



No.: **2002-27**
Date: **June 12, 2002**

FEDERAL HOUSING FINANCE BOARD

Capital Structure Plan of the Federal Home Loan Bank of Chicago

WHEREAS, the Gramm-Leach-Bliley Act (GLB Act) amended section 6 of the Federal Home Loan Bank Act (Bank Act) in order to enhance the safety and soundness of the Federal Home Loan Bank (Bank) System by replacing the existing subscription capital structure with a permanent capital structure that includes risk-based and leverage capital requirements; and

WHEREAS, the Federal Housing Finance Board (Finance Board) has adopted regulations to implement the capital provisions of the GLB Act, which regulations have established the risk-based and leverage capital requirements for the Banks, as well as the requirements for the capital structure of each Bank; and

WHEREAS, section 6(b) of the Bank Act and the implementing regulations of the Finance Board, 12 C.F.R. § 933.1(a), require the board of directors of each Bank to develop and submit for Finance Board approval a plan to establish and implement a new capital structure for such Bank; and

WHEREAS, the board of directors of the Federal Home Loan Bank of Chicago (Chicago Bank) approved a capital structure plan for the Chicago Bank on May 21, 2002; and

WHEREAS, the Chicago Bank's board of directors in approving the capital structure plan for the Chicago Bank authorized the management of the Chicago Bank to make such further revisions to the Plan required by Finance Board regulations or of a technical or conforming nature prior to their submission to the Finance Board, as management deems necessary; and

WHEREAS, the management of the Chicago Bank submitted a final version of the capital structure plan on May 31, 2002 (Chicago Capital Plan or Plan), which differed from the version approved by the Chicago Bank's board of directors because of technical and conforming changes made thereto; and

WHEREAS, Finance Board regulations preclude a Bank from implementing its capital structure plan until the Finance Board has approved the capital plan, as well as the internal market risk model or the internal cash flow model that the Bank intends to use to calculate the market risk component of the Bank's risk-based capital requirement, and the risk assessment procedures and controls to be used to manage its credit, market, and operation risks, 12 C.F.R. §§ 932.1 and 933.1(a); and

WHEREAS, the Board of Directors has considered the Chicago Capital Plan, its supporting materials, as well as a memorandum from the Office of Policy, Research and Analysis, and the Office of General Counsel that analyzed the Plan and recommends its approval; and

WHEREAS, the Board of Directors has determined that the Chicago Capital Plan meets all statutory and regulatory requirements regarding capital structure, and does not compromise the safety and soundness of the Chicago Bank or of the Bank System;

NOW, THEREFORE, IT IS RESOLVED that the Board of Directors hereby approves the Chicago Capital Plan, pursuant to sections 2B(a)(1) and 6(b) of the Bank Act, 12 U.S.C. §§ 1422b(a)(1) and 1426(b) and 12 C.F.R. § 933.1(c), subject to the terms of this resolution;

IT IS FURTHER RESOLVED that the Chicago Bank's internal market risk model and its risk assessment procedures and controls will be approved pursuant to 12 C.F.R. § 932.1, subject to the right of the Board of Directors to review the approval, in accordance with 12 C.F.R. § 907.7;

IT IS FURTHER RESOLVED that prior to implementing the Chicago Capital Plan, the Chicago Bank shall submit to the Finance Board written confirmation from the independent certified public accountant and the credit ratings organization that have reviewed the initial version of the Chicago Capital Plan in accordance with 12 C.F.R. § 933.3, that they have reviewed the final version of the Chicago Capital Plan and reaffirm their prior determinations that the implementation of the Plan will not cause the Chicago Bank to write down the value of its capital stock nor will it affect the credit rating of the Bank;

IT IS FURTHER RESOLVED that prior to implementing the Chicago Capital Plan, the Chicago Bank shall submit to the Finance Board written confirmation that the full board of directors of the Chicago Bank has ratified the changes made by the Chicago Bank's management to the version of the capital structure plan approved by the board of directors on May 21, 2002;

IT IS FURTHER RESOLVED that in the event that the board of directors of the Chicago Bank exercises its authority under Section 4.02(b)-(c) of the Plan to revise the minimum dollar amount of, or the applicable percentage used to calculate, any stock purchase requirement, then the Chicago Bank shall promptly notify the Finance Board of such changes.

By the Board of Directors of the
Federal Housing Finance Board

/s/ John T. Korsmo

John T. Korsmo
Chairman