

No: 96-89
Date: December 6, 1996

FEDERAL HOUSING FINANCE BOARD

Authority to Issue Federal Home Loan Bank
Consolidated Obligations

Whereas, Section 11(c) of the Federal Home Loan Bank Act (Act) [12 U.S.C. 1431(c)] authorizes the Federal Housing Finance Board (Finance Board) to issue consolidated Federal Home Loan Bank (Bank) bonds (COs); and

Whereas, Finance Board regulations [12 C.F.R. § 910.1(a)] require the Finance Board to determine and authorize the issuance of all consolidated bonds, including terms and conditions, and other characteristics of such bonds, but permit the Finance Board to delegate this responsibility; and

Whereas, Section 2B(b)(1) of the Act [12 U.S.C. 1422b(b)(1)] authorizes the Finance Board to delegate ministerial functions, including issuing COs, to a joint office of the Federal Home Loan Bank System (System); and

Whereas, the Office of Finance (OF) under the management of its Board of Directors (OF Board) has been established by the Finance Board as a joint office of the System to act as the Fiscal Agent for the FHLBanks; and

Whereas, the OF Board has submitted a request for authorization to issue COs for the calendar year 1997 as required by Finance Board Resolution No. 95-58, dated December 8, 1995;

NOW, THEREFORE, BE IT RESOLVED, that:

1. The OF Board may approve the offering, issuing, and as necessary, the reopening of System COs, and approve the dates of issue, maturities, rates of interest, terms and conditions thereof, subject to the provisions of 31 U.S.C. 9801 and the following conditions:
 - a. COs may be offered for sale only to the extent that Banks are committed to take the proceeds.
 - b. COs may be offered for sale to the extent that their issuance would not cause the System's or a Bank's financial leverage to exceed the maximum allowed by regulation or policy.

- c. COs may be offered for sale under the Global Debt Program to the extent that COs outstanding under that program do not exceed \$20 billion.
- d. COs offered for sale shall be restricted to debt with one or more of the following characteristics:
- debt with a fixed rate in either coupon or discount form;
 - debt with a coupon rate that may vary based on the movement of one or more financial indices, including transactions which multiply the effects of rate changes;
 - debt with a coupon rate that may change from fixed to floating, or vice versa, at the discretion of the Bank, according to a predetermined schedule, or based upon the movement of one or more financial indices;
 - debt with principal that may be called or redeemed by the Bank, in whole or in part;
 - debt with principal that may be redeemed in whole or in part at the discretion of the investor;
 - debt with principal that amortizes according to a predetermined schedule;
 - debt with principal that is subject to redemption, in whole or in part, based upon the movement of one or more financial indices;
 - debt with outstanding principal that may increase over time based on the movement of one or more financial indices;
 - debt denominated in any foreign currency that has exchange rate risk relative to the U.S. Dollar that can be effectively hedged.
- e. For COs with interest payments or principal tied to one or more financial indices':
- each index must be publicly available and verifiable independent of underwriters or selling group members;
 - if an index or currency of denomination pertains to a foreign country, that country must be assigned a Country Risk Rating not lower than AA- by Thomson Bankwatch

' A financial index shall be defined as an index that pertains to (1) interest rates; (2) baskets of equities, (3) currencies, or (4) aggregate measures of inflation, sanctioned by a national government, including those derived from aggregate measures of economic performance and prices. In the event of debt tied to a basket of equities, the basket should include a sufficient number of equities to ensure that the movement of the index is not dictated by the performance of just one equity in the basket.

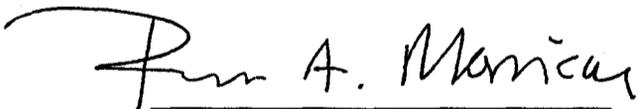
as of the CO trade date.² In the event a country is not rated by Thomson Bankwatch, Sovereign Risk Ratings from Moody's or Standard & Poor's may be used subject to the following: as of the CO trade date, a country must be assigned a Sovereign Risk Rating for long-term bonds or deposits from Moody's of not lower than Aa3; or a Sovereign Risk Rating for Foreign Currency from Standard & Poor's of not lower than AA-.

2. The OF shall ensure that:
- (a) COs are offered for sale only to the extent that their issuance will not cause the System's or a Bank's financial leverage to exceed the maximum allowed by regulation or policy. Current regulation 12 C.F.R. 910.1 (b) limits System senior bonds (as defined in 12 C.F.R. 910.0 (c)) and unsecured senior liabilities (as defined in 12 C.F.R. 910.0 (d)) to 20 times total System capital. Current policy provides that a Bank may participate in COs issued by the OF, so long as entering into such transactions will not cause the Bank's total unsecured senior liabilities, as defined in Section 910.0 of the Finance Board's regulations (but excluding interBank loans), to exceed 20 times the Bank's total capital; and
 - (b) The 12: 1 leverage covenant with prior bondholders is maintained according to the provisions of Finance Board Resolution No. 92-751, dated December 21, 1992.

For these purposes, capital stock, retained earnings, COs, deposits, and other unsecured senior liabilities shall be determined based upon the most current financial information available to the OF as of the CO trade date.

3. The OF Board shall ensure that all System COs issued under this delegation are in full compliance with the terms and conditions set forth herein.
4. The OF Board shall submit to the Finance Board a formal request for authorization to issue COs for the calendar year 1998 no later than December 31, 1997.
5. The Finance Board, in its sole discretion, may, at any time, revise or revoke the above authorization.

By the Board of Directors of the
Federal Housing Finance Board


Bruce A. Morrison, Chair

The European Currency Unit (ECU) shall be deemed an eligible index and currency of denomination.