(d) of the Bank Act and the Finance Board regulation concerning FHLBank elective director eligibility prohibit an individual from running for an elective directorship if he or she has been

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elected to, has served for all or part of each, and is currently serving in the third of, three consecutive terms of office as an elective director. See 12 U.S.C. § 1427(d); 12 C.F.R. § 932.7(c)(1)(ii). Please place your initials in the appropriate column.

7. The Finance Board regulation concerning FHLBank elective director eligibility prohibits an incumbent FHLBank appointive director from running for an open elective directorship.. See 12 C.F.R. § 932.7(c)(3). Please place your initials in the appropriate column.

# Federal Home Loan Bank System

## Elective Director Eligibility Certification Form

The reporting period is January 1, 19\_\_ through December 31, 19\_\_.

### PART I GENERAL INFORMATION

#### Section A -- Certification

I hereby certify that no changes have occurred since I last completed and submitted to my FHLBank Part I of the FHLBank Elective Director Eligibility Certification Form.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

#### Section B -- Questions

1. Place your initials on the appropriate line:

\_\_\_\_ I am a FHLBank elective director nominee

\_\_\_\_ I am currently a FHLBank elective director

\_\_\_\_ I have been selected to fill a vacant FHLBank elective directorship

2. Print or type your full name:

\_\_\_\_\_

3. List your current employment:

\_\_\_\_\_  
Name of organization

\_\_\_\_\_  
Your title or position

\_\_\_\_\_  
Telephone number

\_\_\_\_\_  
Fax number

\_\_\_\_\_  
E-mail address

\_\_\_\_\_  
Street

\_\_\_\_\_  
City or county

\_\_\_\_\_  
State

\_\_\_\_\_  
Zip code

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Mailing address (if different) street	City or county	State	Zip code
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Name of organization	Your title or position
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Telephone number	Fax number	E-mail address
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Street	City or county	State	Zip code
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Mailing address (if different) street	City or county	State	Zip code
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4. List all current directorships:

<u>Name of Organization</u>	<u>Address (city or county and state)</u>
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Name of member	City or county	State	Your title or position
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Yes   No

3. \_\_\_\_\_ Are you an officer or director of a member located in a state within the FHLBank district?
4. \_\_\_\_\_ Are you an officer or director of a member that meets all applicable minimum capital requirements of its appropriate federal or state regulator?

**A. For each FHLBank member other than credit unions and insurance companies** you serve as an officer or director, provide the following information as of the most recent quarter end:

Name of member's appropriate regulator: \_\_\_\_\_

Member's actual regulatory capital ratios as of _____	Minimum regulatory capital requirements
quarter/year	

_____	% Total Risk-based Capital	_____
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_____	% Tier 1 (Core) Risk-based Capital	_____
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_____	% Leverage Capital (non-OTS regulated members only)	_____
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_____	% Tangible Capital (OTS regulated members only)	_____
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**B. For each credit union FHLBank member** you serve as an officer or director, provide the following information as of the most recent quarter end:

Name of member's appropriate regulator: \_\_\_\_\_

Member's actual regulatory reserves as of _____	Minimum regulatory capital requirements
quarter/year	

_____	% Statutory Reserves* / Risk Assets	_____
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\* Statutory Reserves include the total of the Regular Reserve, the Allowance for Loan Losses Account, and the Allowance for Investment Losses Account.

Provide the following information if the member was required to transfer funds under the National Credit Union Administration's regulatory reserve requirements as of the date noted above:

\$ _____ Gross Income	_____ % Transfer Percent Required
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\$ \_\_\_\_\_ Actual Transfer Amount \_\_\_\_\_ Date of Transfer

C. For each insurance company FHLBank member you serve as an officer or director, provide the following information as of its most recent report:

Name of member's appropriate regulator: \_\_\_\_\_

The member's actual regulatory capital ratios contained in its most recent regulatory financial report filed with its appropriate regulator:

The minimum statutory and regulatory requirements and the capital standards established by the National Association of Insurance Commissioners:

Yes No

5. \_\_\_\_\_ Are you currently serving as an elective FHLBank director?

\_\_\_\_\_ If yes, does the term of office of your directorship expire on or before the last day of the calendar year in which the election is being held?

6. \_\_\_\_\_ Are you currently serving in the third of three terms of office as an elective FHLBank director?

Yes No

7. \_\_\_\_\_ Are you currently serving as an appointive FHLBank director?

I HEREBY CERTIFY that the information provided on this FHLBank Elective Director Eligibility Certification Form and on any attachments is true, correct, and complete to the best of my knowledge.

\_\_\_\_\_  
Signature Date

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ )

Signed and sworn to before me on this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Signature of Notary Public

(Seal)

My commission expires: \_\_\_\_\_

By the Board of Directors of the Federal Housing Finance Board.

Dated: March 25, 1998.

**Bruce A. Morrison,**

*Chairperson.*

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