



No.: **2002-07**

Date: **February 13, 2002**

FEDERAL HOUSING FINANCE BOARD

Review and Approval of Federal Home Loan Bank Capital Structure Plans

WHEREAS, the Federal Home Loan Banks (FHLBanks) have operated for 70 years in accordance with a subscription capital structure, under which the amount of capital held by a FHLBank was not directly related to the degree of credit, market or interest rate risk to which the FHLBank is exposed; and

WHEREAS, Congress enacted the Federal Home Loan Bank System Modernization Act of 1999 (Act) to enhance the safety and soundness of the FHLBank System by replacing the subscription capital requirements with a permanent capital structure and by establishing risk-based capital requirements for the FHLBanks; and

WHEREAS, the Act requires each FHLBank to develop a capital structure plan that provides sufficient permanent capital to offset the risks associated with the business of the FHLBank, which capital structure plan must be approved by the Federal Housing Finance Board (Finance Board); and

WHEREAS, the FHLBanks complied with the Act and the regulations of the Finance Board by submitting proposed capital structure plans to the Finance Board by the October 29, 2001 deadline; and

WHEREAS, the capital regulations further require that the Finance Board approve the internal market risk model and risk assessment procedures and controls developed by each FHLBank before a FHLBank may implement its capital structure plan; and

WHEREAS, the review and approval of the capital structure plans, including the associated market risk models and risk assessment procedures and controls, is a high priority for the Finance Board; and

WHEREAS, the Board of Directors is committed to facilitating the process of reviewing and approving the FHLBanks' capital structure plans and expects that each FHLBank and its board of directors will act with complementary diligence and dispatch in providing any additional information or amendments necessary for Finance Board staff to review and analyze the FHLBank's plan, to ensure compliance with the Act and its implementing regulations, and to recommend approval of its capital plan;

NOW THEREFORE IT IS RESOLVED that the Board of Directors anticipates that the Finance Board staff and the staff, officers and boards of directors of the FHLBanks will work together to complete the individual capital structure plans in an expeditious manner, so that Finance Board staff will be prepared to submit the capital structure plans to the Board of Directors for consideration at an open meeting on the following schedule:

- March 13, 2002 — FHLBank of Seattle;
- May 8, 2002 — FHLBanks of Boston, Pittsburgh and Atlanta;
- June 12, 2002 — FHLBanks of Cincinnati, Dallas, Chicago, and San Francisco;
- July 10, 2002 — FHLBanks of New York, Indianapolis, Des Moines and Topeka.

By the Board of Directors of the
Federal Housing Finance Board

/s/ John T. Korsmo

John T. Korsmo
Chairman