



NEWS

**1777 F Street, N.W., Washington, D.C. 20006
(202) 408-2818**

**FOR RELEASE:
March 6, 2001
FHFB 01-05**

**Contact: Steve Hudak 202/408-2807
Bill Glavin 202/408-2546**

FHFB TO SEEK FURTHER COMMENT ON RELATING TO FHLBANK CAPITAL STANDARDS

The Federal Housing Finance Board has approved an Advanced Notice of Proposed Rulemaking (ANPR) intended to be a vehicle for responding to unforeseen issues or problems that may arise as the FHLBanks implement the new capital rule.

On January 30, the Finance Board published a final rule on the new capital standards, which began a 270-day time period within which the FHLBanks must submit their capital plans to the FHFB for approval. The ANPR, approved by the Board on March 2, will have a 30-day comment period and does not change that statutorily established deadline. It asks for comment on any issues that arise during the development of capital plans, on actions by other regulatory agencies, or on any other circumstances that could affect the process and require appropriate Finance Board action.

"We want to provide the FHLBanks with all the tools they need to develop optimal capital plans," said Finance Board Chairman Allan I. Mendelowitz. "The final capital rule was designed with that in mind, but we recognize that there may be some unforeseen issues that may require the Board to amend its regulations."

Specifically, the Finance Board is asking for comment on:

-- Whether the Gramm-Leach-Bliley Act (GLB), which required the new capital structure, may limit an FHLBank's ability to pay dividends on its Class A stock (redeemable in six months) from retained earnings. In its ANPR, the Finance Board solicits discussion on how best to provide a basis for an FHLBank to pay dividends on its Class A stock.

-- Another issue about which the Finance Board seeks input involves capitalizing "out-of-district" assets -- the investment by one FHLBank in the assets of another FHLBank, or in transactions originated with a member of another FHLBank, such as Acquired Member Assets (AMA). Because the GLB Act states that an FHLBank can sell its stock only to its members and that only permanent capital can be used to satisfy minimum risk-based capital requirements, there are questions as to how the FHLBanks may capitalize their out-of-district assets.

The Finance Board also seeks comment on any other unforeseen issues associated with the final rule that may impede the development and implementation of capital plans. In particular, the Finance Board is

interested in any tax or accounting issues or other regulatory issues that may have come to light.

In an additional action, the Finance Board on February 28 approved a short-term waiver to allow more time for the FHLBanks to come into compliance with revised limits on extensions of unsecured credit to highly rated counterparties. In response to operational issues raised by several FHLBanks, the Finance Board agreed to extend the deadline for the implementation of the new limits to July 2 and also proposed an associated rule to encourage comment on certain limits on unsecured credit to government-related counterparties.

The ANPR and the proposed rule on unsecured credit limits are both expected to be published in the Federal Register within the next two weeks.