REGULATORY INTERPRETATION 2000-RI-13

Date: September 8, 2000

Subject: Election of Directors of the Federal Home Loan Bank of New York

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 New York Bank, which indicates the duration of the term to be assigned to each elected directorship and whether the directorship is to be guaranteed or non-guaranteed. Of the seven elected directorships with terms commencing on January 1, 2001, four are to have a full three-year term (one of which is non-guaranteed) and the remaining three are to have a two-year term. Of the four elected directorships with terms commencing on January 1, 2002, each is to have a full three-year term (and one of which is non-guaranteed).

The first action that the board of directors of the New York Bank must take under the final rule with regard to its elected directorships is to determine the manner in which to fill those 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. If the board of directors were to adopt the results of the 1999 election, those results also 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. If the board were to conduct new elections in 2000, it would use the results from those elections to assign reduced terms and non-guaranteed directorships.

Assuming that the board of directors were to adopt the 1999 election results for each state, and that each of the directors-elect were to remain eligible, then Mr. Abt, Mr. Bowers, and Mr. Doherty each would be awarded a guaranteed directorship from New York, with terms of three, two, and two years, respectively. Mr. Toal would be awarded a non-guaranteed directorship with a term of three years. Mr. Garbarino and Mr. James each would be awarded a guaranteed directorship from New Jersey, with terms of three and two years, respectively, and Mr. Levis would be awarded a guaranteed directorship from Puerto Rico with a three-year term. With respect to the directorships that are to commence on January 1, 2002, and assuming no change in the designation of directorships among the states, the director-elect from New York who receives the most votes in the 2001 election, as well as the directors-elect from New Jersey who receive the most and second most votes, must be assigned a guaranteed directorship for their respective state, each of which is to have a term of three years. The director-elect from New York who receives the second most votes must be assigned a non-guaranteed directorship, which also would have a term of three years.