



Building Communities Together

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Written statement of Andrew J. Jetter, President and Chief Executive Officer, Federal Home Loan Bank of Topeka

On behalf of the Federal Home Loan Bank of Topeka and its board of directors, I am pleased to submit this written testimony for the December 2, 2002, hearing on "Federal Home Loan Bank Views Concerning Registration of Federal Home Loan Bank Stock Under the Securities and Exchange Act of 1934." We believe that the position set forth in this written testimony is consistent with the position advanced by the presidents of the Federal Home Loan Banks of New York, Pittsburgh and San Francisco who will testify in person at the hearing on behalf of all of the FHLBanks and we fully support their testimony.

Our position on disclosures is as follows: (1) we fully support Chairman Korsmo's statement at the November 14, 2002, FHLBank directors conference on corporate governance that the FHLBanks and the Office of Finance should become role models for accountability and disclosure; and (2) we believe that the most effective means to achieve that objective is to have the Finance Board continue to administer all FHLBank disclosures.

Transparency is the critical ingredient to appropriately monitor and properly regulate any entity, whether that monitoring is done by a regulatory body, stockholders, investors or taxpayers. Only by clearly and fully understanding the business model being employed by an organization, will interested parties be able to accurately ascertain the true amount of risk being accepted and be able to meaningfully evaluate whether that level of risk is appropriate from their perspective. Therefore, we support the FHLBanks becoming role models in the area of disclosure. We believe that this means in practice a disclosure regime that is at least as comprehensive and rigorous as the one administered by the Securities and Exchange Commission (SEC).

If we so strongly stand in support of disclosure, why would we be opposed to a disclosure regime administered by the SEC? Simply because the structure the SEC administers is one designed and implemented for a different business model than the FHLBanks. To inject the FHLBanks into the SEC regime has been aptly described by many as trying to insert a square peg into a round hole.

Fundamentally, we believe that the wrong question is being asked. The question should not be "What accommodations need to be made from SEC requirements to address the unique structure of the FHLBanks?" Rather, we should ask "What disclosures are most meaningful and provide the fullest disclosure to those outside the FHLBanks?" There seems to be a presumption that the SEC disclosure regime is the pinnacle of disclosure. That is not necessarily the case as the SEC regime was one designed to apply to a myriad of different entities. That one regime can work for so many different entities is only because the vast

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majority of those entities have certain similarities that are for the most part not found in the FHLBanks. The SEC simply doesn't have the resources to tailor different disclosure regimes to different entities. The conclusion, then, is that for certain specialized entities, the SEC disclosure regime does not represent the fullest and most meaningful disclosure regime.

At the same directors conference where Chairman Korsmo spoke about the need for enhanced disclosures, Peter J. Wallison of the American Enterprise Institute spoke on the public trust of a government sponsored entity. He articulated the critical differences between the cooperative model of the FHLBanks and the Fannie Mae and Freddie Mac model, which Mr. Wallison described as "much closer to the business corporation model."

Since the FHLBanks are organizations so obviously unique and distinct from other entities regulated by the SEC, and have an existing independent regulator, it is abundantly clear that the independent regulator is much better positioned to develop and enforce a rigorous disclosure regime tailored to ensure that the fullest and most meaningful information is disclosed to all interested parties. It is on this basis that we argue retention of jurisdiction by the Finance Board over all FHLBanks' disclosures is required if the FHLBanks are truly to be a role model for disclosures. We urge the Finance Board to retain responsibility for administering all FHLBank disclosures.

Thank you for the opportunity to submit our views on this important subject.