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**FEDERAL HOUSING FINANCE AGENCY**

**12 CFR Parts 1200, 1201, 1229, 1238, 1239, 1261, 1264, 1266, 1267, 1269, 1270, 1273, 1274, 1278, 1281, 1290, and 1291**

**RIN 2590-AA80**

**Technical and Conforming Changes and Corrections to FHFA Regulations**

**AGENCY:** Federal Housing Finance Agency.

**ACTION:** Notice of proposed rulemaking; request for comments.

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**SUMMARY:** The Federal Housing Finance Agency (FHFA) proposes to amend its rules to make a number of conforming changes and corrections intended to fix citations, provide for consistent use of terminology, and remove outdated or duplicative rule provisions and definitions. FHFA also proposes to remove provisions that FHFA believes are no longer applicable, clarify other provisions by incorporating language that would implement existing FHFA regulatory interpretations, and make other changes and corrections.

**DATES:** Written comments must be received on or before [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit your comments, identified by Regulatory Information Number (RIN) 2590-AA80, by any of the following methods:

- Agency Web site: [www.fhfa.gov/open-for-comment-or-input](http://www.fhfa.gov/open-for-comment-or-input).

- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for submitting comments. If you submit your comment to the Federal eRulemaking Portal, please also send it by email to FHFA at [RegComments@fhfa.gov](mailto:RegComments@fhfa.gov) to ensure timely receipt by the FHFA. Please include “Comments/RIN 2590–AA80” in the subject line of the submission.
- Courier/Hand Delivery: The hand delivery address is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2590–AA80, Federal Housing Finance Agency, 400 Seventh Street, SW., Eighth Floor, Washington, DC 20219. Deliver the package to the Seventh Street entrance Guard Desk, First Floor, on business days between 9 a.m. and 5 p.m.
- U.S. Mail, United Parcel Service, Federal Express, or Other Mail Service: The mailing address for comments is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2590–AA80, Federal Housing Finance Agency, 400 Seventh Street, SW., Eighth Floor, Washington, DC 20219.

**FOR FURTHER INFORMATION CONTACT:** Thomas E. Joseph, Associate General Counsel, [Thomas.Joseph@fhfa.gov](mailto:Thomas.Joseph@fhfa.gov), 202-649-3076 (this is not a toll-free number), Office of General Counsel, Federal Housing Finance Agency, 400 Seventh Street, SW., Washington, DC 20219. The telephone number for the Telecommunications Device for the Hearing Impaired is 800-877-8339.

**SUPPLEMENTARY INFORMATION:**

**I. Comments**

FHFA invites comments on all aspects of this proposed rule. After considering all comments, FHFA will issue a final rule. FHFA will post without change copies of all

comments received on the FHFA website at <http://www.fhfa.gov>, and will include any personal information you provide, such as your name, address, email address, and telephone number. FHFA will make copies of all comments timely received available for examination by the public on business days between the hours of 10 a.m. and 3 p.m., at the Federal Housing Finance Agency, 400 Seventh Street, SW., Eighth Floor, Washington, DC 20219. To make an appointment to inspect comments, please call the Office of General Counsel at 202-649-3804.

## **II. Background**

Effective July 30, 2008, the Housing and Economic Recovery Act of 2008 (HERA)<sup>1</sup> created FHFA as a new independent agency of the federal government. HERA transferred to FHFA the supervisory and oversight responsibilities of the Office of Federal Housing Enterprise Oversight (OFHEO) over the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, Enterprises), and of the Federal Housing Finance Board (Finance Board) over the Federal Home Loan Banks (Banks) and the Bank System's Office of Finance. Under the legislation, the Enterprises, the Banks, and the Office of Finance continue to operate under regulations promulgated by OFHEO and the Finance Board until such regulations are superseded by regulations issued by FHFA.<sup>2</sup>

## **III. The Proposed Rule**

### **A. The Proposed Amendments**

Since 2008, FHFA has amended, readopted, and transferred a number of the Finance Board or OFHEO regulations. Given that this process has occurred over several

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<sup>1</sup> Pub. Law No. 110-289, 122 Stat. 2654.

<sup>2</sup> See 12 U.S.C. 4511, note.

years, not all cross-references in the current FHFA regulations continue to be correct. In addition, in January 2013, FHFA adopted 12 CFR part 1201 (part 1201), which provides general definitions of terms used in all FHFA's regulations. Not all terminology in FHFA's regulations is consistent with the terms in part 1201. FHFA has also identified certain provisions in its regulations that require corrections to bring them more in line with statutory mandates. Finally, a number of provisions in the current regulations apply to now-completed transition periods or events or otherwise would not have future applicability to the Enterprises or the Banks. As a result, FHFA can remove these provisions from its regulations.

Accordingly, FHFA proposes to amend its regulations to make a number of technical and conforming changes and corrections that would fix citations, provide for consistent use of terminology, and remove outdated or duplicative provisions and definitions. While most of these changes represent technical corrections, some of the proposed changes would remove provisions that FHFA believes are no longer applicable, clarify provisions to incorporate existing FHFA regulatory interpretations of the particular rule, or change provisions to better reflect statutory requirements. As a result, FHFA has determined to request public comments on all of the proposed changes. A brief description of the amendments FHFA is proposing for specific parts of its regulations follows.

Part 1200 – Organization and Functions. FHFA proposes to add to part 1200 new § 1200.4, which would set forth information the agency is required to be displayed under the Paperwork Reduction Act of 1995 (PRA).<sup>3</sup> Among other things, the PRA and the implementing regulations of the Office of Management and Budget (OMB) generally

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<sup>3</sup> 44 U.S.C. 3501-3531.

require that each collection of information display a currently valid OMB control number and expiration date, as well as a statement informing persons to whom the collection is addressed that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.<sup>4</sup> In the case of collections of information contained in regulatory provisions, an agency may display the OMB control numbers and expiration dates associated with all such collections, as well as the required PRA statement, in a single CFR section.<sup>5</sup>

Proposed § 1200.4 displays the required PRA statement and includes a table listing all sections of FHFA’s regulations that contain a collection of information and displaying, for each section, the OMB control number assigned to the collection of information contained therein, as well as the expiration date for each control number. A similar table addressing most of the same collections of information appeared in the regulations of the Finance Board, but was inadvertently omitted when FHFA transferred a number of administrative provisions from the former agency’s regulations to its own in 2012.

Part 1201 – General Definitions. FHFA proposes to amend the definition of “Bank System” to reflect that following the merger of the Des Moines and Seattle Banks, there are no longer twelve Banks. FHFA also proposes to add to § 1201.1 a new definition for the term “president,” when the term is used in a regulation to refer to an officer of a Bank, to mean a Bank’s principal executive officer. The new definition would account for the possibility that a Bank might identify its principal executive officer

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<sup>4</sup> 44 U.S.C. 3506(c)(1)(B); 5 CFR 1320.8(b).

<sup>5</sup> See 12 CFR 1320.3(f); 1 CFR 21.35.

by a title other than president and helps define by function, and not only by title, to which Bank executive officer FHFA intends to refer in a particular regulatory provision.

Part 1229 – Capital Classifications and Prompt Corrective Action. FHFA proposes to change the definition of “new business activity” in § 1229.1 to correct the citation to the new business activity regulation, which is now found at 12 CFR part 1272, and provide that “new business activity” has the same meaning set forth in § 1272.1. The proposed rule would also amend the definition of “total capital” to remove language that applied only to Banks that had not yet issued Class A or Class B stock, as required by the Gramm-Leach-Bliley Act (GLB Act). Given that all Banks have now converted to the GLB Act capital structure, the language that FHFA proposes to remove no longer has any effect.

FHFA also proposes to amend § 1229.6, which addresses mandatory restrictions that apply to “undercapitalized” Banks, to incorporate the substance of a regulatory interpretation that had addressed the circumstances under which an undercapitalized Bank may make capital distributions, such as through the payment of dividends or the repurchase or redemption of its capital stock. By statute, a Bank may not make any capital distribution if, after doing so, the Bank would be undercapitalized. The statute also includes an exception, under which a Bank may repurchase or redeem its capital stock if the Director of FHFA (Director) has determined that the transaction would be made in connection with the issuance of other capital instruments of at least an equivalent amount and would improve the entity’s financial health.<sup>6</sup> FHFA’s regulations restate that statutory exception.<sup>7</sup> The proposed rule would incorporate the substance of Regulatory

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<sup>6</sup> See 12 U.S.C. 4614(e).

<sup>7</sup> See 12 CFR 1229.5(b).

Interpretation 2009-RI-03 (December 14, 2009), which had made clear that a Bank that already is undercapitalized (as opposed to one that would become undercapitalized as a result of the capital distribution) cannot redeem or repurchase its stock unless it can satisfy the statutory exception described above. The proposed rule would amend the current § 1229.6(a)(3) to state explicitly that a Bank that has been designated as undercapitalized may not make any capital distribution unless it has satisfied the requirements of the § 1229.5(b) exemption. The proposed rule also would retain the other provisions of the existing regulation, which require that any capital distribution not result in the Bank becoming significantly undercapitalized or critically undercapitalized, and not otherwise violate any restrictions on repurchase or redemption of Bank stock or payments of dividends set forth in the Federal Home Loan Bank Act “Bank Act” or FHFA’s regulations.

FHFA also proposes to correct a cross-reference in § 1229.7(a) which now reads “§ 1229.7 and § 1229.8” and should read “§§ 1229.8 and 1229.9”.

Part 1238 – Stress Testing of Regulated Entities. FHFA proposes to replace the existing references in § 1238.1 to “the Federal Housing Finance Agency,” “the Federal Housing Enterprises Financial Safety and Soundness Act of 1992,” and “the Federal Home Loan Bank Act” with a shorter form for each of the terms, as now defined by part 1201. FHFA also proposes to remove from the definition section of § 1238.2, three terms that part 1201 already defines, given that the definitions of these terms in part 1238 are now duplicative.

Part 1239 – Responsibilities of Boards of Directors, Corporate Practices, and Corporate Governance. FHFA proposes to amend provisions in 12 CFR part 1239 related

to Bank audit committees to correct the current FHFA regulation to conform with statutory requirements set forth in section 38(b) of the Securities Exchange Act of 1934 (1934 Act).<sup>8</sup> Section 38(b) of the 1934 Act specifically directs each Bank to comply with the rules issued by the Securities and Exchange Commission (SEC) under section 10A(m) of the 1934 Act.<sup>9</sup> In turn, section 10A(m) of the 1934 Act requires the SEC by rule to direct national securities exchanges and national securities associations to prohibit the listing of any company that does not comply with the standards established by the SEC in the regulation. Section 10A(m) also establishes certain minimum standards for audit committees related to the independence of committee members and the responsibility of the committee for the oversight of the external auditor and the work performed by the auditor as well as other matters. In 2003, the SEC adopted Rule 10A-3, 17 CFR 240.10A-3, to implement section 10A(m) of the 1934 Act.<sup>10</sup>

While the SEC rules apply to national securities exchanges and national securities associations and set minimum requirements for listed companies on exchanges, FHFA's judgment is that, because section 38(b) of the 1934 Act separately directs the Banks to comply with these rules, the Banks' audit committees also should be subject to these requirements, even though Bank stock is not listed on any exchange. As a result, FHFA is proposing to amend its regulation regarding Bank audit committees so that it conforms to the minimum standards adopted by the SEC.

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<sup>8</sup> 12 U.S.C. 7800(b). Section 38 was added to the 1934 Act by HERA. When FHFA recently amended and readopted Bank audit committee requirements in part 1239 of its regulations, it carried over pre-HERA Finance Board requirements related to a Bank's audit committee charters and responsibilities without substantive change. See Final Rule: Responsibilities of Boards of Directors, Corporate Practices and Corporate Governance Matters, 80 FR 72327, 72335 (Nov. 19, 2015).

<sup>9</sup> 12 U.S.C. 78j-1(m). The Sarbanes-Oxley Act added subsection (m) to section 10A of the 1934 Act. Pub. L. 107-204, section 301, 116 Stat. 775-777 (2002).

<sup>10</sup> See, Final Rule: Standards Related to Listed Company Audit Committees, 68 FR 18788 (Apr. 16, 2003).

Thus, the proposed amendments would add a requirement that the audit committee charter vest in the audit committee direct responsibility for the appointment, compensation, retention, and oversight of the work of the external auditor and provide that the external auditor report directly to the audit committee.<sup>11</sup> The amendments would also require that the charter provide for a Bank to make available appropriate funding, as determined by the audit committee, for the payment of compensation to the external auditor, to any independent advisors or counsel engaged by the audit committee, and for ordinary administrative expenses that are necessary or appropriate for the audit committee to carry out its duties.<sup>12</sup>

The proposed rule would also add to the list of Bank audit committee duties in the existing FHFA regulation new § 1239.4(e)(10), which would give the audit committee responsibility for establishing procedures for the receipt and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, and for the confidential, anonymous submission by Bank employees of concerns regarding questionable accounting or auditing matters.<sup>13</sup> Further, the proposed amendments would remove from this list of specific duties, the provision directing a Bank's audit committee to make recommendations to the full board of directors on the appointment, compensation, and retention of the external auditor, given that the proposal already would vest in the audit committee direct responsibility for these matters.

Because other provisions of existing regulations already require all regulated

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<sup>11</sup> See 15 U.S.C. 78j-1(m)(2) and 17 CFR 240.10A-3(b)(2). In adopting this specific provision, the SEC noted that the rule was not intended to conflict with any requirement under a company's governing laws or documents and discussed how the provision should be interpreted when a conflict existed. See *id.* at 18796-97. FHFA does not believe that any such conflict exists with regard to the Bank audit committees, given that Banks are chartered under federal law and federal law specifies that the minimum standards adopted in the SEC rule apply to the Banks.

<sup>12</sup> See 15 U.S.C. 78j-1(m)(6) and 17 CFR 240.10A-3(b)(5).

<sup>13</sup> See 15 U.S.C. 78j-1(m)(4) and 17 CFR 240.10A-3(b)(3).

entity committees to have the authority to engage staff, outside counsel, independent accountants, or other consultants, as needed to carry out their responsibilities, FHFA is not proposing to amend the audit committee provisions of § 1239.32 to address that same topic, even though the 1934 Act and SEC rules pertaining to audit committees specifically address that topic.<sup>14</sup> Although, section 10A(m) of the 1934 Act also establishes independence requirements for audit committee members, FHFA is not proposing to apply those requirements to the Banks, but instead will retain the existing provisions, which establish independence requirements that reflect the unique cooperative structure of the Banks. Other provisions of the Bank Act address the size and composition of boards of directors for the Banks and contemplate that a majority of the board will be “member directors,” *i.e.*, persons who typically are executive officers of depository institutions that are members, and hence customers, of the Banks. Because Congress has effectively required that a majority of a Bank’s board of directors be drawn from the ranks of the Bank’s customers, it is possible, and indeed likely, that multiple members of a Bank’s board of directors will have substantial business relationships with the Bank, which is the essence of a cooperative institution. Recognizing that fact, FHFA’s existing regulations establish independence requirements for Bank audit committees that are consistent with the Bank Act, in that they are intended to promote the exercise of independent and objective judgment by audit committee members, but are also tailored to be consistent with the provisions of the Bank Act that have established the

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<sup>14</sup> This SEC requirement is found at 15 U.S.C. 78j-1(m)(5) and 17 CFR 240.10A-3(b)(4). Section 1239.4(d) of the FHFA regulation authorizes any committee of a Bank’s board of directors, which would include the audit committee, to engage at the expense of the Bank, staff, outside counsel, independent accountants, or consultants as needed to carry out its duties. See 12 CFR 1239.4(d).

Banks as cooperative institutions.<sup>15</sup>

Part 1261 – Federal Home Loan Bank Directors. FHFA is proposing a number of revisions to subpart B of part 1261, which governs the eligibility and election of the Banks' boards of directors, to correct unintended errors and omissions arising from earlier rulemakings, as well as to remove obsolete provisions.

In § 1261.2, FHFA proposes to add a definition for the term “Advisory Council” and to define the term to mean the Advisory Council each Bank is required to establish pursuant to section 10(j)(11) of the Bank Act (12 U.S.C. 1430(j)(11)) and part 1291. The proposed definition is identical to the definition of “Advisory Council” that would appear in § 1290.1, as revised by this proposed rule.

FHFA proposes to remove from the definition of “member directorship” in § 1261.2 the concluding phrase, which specifies that the term “includes guaranteed directorships and stock directorships,” and to remove in its entirety the definition of “stock directorship.” The definition of “guaranteed directorship” was removed from the regulation in 2009. The references to “guaranteed directorships” and “stock directorships” in § 1261.2, as well as those in §§ 1261.4(b) and 1261.8(c) (discussed below), are the last vestiges of a former regulatory regime that made distinctions between different types of member directorships (previously called “elective directorships”) as a means of determining the specific directors who would relinquish their seats if the Bank System regulator ordered a Bank's board to eliminate directorships representing a particular state. Those terms and the distinctions they represent are no longer connected to any substantive requirement of the regulation or to any policy or practice of FHFA

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<sup>15</sup> See 12 CFR 1239.32(c). See, also, Proposed Rule: Responsibilities of Boards of Directors, Corporate Practices and Corporate Governance Matters, 79 FR 4414, 4417-18, 4420-21 (Jan. 28, 2014).

and, therefore, the remaining references to them should be removed.

To explain more fully, the Bank Act authorizes the Director to establish the size and composition of each Bank's board of directors.<sup>16</sup> The regulations provide that the Director will determine annually the total number of directorships, as well as the relative number of member directorships and independent directorships, that each Bank's board of directors will comprise in the following calendar year.<sup>17</sup> The Bank Act also requires the Director annually to allocate the member directorships among the states of each Bank district in proportion to the relative amounts of Bank stock that all of the members in each state were required to hold as of the end of the preceding calendar year.<sup>18</sup> As a general matter, each state is entitled to have at least one member directorship, or the number of member directorships allocated to it in 1960 if greater.<sup>19</sup> In any given year, it is possible that the designation of directorships process can result in a state that currently has more than the minimum number of member directorships guaranteed to it under the statute losing a directorship for the following year.<sup>20</sup> When this occurs, a decision must be made about which individual member director must relinquish his or her directorship. Prior regulatory regimes addressed this issue by designating each member directorship as a "guaranteed directorship," a "stock directorship," or a "discretionary directorship," and requiring each Bank's board to specify which individuals occupied each of those types of

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<sup>16</sup> See 12 U.S.C. 1427(a)-(c). The statute provides that each Bank is to have a board of 13 directors, "or such other number as the Director determines appropriate." 12 U.S.C. 1427(a)(1). Because of the interrelationship of the other statutory provisions governing the composition of Bank's boards, in most cases it is not possible for the size of a Bank's board of directors to be as small as 13. It further specifies that a majority of each Bank's board of directors must be "member directors," while not less than 40 percent must be "independent directors." 12 U.S.C. 1427(a)(2).

<sup>17</sup> 12 CFR 1261.3(a).

<sup>18</sup> See 12 U.S.C. 1427(c).

<sup>19</sup> 12 U.S.C. 1427(c). The grandfather provision does not apply to the allocation of member directorships to the board of a Bank created as a result of the merger of two or more predecessor Banks.

<sup>20</sup> The regulation provides that, when the annual designation of directorships results in the elimination of an existing member directorship for a state, the directorship shall be deemed to terminate as of December 31 of that year. See 12 CFR 1261.4(e).

directorships.<sup>21</sup> An individual occupying a “stock” or “discretionary” directorship could be required to leave the board if the annual designation of directorships eliminated a member directorship for that state. Individuals occupying a “guaranteed directorship” could not be required to relinquish their seats under those circumstances. During that time, the regulations also set forth criteria for determining which individuals should be assigned to each type of member directorship, generally requiring that nominees receiving the greatest number of votes were to be assigned to guaranteed directorships, with directors who received fewer votes being assigned to the non-guaranteed directorship, assuming both types of directorships were to be filled in the same election.

Prior to the enactment of HERA in 2008, the Finance Board had removed most of those substantive regulatory provisions.<sup>22</sup> After HERA repealed the provisions authorizing “discretionary directorships,” FHFA removed the references to those directorships from its regulations.<sup>23</sup> In 2009, FHFA also removed the definition of “guaranteed directorship” from the regulations, although that appears to have been done in error.<sup>24</sup> Since HERA, FHFA has not distinguished between “guaranteed directorships” and “stock directorships” when the designation of directorships process requires the elimination of a member directorship. In such cases, if the affected state has a member directorship scheduled to expire at the end of the year, FHFA has required that the Bank eliminate that directorship. If a state has no expiring member directorships, then FHFA has required the Bank’s board of directors to decide which specific seat is to be

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<sup>21</sup> Prior to the enactment of the HERA amendments, the Bank Act generally set the number of directors on each Bank’s board at 14—8 elective directors and 6 appointive directors – but authorized the Bank System regulator, in its discretion, to add additional seats to the boards of Banks in districts comprising more than five states. See 12 U.S.C. 1427(a) (2001). In its regulation on Bank directors, the Finance Board referred to these additional directorships as “discretionary directorships.”

<sup>22</sup> See 72 FR 15627 (Apr. 2, 2007).

<sup>23</sup> See 73 FR 55710 (Sept. 26, 2008).

<sup>24</sup> See 74 FR 51452 (Oct. 7, 2009).

eliminated. For these reasons, the references to “guaranteed directorships” and “stock directorships” are no longer necessary and, accordingly, should be removed to avoid any implication that FHFA still applies those concepts in practice.

FHFA is also proposing to make a clarifying revision to the definition of “Public interest directorship” by replacing the words “four years experience” with the words “four years of experience.”

Section 1261.3(b) currently provides that, in most cases, the “term of office of each directorship commencing on or after January 1, 2009 shall be four years.” FHFA proposes to remove from that provision the obsolete qualifying phrase “commencing on or after January 1, 2009.” That qualifier was originally included to make clear that only those full terms beginning after the HERA amendments to the Bank Act increased the length of directorship terms from three to four years would run for four years. Because all directorship terms that commenced prior to January 1, 2009 have now expired, it is no longer necessary to distinguish between terms that began before and after the enactment of the HERA amendments terms going forward. In § 1261.3(e), FHFA proposes to revise two incorrect references to dates specified in or pursuant to “this part” to refer correctly to those specified in or pursuant to “this subpart.”

FHFA proposes to make several revisions to § 1261.4, which deals with the designation of member directorships. First, FHFA proposes to replace the existing heading for paragraph (a), which reads “Determination of voting stock,” with a new heading, which would read “Capital stock reports.” While § 1261.4(a) requires each Bank to provide to FHFA a capital stock report indicating, among other things, the number of shares of Bank stock that each of its members was required to hold as of the

defined record date, the provision does not actually address the determination of voting stock (that topic is addressed in § 1261.6). The new heading more accurately reflects the subject matter of § 1261.4(a). In conjunction with its proposal to remove references to the obsolete terms “guaranteed directorship” and “stock directorship” from § 1261.2, FHFA also proposes to remove from the heading for § 1261.4(b), which currently reads “Designation of member directorships as stock directorships,” the reference to “stock directorships.”

FHFA also proposes to remove from § 1261.4(a)(2) and (b) language that specifies how Banks that had not converted to the capital structure established by the GLB Act were to determine the minimum amount of Bank stock that each member must own. Given that all Banks have now converted to the GLB Act capital structure, there is no longer any need for these provisions. For consistency with other provisions in subpart B, FHFA also proposes to replace the phrase “December 31 of the preceding calendar year” that appears in § 1261.4(b) with the term “record date” — a contextually synonymous term that is defined in existing § 1261.2 to mean “December 31 of the calendar year immediately preceding the election year.”

In § 1261.5, FHFA proposes to remove the paragraph designated as “(2)” that appears at the end of the section, immediately following § 1261.5(e), as no longer relevant. FHFA intended to remove that paragraph as part of a 2010 rulemaking, but inadvertently failed to include its removal in the amendatory instructions.<sup>25</sup>

In § 1261.6(b), which specifies how Banks are to determine the number of votes each member may cast in an election for directors, FHFA proposes to remove obsolete

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<sup>25</sup> See Proposed Rule: Federal Home Loan Banks Boards of Directors: Eligibility and Elections, 74 FR 62708, 62709 (Dec. 1, 2009); and Final Rule: Federal Home Loan Bank Directors’ Eligibility, Elections, Compensation and Expenses, 75 FR 17037 (Apr. 5, 2010).

language regarding the treatment of Banks that have not yet converted to the capital structure established by the GLB Act that is similar to the language it is proposing to remove from § 1261.4(a)(2) and (b).

In § 1261.7(a), which includes introductory text followed by five paragraphs numbered (1) through (5), FHFA proposes to remove the designation “(1)” that was mistakenly inserted preceding the introductory text. FHFA proposes to remove from both § 1261.7(d)(1)(i) and (e)(2) the words “four years experience” and, in both cases, to replace those words with the words “four years of experience.” In § 1261.8(a), which addresses the requirements for ballots in elections for Bank directors, FHFA proposes to re-insert the introductory paragraph to § 1261.8(a)(1), which was mistakenly removed in a 2009 rulemaking.<sup>26</sup> That paragraph would precede the paragraphs designated as (a)(1)(i) through (v) and would state that a ballot shall include at least the following provisions. While FHFA is only proposing to add the introductory text to paragraph (a)(1), the proposed rule would readopt all of paragraph (a) to avoid any confusion on this matter.

In conjunction with its proposal, discussed in detail above, to remove references to the obsolete terms “guaranteed directorship” and “stock directorship” from § 1261.2, FHFA is proposing to remove from § 1261.8(c) the only other reference to those terms that still appears in the regulatory text of existing part 1261. Section 1261.8(c) requires, with respect to the nomination and election of individuals to serve as member directors representing a particular state in any given year, that if the number of nominees is equal to or fewer than the number of member directorships to be filled in that year's election,

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<sup>26</sup> See Final Rule: Federal Home Loan Banks Boards of Directors: Eligibility and Elections, 74 FR 51452, 51462 (Oct. 7, 2009)

the Bank shall declare elected all eligible nominees without conducting any balloting.

The existing provision further requires that in doing so the Bank shall designate particular nominees to guaranteed directorships or stock directorships, respectively, if necessary.

FHFA proposes to remove the latter requirement.

FHFA is also proposing to amend a provision of § 1261.9 in order to clarify that certain limitations on a Bank's involvement in the election of directors do not preclude it from seeking to identify a more diverse pool of prospective member director candidates.<sup>27</sup> In 2008, Congress amended the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (Safety and Soundness Act) to require each regulated entity to establish an Office of Minority and Women Inclusion that would be responsible for carrying out the provision of the statute relating to diversity in the management, employment, and business activities of the regulated entity, subject to the Director's authority to establish appropriate standards and requirements. That provision further requires each regulated entity to develop and implement standards and procedures "to ensure, to the maximum amount possible, the inclusion and utilization of minorities and women" in all business and activities of the regulated entity at all levels. 12 U.S.C. 4520(a), (b). In 2010, FHFA adopted regulations requiring each regulated entity and the Office of Finance to develop and implement policies and procedures to ensure, to the maximum amount possible, in balance with financially safe and sound business practices, the inclusion and utilization of minorities and women in all business and activities of those entities. Among other things, those policies and procedures must "encourage the consideration of diversity in nominating or soliciting nominees for positions on boards of

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<sup>27</sup> FHFA also proposes to amend paragraph (a) of § 1261.9 to correct typographical errors currently in that paragraph. The changes would not alter the current wording or substance of the paragraph.

directors.” The policies and procedures also must address recruiting and outreach directed at encouraging minorities, women, and persons with disabilities to seek employment with those entities. 12 CFR 1207.21(b)(5).

FHFA has separate regulations governing the election of Bank directors which, among other things, limit the ability of a director, officer, attorney, or employee of a Bank to support the nomination or election of any individual for a member directorship. Those provisions allow Bank personnel to support the nomination or election of a particular person for a member directorship so long as they do so in their personal capacity and do not purport to represent the views of the Bank or its board of directors. Aside from that personal capacity exception, the regulations prohibit any such person from directly or indirectly supporting or opposing the nomination or election of a particular person for a member directorship, or from taking any other actions to influence the voting for any particular individual. 12 CFR 1261.9(b), (c). These provisions reflect statutory provisions that vest the authority to nominate and elect member directors solely in the members of a Bank.

FHFA has received inquiries from the Banks about the interrelationship of these two regulatory provisions. Specifically, Banks have inquired whether the provisions of § 1261.9(b) and (c) that restrict Bank directors or personnel from becoming involved in the nominations or election process also prohibit them from conducting outreach or engaging in recruiting activities to fulfill the regulatory requirement to consider diversity in the nomination or solicitation of nominations for board directorships. To address that concern, FHFA is proposing to revise § 1261.9(c) to expand the existing exemption within that provision so that it would extend to efforts by Bank directors or personnel to

promote diversity on the boards of directors. As amended, § 1261.9(c) would continue to prohibit Bank directors and personnel from communicating that they support or oppose the nomination or election of any individual for a Bank directorship, or otherwise act to influence the voting with respect to a particular individual, but it would except from that prohibition – in addition to communications made in furtherance of the skills assessment and those made in a Bank officer or director’s personal capacity – actions taken by Bank directors and personnel that are intended to promote diversity among the Banks’ boards of directors. By making this amendment, FHFA intends that the Banks will be able to communicate with members or third parties to identify and recruit eligible individuals to seek nominations to serve as member directors of their Banks. Because the statute vests the authority to nominate and elect member directors solely in the members of each Bank, FHFA does not intend that the Banks could use this provision to actively campaign or promote the candidacy of a particular individual over other eligible nominees. Rather, the provision is intended to allow the Banks to actively seek out and encourage diverse candidates to run for election to the Banks’ boards of directors.

In § 1261.13, FHFA proposes to replace an incorrect reference to “the eligibility requirements set forth . . . in this part” appearing in the first sentence with a correct reference to the eligibility requirements set forth in “this subpart.”

Existing § 1261.15 implements section 7(c) of the Bank Act by providing that the number of member directorships allocated to each state shall not be less than the number of directorships allocated to that state on December 31, 1960, except with respect to member directorships of a Bank resulting from the merger of any two or more Banks. This provision is followed by a table setting forth, for those states whose members held

more than one directorship on December 31, 1960, the number of directorships held by those states' members on that date. FHFA proposes to remove from that table references to Minnesota, Missouri, and Iowa. Under the statute, these states are no longer entitled to be allocated at least the number of seats their members held in 1960 because they are each located within the district of the Federal Home Loan Bank of Des Moines, a Bank that, in its current incarnation, was created from the merger of the former Des Moines and Seattle Banks.

Part 1264 – Federal Home Loan Bank Housing Associates. FHFA proposes to amend § 1264.2 to correct the citation to the Advances regulation, which is now found at 12 CFR part 1266.

Part 1266 – Advances. The proposed rule would make several revisions to FHFA's advances regulations, as described below. FHFA proposes to amend the definition of "tangible capital" in § 1266.1 to remove references to the Office of Thrift Supervision (OTS) now in the definition given that the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) abolished the OTS and transferred its duties to other federal banking agencies.<sup>28</sup>

FHFA also proposes to incorporate new language into the definition of "tangible capital" that would codify the substance of Regulatory Interpretation, 2012-RI-01 (Feb. 8, 2012), which deals with insurance company financial statements. The existing definition requires that a member's capital first be calculated in accordance with Generally Accepted Accounting Principles (GAAP). That requirement created some uncertainty about how a Bank could apply the definition of "tangible capital" to insurance companies that do not prepare GAAP financial statements, as some insurance companies prepare

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<sup>28</sup> See 12 U.S.C. 5412, 5413 (codifying §§ 312, 313, Pub. Law 111-203, 124 Stat. 1521-23 (July 21, 2010)).

financial statements based on Statutory Accounting Principles (SAP), which differ from GAAP in certain respects. The Regulatory Interpretation addressed this issue by allowing Banks to use financial statements prepared by insurance company members using SAP when calculating their tangible capital if the insurance company members otherwise do not prepare financial statements based on GAAP. As FHFA noted in adopting the Regulatory Interpretation, the Finance Board originally adopted the definition of “tangible capital” so that the Banks could base the calculation of tangible capital on a member’s regulatory filings and thereby avoid undue burdens on members or the Banks. Insurance company members, however, file financial reports with their state regulators based on SAP, rather than GAAP standards. Given that many insurance company members may not otherwise file or prepare GAAP statements, FHFA reasoned in its Regulatory Interpretation that it would create undue burdens to require these members to prepare separate GAAP based financial statements solely for the purpose of allowing the Bank to make the tangible capital calculation, as the language of the current definition of “tangible capital” appeared to require. The proposed amendment would clarify this definition by adding new language that explicitly authorizes the use of SAP financial statements to the same degree currently permitted by the Regulatory Interpretation.

FHFA is also proposing to delete § 1266.11, which applies only to Banks that have not yet converted to the capital structure implemented by the GLB Act. Given that all Banks have now converted to the GLB Act capital system, § 1266.11 has no future applicability. FHFA also proposes to remove references to OTS now in § 1266.13, a provision which implements section 10(h) of the Bank Act and allows a Bank to provide

special liquidity advances to savings association members at the request of the member's federal regulator.<sup>29</sup> As already noted, the Dodd-Frank Act abolished the OTS, the former regulator for savings associations, and transferred its duties to other federal banking agencies. The proposed amendment would replace the current reference to OTS in the rule with references to the appropriate federal regulator for member savings associations, specifically, the Office of the Comptroller of the Currency (OCC) with respect to federal savings associations and the Federal Deposit Insurance Corporation (FDIC) with respect to state savings associations.<sup>30</sup>

Finally, FHFA proposes to remove subpart C to part 1266, which includes only one provision, § 1266.25, that addresses advances to out-of-district members.<sup>31</sup> Section 1266.25(a) authorizes a Bank to become a creditor of a member or housing associate of another Bank through the purchase from that other Bank of an advance, or a participation interest in an advance, that the other Bank had made to its member. This part of the regulation essentially repeats the language of the statute.<sup>32</sup> Section 1266.25(a) further provides that a Bank may become a creditor to a member or housing associate of another Bank through an arrangement with the other Bank that provides for the establishment of such a creditor/debtor relationship at the time an advance is made. Section 1266.25(b) provides that the establishment of any out-of-district creditor/debtor relationship under this regulation is subject to all requirements that would apply to any advance that a Bank could make to one of its own members. The regulatory history of the predecessor provision to § 1266.25, which the Finance Board adopted in 2000, provides little

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<sup>29</sup> 12 U.S.C. 1430(h).

<sup>30</sup> See 12 U.S.C. 5412, 5415.

<sup>31</sup> See 12 CFR part 1266, subpart C.

<sup>32</sup> See 12 U.S.C. 1430(d).

guidance as to the intended meaning of the “other arrangement” portion of the regulation.<sup>33</sup>

FHFA believes that § 1266.25 does not add meaningfully to the statutory authority to which it relates – for example, it does not solve the problem of how purchased advances or participations are to be capitalized – and therefore FHFA proposes to rescind it.

Removal of this provision would not prevent one Bank from selling an advance or participation to another Bank, based solely on the statutory authority, but FHFA would expect that before doing so a Bank would first obtain the concurrence of FHFA about how a non-member could capitalize those advances through some means other than by buying Bank stock.

Part 1267 – Federal Home Loan Bank Investments. FHFA proposes to remove from § 1267.1 the definitions of “consolidated obligation” and “GAAP” because both of those terms are defined in part 1201, and thus are now duplicative.

Part 1269 – Standby Letters of Credit, and Part 1270 - Liabilities. FHFA proposes to correct citations to former Finance Board rules that FHFA readopted and transferred.

Part 1273 – Office of Finance. Part 1273 of the FHFA regulations addresses the structure and duties of the Office of Finance. FHFA proposes to remove from § 1273.1 the definitions of “Bank System,” “consolidated obligations,” “Financing Corporation or FICO,” “generally accepted accounting principles or GAAP,” “NRSRO,” “Office of

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<sup>33</sup> See Final Rule: Federal Home Loan Bank Acquired Member Assets, Core Mission Activities, Investments and Advances, 65 FR 43969 (July 17, 2000). See also Proposed Rule: Federal Home Loan Bank Acquired Member Assets, Core Mission Activities, Investments and Advances, 65 FR 25676 (May 3, 2000).

Finance or OF,” and “Resolution Funding Corporation or RefCorp” because all of those terms have been defined in part 1201, and thus are now duplicative. The proposal also would correct citations to previous Finance Board regulations that appear within §§ 1273.3, 1273.6, and 1273.8, all of which FHFA has replaced after it had initially adopted part 1273.

FHFA also proposes to remove from § 1273.7, which pertains to the structure of the Office of Finance board of directors (OF board), a number of provisions that applied only to the initial selection of the independent directors for the reconstituted OF board and the selection of the initial Chairman and Vice-Chairman. This process occurred in 2010, and these provisions no longer serve any purpose. Because the removal of these provisions also requires that FHFA re-designate the remaining paragraphs in § 1273.7, FHFA has opted to restate the revised § 1273.7 in its entirety, rather than make a series of piecemeal amendments to the existing regulatory text. The revised provision also conforms any internal citations accordingly. The proposed amendments would also correct the references in § 1273.7(a) to “seventeen” Office of Finance directors and to “twelve” Bank presidents to reflect that there are now only eleven Banks and sixteen Office of Finance directors.

FHFA also proposes to delete § 1273.8(d)(3), which requires the OF board to adopt an annual capital and operating budget consistent with 12 CFR 917.8, a provision that was, until recently, applicable to the Banks’ boards of directors. However, when FHFA recently readopted the corporate governance provisions applicable to the Banks, it determined not to carry over § 917.8 because it believed adoption of a budget was a basic duty already encompassed in a director’s duty to act in good faith and with care in

overseeing the affairs of a Bank.<sup>34</sup> For these same reasons, FHFA believes that the budget responsibilities addressed in § 1273.8(d)(3) are already incorporated into, and are part of, an OF director's basic oversight duties and is therefore proposing to delete this provision.

FHFA is proposing to amend § 1273.9(b)(5), pertaining to the persons to whom the Office of Finance internal auditor shall report, to conform the provision to the comparable provision of the corporate governance regulations for the Banks. The current OF regulation includes a sentence that requires the internal auditor to report directly to the audit committee, but to report administratively to the executive management of the OF. The recently adopted corporate governance regulations provide that the internal auditors of the Banks must report directly to the audit committee on substantive matters and are ultimately accountable to the audit committee and the board of directors; they do not require the internal auditor to report to Bank management on administrative matters. FHFA believes that the corporate governance provisions reflect the better practice and is proposing to revise the OF regulations to conform to the language of the corporate governance provisions on internal auditor reporting. This revised language would not prevent the audit committee for a Bank or the OF from authorizing the internal auditor to report to executive management on purely administrative matters, if the audit committee believed it appropriate to establish that reporting relationship.

FHFA also proposes to delete § 1273.10 in its entirety. That provision provided for a transition process from the three person OF board structure that was in place prior to the adoption of part 1273 in 2010, to the current OF board structure established by part

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<sup>34</sup> See Proposed Rule: Responsibilities of Boards of Directors, Corporate Practices and Corporate Governance Matters, 79 FR 4414, 4421 (Jan. 28, 2014).

1273. This transition process was completed in 2010, and § 1273.10 has no future applicability.

Part 1274 – Financial Statements of the Banks, Part 1278 – Voluntary Mergers of Federal Home Loan Banks, and Part 1281 – Federal Home Loan Bank Housing Goals.

FHFA proposes to remove from the definitions sections of these parts the definition of “Bank System”, a term that is already defined by part 1201. For the same reason, FHFA proposes to remove from the definitions sections of parts 1274 and 1278, the definitions for “Financing Corporation or FICO,” and “GAAP.”

Part 1290 – Community Support Requirements, and Part 1291 – Federal Home Loan Banks’ Affordable Housing Program. The proposed amendments would conform references to the “Federal Home Loan Bank Act” to read “Bank Act”, which is the term defined in part 1201.

B. Considerations of Differences between the Banks and the Enterprises.

When promulgating regulations relating to the Banks, section 1313(f) of the Safety and Soundness Act requires the Director to consider the differences between the Banks and the Enterprises with respect to the Banks’ cooperative ownership structure; mission of providing liquidity to members; affordable housing and community development mission; capital structure; and joint and several liability.<sup>35</sup> The changes proposed in this rulemaking make corrections to existing FHFA regulations or are clarifying and conforming in nature. Nonetheless, FHFA, in preparing this proposed rule, considered the differences between the Banks and the Enterprises as they relate to the above factors. FHFA requests comments from the public about whether these differences should result in any revisions to the proposed rule.

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<sup>35</sup> See 12 U.S.C. 4513.

#### **IV. Paperwork Reduction Act**

The proposed rulemaking does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*). Therefore, FHFA has not submitted any information to the Office of Management and Budget for review.

#### **V. Regulatory Flexibility Act**

The proposed rule applies only to the Banks and the Enterprises, which do not come within the meaning of small entities as defined in the Regulatory Flexibility Act (RFA). *See* 5 U.S.C. 601(6). Therefore, in accordance with section 605(b) of the RFA, FHFA certifies that this proposed rule, if adopted as a final rule, would not have significant economic impact on a substantial number of small entities.

#### **List of Subjects**

##### 12 CFR Part 1200

Organization and functions (Government agencies), Reporting and recordkeeping requirements, Seals and insignia.

##### 12 CFR Part 1201

Administrative practice and procedure, Federal home loan banks, Government-sponsored enterprises, Office of finance, Regulated entities.

##### 12 CFR Part 1229

Capital, Federal home loan banks, Government-sponsored enterprises, Reporting and recordkeeping requirements.

##### 12 CFR Part 1238

Administrative practice and procedure, Capital, Federal home loan banks,

Government-sponsored enterprises, Reporting and recordkeeping requirements, Stress test.

12 CFR Part 1239

Administrative practice and procedure, Federal home loan banks, Government-sponsored enterprises, Reporting and recordkeeping requirements.

12 CFR Part 1261

Banks, Banking, Conflicts of interest, Elections, Ethical conduct, Federal home loan banks, Financial disclosure, Reporting and recordkeeping requirements.

12 CFR Parts 1264, 1266, and 1267

Community development, Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

12 CFR Part 1269

Community development, Credit, Federal home loan banks, Housing, Letters of credit.

12 CFR Part 1270

Accounting, Federal home loan banks, Government securities.

12 CFR Part 1273

Federal home loan banks, Securities.

12 CFR Part 1274

Accounting, Federal home loan banks, Financial disclosure.

12 CFR Part 1278

Banks, Banking, Federal home loan banks, Mergers.

12 CFR Parts 1281 and 1290

Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

12 CFR Part 1291

Community development, Credit, Federal home loan banks, Housing, Reporting and recordkeeping requirements.

Accordingly, for reasons stated in the Supplementary Information and under authority in 12 U.S.C. 4511, 4513, and 4526, FHFA proposes to amend chapter XII of title 12 of the Code of Federal Regulations as follows:

**CHAPTER XII—FEDERAL HOUSING FINANCE AGENCY**

**Subchapter A—Organization and Operations**

**PART 1200—ORGANIZATION AND FUNCTIONS**

1. Amend the authority citation for part 1200 by revising it to read as follows:

**Authority:** 5 U.S.C. 552, 12 U.S.C. 4512, 12 U.S.C. 4526, 44 U.S.C. 3506.

2. Amend part 1200 by adding § 1200.4 to read as follows:

**§ 1200.4 OMB control numbers assigned under the Paperwork Reduction Act.**

(a) Under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3531) and the implementing regulations of the Office of Management and Budget (OMB) (5 CFR part 1320), an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

(b) OMB has approved the collections of information contained in FHFA's regulations and has assigned each collection a control number. The following table displays the sections of FHFA's regulations (both those located in this chapter and those promulgated by the former Federal Housing Finance Board that appear in chapter IX of

this title) containing collections of information, along with the applicable OMB control numbers and the expirations dates for those control numbers:

<b>12 CFR part or section where identified and described</b>	<b>OMB control no.</b>	<b>Expiration date</b>
906.5 .....	2590-0004	07/31/2017
955.4 .....	2590-0008	02/29/2016
1207.23 .....	2590-0014	07/31/2018
1222.22 .....	2590-0013	07/31/2018
1222.23.....	2590-0013	07/31/2018
1222.24.....	2590-0013	07/31/2018
1222.25.....	2590-0013	07/31/2018
1222.26.....	2590-0013	07/31/2018
1261.7 .....	2590-0006	12/31/2017
1261.12.....	2590-0006	12/31/2017
1261.14.....	2590-0006	12/31/2017
1263.2 .....	2590-0003	12/31/2016
1263.4.....	2590-0003	12/31/2016
1263.5.....	2590-0003	12/31/2016
1263.6.....	2590-0003	12/31/2016
1263.7.....	2590-0003	12/31/2016
1263.8.....	2590-0003	12/31/2016
1263.9 .....	2590-0003	12/31/2016
1263.11.....	2590-0003	12/31/2016
1263.12.....	2590-0003	12/31/2016
1263.13.....	2590-0003	12/31/2016
1263.14.....	2590-0003	12/31/2016
1263.15.....	2590-0003	12/31/2016
1263.16.....	2590-0003	12/31/2016
1263.17.....	2590-0003	12/31/2016
1263.18.....	2590-0003	12/31/2016
1263.24.....	2590-0003	12/31/2016
1263.26.....	2590-0003	12/31/2016
1263.31.....	2590-0003	12/31/2016
1264.4.....	2590-0001	12/31/2018
1264.5.....	2590-0001	12/31/2018
1264.6.....	2590-0001	12/31/2018
1266.17.....	2590-0001	12/31/2018
1277.28.....	2590-0002	12/31/2016
1290.2 .....	2590-0005	02/29/2016
1290.3.....	2590-0005	02/29/2016
1290.4.....	2590-0005	02/29/2016
1290.5.....	2590-0005	02/29/2016
1291.5.....	2590-0007	05/31/2016

1291.6.....	2590-0007	05/31/2016
1291.7.....	2590-0007	05/31/2016
1291.8.....	2590-0007	05/31/2016
1291.9.....	2590-0007	05/31/2016

**PART 1201—GENERAL DEFINITIONS APPLYING TO ALL FEDERAL HOUSING FINANCE AGENCY REGULATIONS**

3. The authority citation for part 1201 continues to read:

**Authority:** 12 U.S.C. 4511(b), 4513(a), 4513(b).

4. Amend § 1201.1 by revising the definition of “Bank System” and adding, in alphabetical order, a definition for “President” to read as follows:

**§ 1201.1 Definitions.**

\* \* \* \* \*

Bank System means the Federal Home Loan Bank System, consisting of all of the Banks and the Office of Finance.

\* \* \* \* \*

President, when referring to an officer of a Bank only, means a Bank’s principal executive officer.

\* \* \* \* \*

**Subchapter B—Entity Regulations**

**PART 1229—CAPITAL CLASSIFICATIONS AND PROMPT CORRECTIVE ACTION**

5. The authority citation for part 1229 continues to read:

**Authority:** 12 U.S.C. 1426, 4513, 4526, 4613, 4614, 4615, 4616, 4617, 4618, 4622, 4623.

6. Amend § 1229.1 by revising the definitions of “new business activity” and “total capital” to read as follows:

**§ 1229.1 Definitions.**

\* \* \* \* \*

New business activity when used in this subpart has the same meaning set forth in § 1272.1 of this chapter.

\* \* \* \* \*

Total capital means the sum of the Bank’s permanent capital, the amount paid-in for its Class A stock, the amount of any general allowances for losses, and the amount of any other instruments identified in a Bank’s capital plan that the Director has determined to be available to absorb losses incurred by such Bank.

7. Amend § 1229.6 by revising paragraph (a)(3) to read as follows:

**§ 1229.6 Mandatory actions applicable to undercapitalized Banks.**

(a) \* \* \*

(3) Not make any capital distribution unless:

(i) The distribution meets the requirements of § 1229.5(b) and paragraphs (a)(3)(ii) and (iii) of this section and the Director has provided permission for such distribution as set forth in § 1229.5(b);

(ii) The capital distribution will not result in the Bank being reclassified as significantly undercapitalized or critically undercapitalized; and

(iii) The capital distribution does not violate any restriction on the redemption or repurchase of capital stock or the declaration or payment of a dividend set forth in section 6 of the Bank Act (12 U.S.C. 1426) or in any other applicable regulation;

\* \* \* \* \*

**§ 1229.7 [Amended]**

8. Amend § 1229.7(a) by removing the reference to “§ 1229.7 or § 1229.8 of this subpart” and adding in its place a reference to “§ 1229.8 or § 1229.9”.

**PART 1238—STRESS TESTING OF REGULATED ENTITIES**

9. The authority citation for part 1238 continues to read:

**Authority:** 12 U.S.C. 1426; 4513; 4526; 4612; 5365(i).

**§ 1238.1 [Amended]**

10. Amend § 1238.1(a) by:

a. Removing the reference to “Federal Housing Finance Agency (FHFA)” and adding in its place “FHFA”;

b. Removing the reference to “Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended” and adding in its place “Safety and Soundness Act”; and

c. Removing the reference to “Federal Home Loan Bank Act, as amended” and adding in its place “Bank Act”.

**§ 1238.2 [Amended]**

11. Amend § 1238.2 by removing the definitions for “Federal Home Loan Banks,” “Federal Housing Finance Agency or FHFA,” and “regulated entities”.

**PART 1239—RESPONSIBILITIES OF BOARDS OF DIRECTORS, CORPORATE PRACTICES, AND CORPORATE GOVERNANCE**

12. The authority citation for part 1239 is revised to read:

**Authority:** 12 U.S.C. 1426, 1427, 1432(a), 1436(a), 1440, 4511(b), 4513(a),

4513(b), 4526, and 15 U.S.C. 7800(b).

13. Amend § 1239.32 by:

a. Revising paragraphs (d)(3) and (e)(4);

b. Removing the word “and” at the end of paragraph (e)(8);

c. Removing the period at the end of paragraph (e)(9) and adding “; and” in its place; and

d. Adding paragraph (e)(10).

The revisions and addition read as follows:

**§ 1239.32 Audit committees.**

\* \* \* \* \*

(d)\* \* \*

(3) Each Bank's audit committee charter shall:

(i) Provide that the audit committee has the responsibility to select, evaluate and, where appropriate, replace the internal auditor and that the internal auditor may be removed only with the approval of the audit committee;

(ii) Provide that the internal auditor shall report directly to the audit committee on substantive matters and that the internal auditor is ultimately accountable to the audit committee and board of directors;

(iii) Provide that the audit committee shall be directly responsible for the appointment, compensation, retention, and oversight of the work of the external auditor;

(iv) Provide that the external auditor shall report directly to the audit committee;

(v) Provide that both the internal auditor and the external auditor shall have unrestricted access to the audit committee without the need for any prior management knowledge or approval; and

(vi) Provide that the Bank shall make available appropriate funding, as determined by the audit committee, for payment of compensation to the external auditor, to any independent advisors or counsel engaged by the audit committee, and ordinary administrative expenses that are necessary or appropriate for the audit committee to carry out its duties.

(e) \* \* \*

(4) Oversee the external audit function by:

(i) Approving the external auditor's annual engagement letter; and

(ii) Reviewing the performance of the external auditor.

\* \* \* \* \*

(10) Establish procedures for the receipt, retention, and treatment of complaints received by the Bank regarding accounting, internal accounting controls, or auditing matters, and for the confidential, anonymous submission by employees of the Bank of concerns regarding questionable accounting or auditing matters.

\* \* \* \* \*

## **Subchapter D—Federal Home Loan Banks**

### **PART 1261—FEDERAL HOME LOAN BANK DIRECTORS**

14. The authority citation for part 1261 continues to read:

**Authority:** 12 U.S.C. 1426, 1427, 1432, 4511 and 4526.

#### **§ 1261.2 [Amended]**

15. Amend § 1261.2:

a. By adding, in alphabetical order, a definition for “Advisory Council”.

b. In the definition of “Member directorship”, by removing the words “, and includes guaranteed directorships and stock directorships”;

c. In the definition of “Public interest directorship”, by removing the words “four years experience” and, in their place, adding the words “four years of experience”; and

d. By removing the definition of “Stock directorship”.

The revision reads as follows:

**§ 1261.2 Definitions.**

\* \* \* \* \*

Advisory Council means the Advisory Council each Bank is required to establish pursuant to section 10(j)(11) of the Bank Act (12 U.S.C. 1430(j)(11)), and part 1291 of this chapter.

\* \* \* \* \*

**§ 1261.3 [Amended]**

16. Amend § 1261.3:

a. In paragraph (b), by removing the words “commencing on or after January 1, 2009”; and

b. In paragraph (e), by removing the word “part”, wherever it appears, and, in its place, adding the word “subpart”.

17. Amend § 1261.4 by revising paragraphs (a) and (b) to read as follows:

**§ 1261.4 Designation of member directorships.**

(a) Capital stock reports. (1) On or before April 10 of each year, each Bank shall deliver to FHFA a capital stock report that indicates, as of the record date, the number of members located in each voting State in the Bank's district, the number of shares of Bank stock that each member (identified by its FHFA ID number) was required to hold, and the number of shares of Bank stock that all members located in each voting State were required to hold. If a Bank has issued more than one class of stock, it shall report the total shares of stock of all classes required to be held by the members. The Bank shall certify to FHFA that, to the best of its knowledge, the information provided in the capital stock report is accurate and complete, and that it has notified each member of its minimum capital stock holding requirement as of the record date.

(2) The number of shares of Bank stock that any member was required to hold as of the record date shall be determined in accordance with the minimum investment established by the capital plan for that Bank.

(b) Designation of member directorships. Using the method of equal proportions, the Director annually will conduct a designation of member directorships for each Bank based on the number of shares of Bank stock required to be held by the members in each State as of the record date. If a Bank has issued more than one class of stock, the Director will designate the directorships for each State in that Bank district based on the combined number of shares required to be held by the members in that State. For purposes of conducting the designation, the number of shares of Bank stock required to be held by members as of that date shall be determined in accordance with the minimum investment established by the capital plan for that Bank. In all cases, the Director will

designate the directorships by using the information provided by each Bank in its capital stock report required by paragraph (a)(1) of this section.

\* \* \* \* \*

**§ 1261.5 [Amended]**

18. Amend § 1261.5:

a. In paragraph (b), by removing the extra period following the words “under § 1261.4(c).”; and

b. By removing paragraph (e)(2).

19. Amend § 1261.6 by revising paragraph (b) to read as follows:

**§ 1261.6 Determination of member votes.**

\* \* \* \* \*

(b) Number of votes. For each member directorship and each independent directorship that is to be filled in an election, each member shall be entitled to cast one vote for each share of Bank stock that the member was required to hold as of the record date. Notwithstanding the preceding sentence, the number of votes that any member may cast for any one directorship shall not exceed the average number of shares of Bank stock required to be held as of the record date by all members located in the same State as of the record date. If a Bank has issued more than one class of stock, it shall calculate the average number of shares separately for each class of stock, using the total number of members in a State as the denominator, and shall apply those limits separately in determining the maximum number of votes that any member owning that class of stock may cast in the election. The number of shares of Bank stock that a member was

required to hold as of the record date shall be determined in accordance with the minimum investment requirement established by the Bank's capital plan.

\* \* \* \* \*

**§ 1261.7 [Amended]**

20. Amend § 1261.7:

a. In paragraph (a), by redesignating the first paragraph (a)(1) as the introductory text to paragraph (a);

b. In paragraph (d)(1)(i), by removing the words "four years experience" and, in their place, adding the words "four years of experience"; and

c. In paragraph (e)(2), by removing the words "four years experience" and, in their place, adding the words "four years of experience".

21. Amend § 1261.8 by revising paragraphs (a) and (c) to read as follows:

**§ 1261.8 Election process.**

(a) Ballots. Promptly after fulfilling the requirements of §1261.7(f), each Bank shall prepare and deliver a ballot to each member that was a member as of the record date. The Bank shall include with each ballot a closing date for the Bank's receipt of voted ballots, which date shall be no earlier than 30 calendar days after the date such ballot is delivered to the member.

(1) A ballot shall include at least the following provisions:

(i) For states in which one or more member directorships are to be filled in the election, an alphabetical listing of the names of each nominee for such directorship, the name, location, and FHFA ID number of the member each nominee serves, the nominee's title or position with the member, and the number of member directorships to be filled by

the members in that voting state in the election;

(ii) An alphabetical listing of the names of each nominee for a public interest independent directorship and a brief description of each nominee's experience representing consumer and community interests;

(iii) An alphabetical listing of the names of each nominee for the other independent directorships and a brief description of each nominee's qualifications, including his or her knowledge or experience in the areas of financial management, auditing and accounting, risk management practices, derivatives, project development, organizational management, and any other area of knowledge or experience set forth in § 1261.7(e);

(iv) A statement that write-in candidates are not permitted; and

(v) A confidentiality statement prohibiting the Bank from disclosing how any member voted.

(2) At the election of the Bank, a ballot also may include, in the body or as an attachment, a brief description of the skills and experience of each nominee for a member directorship.

\* \* \* \* \*

(c) Lack of member directorship nominees. If, for any voting State, the number of nominees for the member directorships for that State is equal to or fewer than the number of such directorships to be filled in that year's election, the Bank shall deliver a notice to the members in the affected voting State (in lieu of including any member directorship nominees on the ballot for that State) that such nominees shall be deemed elected without further action, due to an insufficient number of nominees to warrant balloting.

Thereafter, the Bank shall declare elected all such eligible nominees. The nominees declared elected shall be included as directors-elect in the report of election required under paragraph (g) of this section. Any member directorship that is not filled due to a lack of nominees shall be deemed vacant as of January 1 of the following year and shall be filled by the Bank's board of directors in accordance with § 1261.14(a).

\* \* \* \* \*

22. Amend § 1261.9 by revising paragraphs (a) and (c) to read as follows:

**§ 1261.9 Actions affecting director elections.**

(a) Banks. Each Bank, acting through its board of directors, may conduct an annual assessment of the skills and experience possessed by the members of its board of directors as a whole and may determine whether the capabilities of the board would be enhanced through the addition of individuals with particular skills and experience. If the board of directors determines that the Bank could benefit by the addition to the board of directors of individuals with particular qualifications, such as auditing and accounting, derivatives, financial management, organizational management, project development, risk management practices, or the law, it may identify those qualifications and so inform the members as part of its announcement of elections pursuant to § 1261.7(a).

\*\*\*\*\*

(c) Prohibition. Except as provided in paragraphs (a) and (b) of this section, or § 1207.21(b)(5) of this chapter, no director, officer, attorney, employee, or agent of a Bank shall:

(1) Communicate in any manner that a director, officer, attorney, employee, or agent of a Bank, directly or indirectly, supports or opposes the nomination or election of a particular individual for a directorship; or

(2) Take any other action to influence the voting with respect to any particular individual.

**§ 1261.13 [Amended]**

23. Amend § 1261.13 by removing the words “this part” in the first sentence, and, in their place, adding the words “this subpart”.

24. Amend § 1261.15 by revising it to read as follows:

**§ 1261.15 Minimum number of member directorships.**

Except with respect to member directorships of a Bank resulting from the merger of any two or more Banks, the number of member directorships allocated to each state shall not be less than the number of directorships allocated to that state on December 31, 1960. The following table sets forth the states within Bank districts not created from the merger of two or more Banks whose members held more than one directorship on December 31, 1960:

State	Number of elective directorships on December 31, 1960
California.....	3
Colorado.....	2
Illinois.....	4
Indiana.....	5
Kansas.....	3
Kentucky.....	2
Louisiana.....	2
Massachusetts.....	3
Michigan.....	3

New Jersey.....	4
New York.....	4
Ohio.....	4
Oklahoma.....	2
Pennsylvania.....	6
Tennessee.....	2
Texas.....	3
Wisconsin.....	4

**PART 1264—FEDERAL HOME LOAN BANK HOUSING ASSOCIATES**

25. The authority citation for part 1264 continues to read:

**Authority:** 12 U.S.C. 1430b, 4511, 4513 and 4526.

**§ 1264.2 [Amended]**

26. Amend § 1264.2 by removing the reference “part 950 of this title” and adding in its place the reference “part 1266 of this chapter”.

**PART 1266—ADVANCES**

27. The authority citation for part 1266 continues to read:

**Authority:** 12 U.S.C. 1426, 1429, 1430, 1430b, 1431, 4511(b), 4513, 4526(a).

**Subpart A—Advances to Members**

28. Amend § 1266.1 by revising the definition of “Tangible capital” to read as follows:

**§ 1266.1 Definitions.**

\* \* \* \* \*

Tangible capital means:

(1) Capital, calculated according to GAAP, less “intangible assets” except for purchased mortgage servicing rights to the extent such assets are included in a member’s

core or Tier 1 capital, as reported in a member's Report of Condition and Income for members whose primary federal regulator is the FDIC, the OCC, or the FRB.

(2) Capital calculated according to GAAP, less intangible assets, as defined by a Bank for members that are not regulated by the FDIC, the OCC, or the FRB; provided that a Bank shall include a member's purchased mortgage servicing rights to the extent such assets are included for the purpose of meeting regulatory capital requirements. In addition, for those members that are insurance companies and that do not file or otherwise prepare financial statements based on GAAP, Banks may base this calculation on the member's financial statements prepared using Statutory Accounting Principles as implemented by the insurance company member's appropriate state regulator.

\* \* \* \* \*

**§ 1266.11 [Removed and reserved]**

29. Remove and reserve § 1266.11.

30. Amend § 1266.13 by revising paragraph (a) to read as follows:

**§ 1266.13 Special advances to savings associations.**

(a) Eligible institutions. (1) A Bank, upon receipt of a written request from the OCC, with respect to a federal savings association, or from the FDIC, with respect to a state chartered savings association, may make short-term advances to a savings association member pursuant to section 10(h) of the Bank Act (12 U.S.C. 1430(h)).

(2) Such request must certify that the savings association member:

(i) Is solvent but presents a supervisory concern to the OCC or FDIC, as appropriate, because of the member's financial condition; and

(ii) Has reasonable and demonstrable prospects of returning to a satisfactory financial condition.

\* \* \* \* \*

**Subpart C [Removed]**

31. Remove subpart C to part 1266, consisting of § 1266.25.

**PART 1267—FEDERAL HOME LOAN BANK INVESTMENTS**

32. The authority citation for part 1267 continues to read:

**Authority:** 12 U.S.C. 1429, 1430, 1430b, 1431, 1436, 4511, 4513, 4526.

**§ 1267.1 [Amended]**

33. Amend § 1267.1 by removing the definitions for “consolidated obligation” and “GAAP”.

**PART 1269—STANDBY LETTERS OF CREDIT**

34. The authority citation for part 1269 continues to read:

**Authority:** 12 U.S.C. 1429, 1430, 1430b, 1431, 4511, 4513 and 4526.

**§ 1269.4 [Amended]**

35. Amend § 1269.4(a)(1) by removing the reference to “969.2 of this title” and adding in its place a reference to “1270.3 of this chapter”.

**PART 1270—LIABILITIES**

36. The authority citation for part 1270 continues to read:

**Authority:** 12 U.S.C. 1431, 1432, 1435, 4511, 4512, 4513, and 4526.

**§ 1270.9 [Amended]**

37. Amend § 1270.9(d)(1) by removing the reference to “§ 956.6 of this title” and adding in its place a reference to “§ 1267.4 of this chapter”.

**PART 1273—OFFICE OF FINANCE**

38. The authority citation for part 1273 continues to read:

**Authority:** 12 U.S.C. 1431, 1440, 4511(b), 4513, 4514(a), 4526(a).

**§ 1273.1 [Amended]**

39. Amend § 1273.1 by removing the definitions for “Bank System,” “Consolidated obligations,” “Financing Corporation or FICO,” “Generally accepted accounting principles or GAAP,” “NRSRO,” “Office of Finance or OF,” and “Resolution Funding Corporation or REFCORP”.

40. Amend § 1273.3 by revising paragraphs (a) and (d) to read as follows:

**§ 1273.3 Functions of the OF.**

(a) Joint debt issuance. Subject to part 1270, subparts B and C, of this chapter, and this part, the OF, as agent for the Banks, shall offer, issue, and service (including making timely payments on principal and interest due) consolidated obligations.

\* \* \* \* \*

(d) Financing Corporation and Resolution Funding Corporation. The OF shall perform such duties and responsibilities for FICO as may be required under part 1271, subpart D, of this chapter, or for REFCORP as may be required under part 1271, subpart E, of this chapter or authorized by FHFA pursuant to section 21B (c)(6)(B) of the Bank Act (12 U.S.C 1441b(c)(6)(B)).

**§ 1273.6 [Amended]**

41. Amend § 1273.6(a) by removing the reference to “§§ 966.8 and 966.9 of this title” and adding in its place a reference to “§§ 1270.9 and 1270.10 of this chapter”.

42. Amend § 1273.7 by revising it to read as follows

**§ 1273.7 Structure of the OF board of directors.**

(a) Membership. The OF board of directors shall consist of part-time members as follows:

(1) Each of the Bank presidents, ex officio, provided that if the presidency of any Bank becomes vacant, the person designated by the Bank’s board of directors to temporarily fulfill the duties of president of that Bank shall serve on the OF board of directors until the presidency is filled permanently; and

(2) Five Independent Directors who—

(i) Each shall be a citizen of the United States;

(ii) As a group, shall have substantial experience in financial and accounting matters; and

(iii) Shall not have any material relationship with a Bank, or the OF (directly or as a partner, shareholder, or officer of an organization), as determined under criteria set forth in a policy adopted by the OF board of directors. At a minimum, such policy shall provide that an Independent Director may not:

(A) Be an officer, director, or employee of any Bank or member of a Bank, or have been an officer, director, or employee of a Bank or member of a Bank during the previous three years;

(B) Be an officer or employee of the OF, or have been an officer or employee of the OF during the previous three years; or

(C) Be affiliated with any consolidated obligations selling or dealer group under contract with OF, or hold shares or any other financial interest in any entity that is part of a consolidated obligations seller or dealer group in an amount greater than the lesser of \$250,000 or 0.01% of the market capitalization of the seller or dealer group, or in an amount that exceeds \$1,000,000 for all entities that are part of any consolidated obligations seller dealer group, combined. For purposes of this paragraph (a)(2)(iii)(C), a holding company of an entity that is part of a consolidated obligations seller or dealer group shall be deemed to be part of the consolidated obligations selling or dealer group if the assets of the holding company's subsidiaries that are part of a consolidated obligation seller or dealer group constitute 35% or more of the consolidated assets of the holding company.

(b) Terms. (1) Except as provided in paragraph (b)(2) of this section, each Independent Director shall serve for five-year terms (which shall be staggered so that no more than one Independent Director seat would be scheduled to become vacant in any one year), and shall be subject to removal or suspension in accordance with § 1273.4(a) of this part. An Independent Director may not serve more than two full, consecutive terms, provided that any partial term served by an Independent Director pursuant to paragraph (b)(2) of this section shall not count as a term for purposes of this restriction.

(2) The OF board of directors shall fill any vacancy among the Independent Directors occurring prior to the scheduled end of a term by majority vote, subject to FHFA's review of, and non-objection to, the new Independent Director. The OF board of directors shall provide FHFA with the same biographic and background information about the new Independent Director required under paragraph (c) of this section, and

FHFA shall have the same rights of non-objection to the Independent Director (and to appoint a different Independent Director) as set forth in paragraph (c) of this section. A person shall be elected (or otherwise appointed by FHFA) under this paragraph to serve only for the remainder of the term associated with the vacant directorship.

(c) Election of Independent Directors. The Independent Directors shall be elected by majority vote of the OF board of directors, subject to FHFA's review of, and non-objection to, each Independent Director. The OF board of directors shall provide FHFA with relevant biographic and background information, including information demonstrating that the new Independent Director meets the requirements of paragraph (a)(2) of this section, at least 20 business days before the person assumes any duties as a member of the OF board of directors. If the OF board of directors, in FHFA's judgment, fails to elect a suitably qualified person, FHFA may appoint some other person who meets the requirements of paragraph (a)(2) of this section. FHFA will provide notice of its objection to a particular Independent Director prior to the date that such Director is to assume duties as a member of the OF board of directors. Such notice shall indicate whether, given FHFA's objection, FHFA intends to fill the seat through appointment or a new election should be held by the OF board of directors.

(d) Election of Chair and Vice-Chair. (1) The Chair shall be elected by majority vote of the OF board of directors from among the Independent Directors then serving on the OF board of directors, and the Vice Chair shall be elected by majority vote of the OF board of directors from among all directors.

(2) The OF board of directors shall promptly inform FHFA of the election of a Chair or Vice Chair. If FHFA objects to any Chair or Vice Chair elected by the OF board

of directors, FHFA shall provide written notice of its objection within 20 business days of the date that FHFA first receives the notice of the election of the Chair and or Vice Chair, and the OF board of directors must then promptly elect a new Chair or Vice Chair, as appropriate.

(e) By-laws and Committees. (1) The OF board of directors shall adopt by-laws governing the manner in which the board conducts its affairs, which shall be consistent with the requirements of this part and other applicable laws and regulations as administered by FHFA. The by-laws of the board of directors shall be subject to review and approval by FHFA.

(2) In addition to the Audit Committee required under § 1273.9, the OF board of directors may establish other committees, including an Executive Committee. The duties and powers of such committee, including any powers delegated by the OF board of directors, shall be specified in the by-laws of the board of directors or the charter of the committee.

(f) Compensation. (1) The Bank presidents shall not receive any additional compensation or reimbursement as a result of their service as a director of the OF board.

(2) The OF shall pay reasonable compensation and expenses to the Independent Directors in accordance with the requirements for payment of compensation and expenses to Bank directors as set forth in part 1261 of this chapter.

(g) Corporate Governance and Indemnification--(1) General. The corporate governance practices and procedures of the OF, and practices and procedures related to indemnification (including advancement of expenses) shall comply with applicable Federal law rules and regulations.

(2) Election and designation of body of law. To the extent not inconsistent with paragraph (g)(1) of this section, the OF shall elect to follow the corporate governance and indemnification practices and procedures set forth in one of the following:

(i) The law of the jurisdiction in which the principal office of the OF is located;

(ii) the Delaware General Corporation Law (Del. Code Ann. Title 8); or

(iii) the Revised Model Business Corporation Act. The OF board of directors shall designate in its by-laws the body of law elected pursuant to this paragraph (g)(2).

(3) Indemnification. Subject to paragraphs (g)(1) and (2) of this section, to the extent applicable, the OF shall indemnify (and advance the expenses of) its directors, officers, and employees under such terms and conditions as are determined by the OF board of directors. The OF shall be authorized to maintain insurance for its directors, the CEO, and any other officer or employee of the OF. Nothing in this paragraph (g)(3) shall affect any rights to indemnification (including the advancement of expenses) that a director, the CEO, or any other officer or employee of the OF had with respect to any actions, omissions, transactions, or facts occurring prior to [EFFECTIVE DATE OF FINAL RULE].

(h) Delegation. In addition to any delegation to a committee allowed under paragraph (e) of this section, the OF board of directors may delegate any of its authority or duties to any employee of the OF in order to enable OF to carry out its functions.

(i) Outside staff and consultants. In carrying out its duties and responsibilities, the OF board of directors, or any committee thereof, shall have authority to retain staff and outside counsel, independent accountants, or other outside consultants at the expense of the OF.

**§ 1273.8 [Amended]**

43. Amend § 1273.8 by:

a. Removing from paragraph (d)(2) the reference to “§ 917.5 of this title” and adding in its place a reference to “§ 1239.31 of this chapter”.

b. Removing paragraph (d)(3); and

c. Redesignating paragraphs (d)(4), (5), and (6) as paragraphs (d)(3), (4), and (5), respectively.

44. Amend § 1273.9 by revising paragraph (b)(5) to read as follows:

**§ 1273.9 Audit Committee.**

\*\*\*\*\*

(b) \*\*\*

(5) The Audit Committee shall oversee internal audit activities, including the selection, evaluation, compensation, and, where appropriate, replacement of the internal auditor. The internal auditor shall report directly to the Audit Committee on substantive matters, and is ultimately accountable to the Audit Committee and the board of directors.

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**§ 1273.10 [Removed]**

45. Remove § 1273.10.

**PART 1274—FINANCIAL STATEMENT OF THE BANKS**

46. The authority citation for part 1274 continues to read:

**Authority:** 12 U.S.C. 1426, 1431, 4511(b), 4513, 4526(a).

**§ 1274.1 [Amended]**

47. Amend § 1274.1 by removing the definitions for “Bank System” and “Financing Corporation or FICO”.

**PART 1278—VOLUNTARY MERGERS OF FEDERAL HOME LOAN BANKS**

48. The authority citation for part 1278 continues to read:

**Authority:** 12 U.S.C. 1432(a), 1446, 4511.

**§ 1278.1 [Amended]**

49. Amend § 1278.1 by removing the definition for “GAAP”.

**Subchapter E—Housing Goals and Mission**

**PART 1281—FEDERAL HOME LOAN BANK HOUSING GOALS**

50. The authority citation for part 1281 continues to read:

**Authority:** 12 U.S.C. 1430c.

**Subpart A – General**

**§ 1281.1 [Amended]**

51. Amend § 1281.1 by removing the definition for “Bank System”.

**PART 1290—COMMUNITY SUPPORT REQUIREMENTS**

52. The authority citation for part 1290 continues to read:

**Authority:** 12 U.S.C. 1430(g), 4511, 4513.

53. Amend § 1290.1 by revising the definition of “Advisory Council” to read as follows:

**§ 1290.1 Definitions.**

\* \* \* \* \*

Advisory Council means the Advisory Council each Bank is required to establish pursuant to section 10(j)(11) of the Bank Act (12 U.S.C. 1430(j)(11)) and part 1291 of this chapter.

\* \* \* \* \*

**PART 1291—FEDERAL HOME LOAN BANKS’ AFFORDABLE HOUSING PROGRAM**

54. The authority citation for part 1291 continues to read:

**Authority:** 12 U.S.C. 1430(j).

**§ 1291.4 [Amended]**

55. Amend § 1291.4(f) by removing the reference to “the Act” and adding a reference to “the Bank Act” in its place.

Dated: May 17, 2016.

\_\_\_\_\_  
Melvin L. Watt,  
Director, Federal Housing Finance Agency.

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