



FEDERAL HOME LOAN BANK
of SAN FRANCISCO

January 15, 2004

Dean Schultz
President and Chief Executive Officer

Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006
Attn: Public Comments

Greetings:

The Federal Home Loan Bank of San Francisco appreciates the opportunity to comment on the Federal Housing Finance Board's proposed regulation to require each Federal Home Loan Bank to register a class of its equity with the Securities and Exchange Commission under the Securities Exchange Act of 1934 (68 Fed. Reg. 54396, Sept. 17, 2003).

The Bank fully supports the Finance Board's objective of ensuring that each of the FHLBanks provides comprehensive, fully transparent securities-related disclosures. As the Board of Directors of the Bank wrote to Finance Board Chairman John Korsmo, then-Secretary of Housing and Urban Development Mel Martinez, and Secretary of the Treasury John W. Snow on August 21, 2003, we share in the commitment to effective and complete disclosure to investors, while still being mindful of our responsibilities as the stewards of a public trust manifested through our federal status and our access to the agency debt markets.

The Bank's Commitment to Working Toward Voluntary Registration

With this commitment and these responsibilities in mind, the Bank's Board committed in its August 21, 2003, letter to continuing to work with the SEC to complete the tasks remaining before the Board would be in a position to consider voluntary registration for the Bank. The letter stated that the Board's specific objective would be "to create a regulatory environment that will allow all twelve Federal Home Loan Banks to embrace voluntary registration of equity under the Exchange Act."

Since the date of the Board's letter to Chairman Korsmo, then-Secretary Martinez and Secretary Snow, we have met our commitment to continue working diligently toward that objective, both on our own and in conjunction with the other FHLBanks. Most recently, we joined with a large contingent of System representatives and advisors in another meeting with SEC Division of Corporation Finance Director Alan L. Beller and his staff on January 7, 2004, to attempt further resolution of some of the key remaining regulatory, accounting and operational hurdles.

These issues are not yet all resolved, and the FHLBank Presidents' Task Force on Enhanced Disclosure has not issued its report to the participating FHLBanks. We understand that the Task Force has nearly completed its work and its report will be forthcoming soon. When issues have been resolved to the point that we can make an informed decision, we will consider voluntary registration. We urge the Finance Board to adopt its regulation only after it is clear that those issues are resolved.

With regard to the FHLBanks' ongoing mission achievement, it is an important consideration that the SEC does not share the Finance Board's statutory responsibilities for maintaining the safety and soundness of the FHLBanks and ensuring that the FHLBanks are able to raise funds in the capital markets. Before requiring voluntary SEC registration by the FHLBanks, the Finance Board should establish for the record how it will continue to meet these statutory responsibilities once the SEC is given primary jurisdiction over the FHLBanks with respect to all of the subjects covered by the SEC regulations, policies and guidelines applicable to SEC registrants. We recommend that the Finance Board conclusively establish, in its own regulation and with the SEC, that an FHLBank will be permitted to deregister if its status as a registrant and the related requirements hamper the safety and soundness of the FHLBank or its mission achievement.

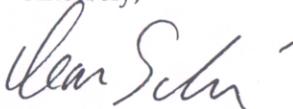
The Finance Board should also ensure that the effect of the voluntary registration regulation, coupled with its other regulations, does not give the Finance Board and the SEC overlapping authority - for example, over the disclosure documents of the FHLBanks - to avoid placing unnecessary, duplicative, and potentially conflicting regulatory burdens on the FHLBanks.

Requested Guidance for FHLBank Directors

Finally, in the Board's August 21, 2003, letter to Chairman Korsmo, then-Secretary Martinez and Secretary Snow, we specifically requested that the Finance Board assist the boards of directors of the Federal Home Loan Banks in considering voluntary SEC registration by addressing in a regulation the directors' fiduciary duty in this context. It is unlikely that the boards of directors of the Federal Home Loan Banks have ever been required to make a *voluntary* decision of this magnitude, with the associated potential for risk and liability, with a sparser statutory and regulatory record and with no other precedential guidance on which to rely. We therefore reiterate our request and urge the Finance Board to specifically and conclusively address the directors' fiduciary duty in the context of voluntary registration. At a minimum, we request that the Finance Board define a process of review and consideration by which the directors of the FHLBanks can meet their fiduciary responsibility in acting on these issues.

Thank you again for your consideration of our comments. We look forward to working with you toward our stated goal of a regulatory environment that will allow all twelve FHLBanks to embrace voluntary registration of equity under the Exchange Act.

Sincerely,



Dean Schultz
President and Chief Executive Officer

cc: Members of the Board of Directors