



REGULATORY INTERPRETATION 2000-RI-15

Date: September 8, 2000

Subject: Election of Directors of the Federal Home Loan Bank of Atlanta

Request Summary:

The Federal Housing Finance Board (Finance Board) has received a number of inquiries concerning recent amendments to its regulations pertaining to the election of Federal Home Loan Bank (Bank) directors. Because of those inquiries, the Finance Board has determined to provide to each Bank written guidance on how the amendments are to be applied to the Bank, which is the purpose of this regulatory interpretation.

Background:

On June 23, 2000, the Board of Directors of the Finance Board adopted a final rule implementing the amendments made by the Gramm-Leach-Bliley Act, Pub. L. No. 106-102, 133 Stat. 1338 (Nov. 12, 1999) (GLB Act), regarding the election of directors of the Banks. 65 Fed. Reg. 41560 (July 6, 2000) (final rule). The final rule, which took effect on August 7, 2000, addresses the status of the 1999 director elections conducted by each Bank and how the terms of the elected directors are to be adjusted in order to stagger the board of directors, as required by the GLB Act.

Analysis and Interpretation:

The final rule includes a matrix for the Atlanta Bank, which indicates that only three of the four elected directorships with terms commencing on January 1, 2001 shall have a full three-year term. The remaining directorship is to be assigned a two-year term. The matrix further indicates that only three of the five elected directorships with terms commencing on January 1, 2002 may have a full three-year term; the other two directorships must have a one-year term. Of those directorships that are to be assigned a one-year term, the matrix further indicates that one shall be from North Carolina. The final rule assigns to the board of directors of the Atlanta Bank the responsibility for determining, as to the class commencing on January 1, 2001, which state shall be assigned the directorship with a two-year term and, as to the class commencing on January 1, 2002, which state shall be assigned the directorship with the one-year term. The board may make those determinations on any reasonable basis. Accordingly, the first action that the board of directors of the Atlanta Bank must take under the final rule is to assign a two-year term to one

of the four states for which an elected directorship is to commence on January 1, 2001, *i.e.*, the District of Columbia, Alabama, South Carolina, or Virginia, and to assign a one-year term to one of the four states for which an elected directorship is to commence on January 1, 2002, *i.e.*, Florida, Georgia, Maryland, or North Carolina. 12 C.F.R. § 915.17(a)(3), *as amended*.

After assigning the directorships with a reduced term among those states, the board of directors next must determine the manner in which to fill the Bank directorships that have terms commencing on January 1, 2001. The final rule requires the Bank to conduct a new election for those directorships only if, for any state, there are not enough eligible candidates remaining from the 1999 election for that state (*i.e.*, those candidates who remain eligible to serve as a Bank director) to fill all of the elected directorships for that state that are to commence on January 1, 2001. Thus, the Bank must first determine whether the number of candidates from each state in the 1999 election who remain eligible to serve equals or exceeds the number of directorships for that state that are to commence on January 1, 2001. If so, then no new election is required. If not, then the Bank must conduct a new election for that state in 2000, in which election all directorships from that state that commence on that date would be included.

If no new election is required, then the board of directors, in its discretion, may determine whether to conduct new elections in 2000 (which would have to be for all states in which an elected directorship commences on January 1, 2001) or to declare elected those candidates who were elected in the 1999 elections, after confirming their eligibility to serve. Ordinarily, the election results (either from the 1999 election or from a new election) would be used to determine which directors within a particular state are to be assigned to a reduced term, as well as which are to be assigned to a non-guaranteed directorship. Because none of the four states with directorships commencing on January 1, 2001 has more than one directorship, the allocation of reduced terms or non-guaranteed directorships is not an issue for this class of directors.

With regard to the directorships that are to be filled in the 2001 election, and assuming no change to the designation of directorships among the states, of the two North Carolina directorships the director-elect who receives the most votes must be assigned the guaranteed directorship, the term of which is to be either one or three years, as determined this year by the board of the Bank, as described above. The director-elect from North Carolina who receives the second most votes must be assigned to the non-guaranteed directorship, which is to have a one-year term.

A Regulatory Interpretation applies only to the particular transaction or activity proposed by the requestor, may be relied upon only by the requestor, and is subject to modification or rescission by action of the Board of Directors of the Finance Board. 12 C.F.R. part 907.