



No.: **2002-29**
Date: **June 12, 2002**

FEDERAL HOUSING FINANCE BOARD

Capital Structure Plan of the Federal Home Loan Bank of Cincinnati

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 Cincinnati (Cincinnati Bank) approved on June 6, 2002 a capital structure plan for the Cincinnati Bank dated June 3, 2002 (Cincinnati Capital Plan or Plan), and has submitted the Plan to the Finance Board; and

WHEREAS, Finance Board regulations preclude a Bank from implementing its capital 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 Cincinnati 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 Cincinnati Capital Plan meets all statutory and regulatory requirements regarding capital structure, and does not compromise the safety and soundness of the Cincinnati Bank or of the Bank System;

NOW, THEREFORE, IT IS RESOLVED that the Board of Directors hereby approves the Cincinnati 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 Cincinnati 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 Cincinnati Capital Plan, the Cincinnati 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 Cincinnati Capital Plan in accordance with 12 C.F.R. § 933.3, that they have reviewed the final version of the Cincinnati Capital Plan and reaffirm their prior determinations that the implementation of the Plan will not cause the Cincinnati 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 in the event that the board of directors of the Cincinnati Bank exercises its authority under Article VI.4.a(i) and Schedule A of the Plan to revise the applicable percentage used to calculate the amount of Membership Stock each member is required to hold, or under Article VI.4.a(iii) to revise the Minimum or Maximum Allocation Percentages, then the Cincinnati 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