Waivers Concerning Preparation of Combined Financial Reports

WHEREAS, under section 2A of the Federal Home Loan Bank Act (12 U.S.C § 1422a(a)(3)(B)(iii)), the Federal Housing Finance Board (Finance Board) is responsible for ensuring that the Federal Home Loan Banks (Banks) remain adequately capitalized and able to raise funds in the capital markets;

WHEREAS, part 966 of the Finance Board regulations authorizes the Banks’ Office of Finance (OF) to issue consolidated obligations on behalf of the Banks for which the Banks are jointly and severally liable (12 C.F.R. § 966.2(b));

WHEREAS, the Finance Board has directed the OF to prepare and distribute combined financial reports in conjunction with the offering and sale of consolidated obligations and for other purposes (12 C.F.R. § 985.3(b));

WHEREAS, to enhance the disclosures made by the Banks to their members and by the OF to investors in consolidated obligations and to the public, the Finance Board requires each Bank voluntarily to register a class of its stock with the Securities and Exchange Commission (SEC) (12 C.F.R. part 998);

WHEREAS, as part of the process of registering a class of their stock with the SEC, six Banks determined that they would have to restate previously issued financial statements, going back to 2001 in some cases, and one Bank earlier had determined that it had to restate its financial statements;

WHEREAS, in light of the then-pending restatements by these Banks, the OF determined that it could no longer rely on previously issued combined financial reports and that it would not provide further combined financial reports until all restatements were complete and all Banks were effective SEC registrants;

WHEREAS, the last of the Banks became an SEC registrant in August 2006, all Banks now are current in their SEC continuous disclosure, and the OF has prepared audited annual combined financial reports for 2005 and 2006;
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WHEREAS, Finance Board regulations require the OF to timely prepare and issue Bank System annual and quarterly combined financial reports that generally are consistent with the requirements of the SEC Regulations S-K and S-X (12 C.F.R. §§ 985.3(b) and 985.6(b)) and to obtain an audit and audit report of the annual combined financial reports (12 C.F.R. § 989.2(b));

WHEREAS, the OF has requested that the Finance Board waive its rules that require the OF to prepare:

- An audited 2004 S-K/S-X Compliant annual combined financial report;


- Quarterly unaudited S-K/S-X Compliant combined financial reports for the third quarter of 2004 through the third quarter of 2006; and

- Restated quarterly unaudited S-K/S-X Compliant combined financial reports from the first quarter of 2001 through the second quarter of 2004;

WHEREAS, based on the information provided by the OF, staff believes that the monetary and non-monetary costs of preparing and auditing all of the financial information required to publish the outstanding combined financial reports would be substantial, and would outweigh the benefits likely to result from doing so; and

WHEREAS, staff recommends that the Board of Directors grant the OF's waiver request for good cause under 12 C.F.R. part 907.

NOW, THEREFORE, IT IS RESOLVED that the following regulations are waived, with respect to the time periods and the financial reports described herein:

- 12 C.F.R. § 985.3(b), which requires the OF to prepare combined financial reports in a timely manner.

- 12 C.F.R. § 985.6(b), which requires the OF to prepare and distribute combined financial reports and sets forth criteria for the form and content of these reports.

- 12 C.F.R. § 989.2(b), which requires the OF to obtain an annual audit on the combined financial reports.

- The Appendix to 12 C.F.R. part 985, which sets forth additional criteria for the scope and content of the combined financial reports.
IT IS FURTHER RESOLVED that this waiver is subject to the following conditions:

- The OF must retain on its website the previously issued combined financial reports with appropriate disclaimers for 2001, 2002, and 2003.

- The OF must place on its website “core” financial statements and combining schedules for 2001, 2002, and 2003. This information must be prepared in accordance with generally accepted accounting principles in the United States (GAAP), but need not have an accompanying audit report because the financial information does not contain a full set of footnotes.

- The OF must prepare and post on its website unaudited GAAP compliant 2004 core financial statements, together with applicable combining schedules, a range of footnotes, and a “financial discussion and analysis” section acceptable to the Director of the Office of Supervision.

- The Director of the Office of Supervision must preapprove any notices, press releases, or disclaimers the OF prepares in connection with complying with the conditions of these waivers.

By the Board of Directors
of the Federal Housing Finance Board

Ronald A. Rosenfeld
Chairman