



No.: **2001-11**
Date: **June 5, 2001**

FEDERAL HOUSING FINANCE BOARD

Waiver of Compliance with the Minimum Liquidity Requirements of Section 932.8
and the Unsecured Credit Limits of Section 932.9

WHEREAS, Section VI of the Federal Housing Finance Board's (Finance Board) Financial Management Policy (FMP) limits the amount of unsecured credit that a Federal Home Loan Bank (FHLBank) can extend to a single counterparty;

WHEREAS, on December 20, 2000, the Board of Directors of the Finance Board adopted new regulatory limits and reporting requirements for unsecured extensions of credit by the FHLBanks that were intended to supersede the unsecured credit guidelines of Section VI of the FMP and have been codified at 12 C.F.R. § 932.9;

WHEREAS, on December 20, 2000 the Finance Board also established new minimum, contingency liquidity standards for the FHLBanks that were intended to supersede the additional liquidity requirements of Section III.C of the FMP and have been codified at 12 C.F.R. § 932.8;

WHEREAS, the provisions of section 932.8 and 932.9 are related and the requirements that they impose were intended to take effect at the same time, on March 1, 2001;

WHEREAS, on February 28, 2001, at the request of the Chairman of the FHLBank Presidents' Conference, the Finance Board delayed compliance with sections 932.8 and 932.9 until July 2, 2001, to allow the FHLBanks to prepare for the effects of the new credit limits on their investment activity, to reprogram information and tracking systems to conform to the new limits, and for other reasons;

WHEREAS, on March 7, 2001, the Finance Board published in the FEDERAL REGISTER a proposed rule, entitled "Unsecured Credit Limits for Federal Home Loan Banks," to amend section 932.9 by raising the limits on extensions of unsecured credit to government-sponsored enterprises (GSEs), and in addition, to request comments on whether the Finance Board should alter the unsecured credit limits concerning Federal funds transactions with a maturity of one day or less or subject to a continuing contract;

WHEREAS, commenters on the proposed amendment to section 932.9 generally supported raising the limits on extensions of unsecured credit to GSEs and exempting from these limits such Federal funds transactions, and further requested that the Finance Board make additional changes to section 932.9;

WHEREAS, the Finance Board believes that it would benefit from having additional time to consider how best to amend section 932.9 in light of the comments received on its proposed rule, as well as to consider other possible amendments to the unsecured credit limits, and that the FHLBanks would benefit from having additional time to prepare to comply with any further amendments to section 932.9;

WHEREAS, the Finance Board further believes that delaying the effective date of sections 932.8 and 932.9 beyond July 2, 2001 will not present significant safety and soundness concerns, so long as the additional liquidity requirements of Section III.C of the FMP and the unsecured credit guidelines of Section VI of the FMP remain in effect, and that the delay will help ensure an orderly transition to the new unsecured credit limits; and

WHEREAS, further delaying the effective date of sections 932.8 and 932.9 would not be otherwise inconsistent with law, and does not adversely affect any substantial existing rights of any party.

NOW, THEREFORE, IT IS RESOLVED THAT the Board of Directors of the Finance Board pursuant to 12 C.F.R. § 907.2 and for good cause shown, hereby waives compliance with the requirements of sections 932.8 and 932.9 until the earlier of October 1, 2001 or the completion of the current rulemaking process, *i.e.*, the date on which the amendments to the unsecured credit limits for the FHLBanks contained in section 932.9 become effective; and

FURTHER RESOLVED THAT the additional liquidity requirements of Section III.C of the FMP and the unsecured credit guidelines of Section VI of the FMP shall remain in effect until they are superseded by sections 932.8 and 932.9, respectively.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Allan I. Mendelowitz

Allan I. Mendelowitz
Chairman