



No.: 2000-29
Date: June 22, 2000

FEDERAL HOUSING FINANCE BOARD

Rescission of Dividend Policy for the Federal Home Loan Bank System

WHEREAS, section 16(a) of the Federal Home Loan Bank Act (Bank Act) (12 U.S.C. § 1436(a)) formerly provided that dividends could be paid by the Federal Home Loan Banks (Banks) only out of previously retained earnings or current net earnings and then only with the approval of the Federal Housing Finance Board (Finance Board); and

WHEREAS, section 6(g) of the Bank Act (12 U.S.C. § 1426(g)) currently provides that all stock of any Bank shall share in dividend distributions without preference; and

WHEREAS, these statutory dividend provisions formerly were implemented in section 934.17 of the Finance Board regulations (12 C.F.R. § 934.17 (1999)), which provided generally that each Bank's board of directors may, with Finance Board approval, declare and pay a dividend from net earnings, including previously retained earnings, on the paid-in value of capital stock held during the dividend period, and dividends on such stock shall be computed without preference and only for the period such stock was outstanding during the dividend period; and

WHEREAS, dividend payments by the Banks also have been subject to the Finance Board's "Dividend Policy for the Federal Home Loan Bank System" (Dividend Policy) (Resolution Number 90-38, dated March 15, 1990), as well as Finance Board Resolutions approving specific Bank dividend payments, that established specific conditions for approval of such dividend payments, including that the dividend payment would not result in a projected impairment of the par value of the capital stock of the Bank; and

WHEREAS, the Gramm-Leach-Bliley Act (GLB Act) (Pub. L. No. 106-102, 113 Stat. 1338 (Nov. 12, 1999)) amended the Bank Act by removing the requirement in section 16(a) for Finance Board approval of Bank dividend payments, and retaining section 6(g) during a transition period only until the Finance Board has adopted capital regulations and approved capital structure plans of the Banks pursuant to the requirements of the GLB Act; and

WHEREAS, pursuant to the GLB Act, the Finance Board amended its dividend regulation (redesignated as 12 C.F.R. § 917.9) to provide that a Bank's board of directors may declare and pay a dividend only from previously retained earnings or current net earnings, and only if such payment will not result in a projected impairment of the par value of the capital stock of the Bank, and dividends on such capital stock shall be computed without preference (*see* 64 Fed. Reg. 71275 (Dec. 21, 1999); 65 Fed. Reg. 13663 (March 14, 2000)); and

WHEREAS, as a result of the amendments to the dividend regulation, the Dividend Policy is no longer necessary.

NOW, THEREFORE, IT IS RESOLVED that the Finance Board's "Dividend Policy for the Federal Home Loan Bank System" (Resolution Number 90-38, dated March 15, 1990), is hereby rescinded.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Bruce A. Morrison

Bruce A. Morrison
Chairman