



September 24, 2001

President
Federal Home Loan Bank of

NO-ACTION LETTER: Unsecured Credit Limitations (2001-NAL-03)

Dear Mr. :

This responds to your request of July 27, 2001 for a No-Action Letter regarding the Federal Home Loan Bank (Bank) decision of early adoption of the unsecured credit limits contained in 12 C.F.R. § 932.9.

As a result of early adoption of the unsecured credit limit requirements in section 932.9, the Bank has not selected a new primary short-term rating agency to replace _____, as required by the Office of Supervision's Advisory Bulletin 01-3 (AB 01-3). Rather, you report that the Bank determines eligible counterparties and their maximum short-term exposure based upon the lowest rating assigned by rating agencies as required by section 932.9(a)(3)(i). We recognize that adoption of the requirements under section 932.9 will result in more conservative credit limits than application of the limits prescribed by Financial Management Policy (FMP) and subsequent guidance contained in AB 01-3.

Given the facts provided, the staff of the Finance Board will not recommend to its Board of Directors that supervisory action be taken against the Bank, nor will the staff of the Finance Board undertake any such supervisory action, for the Bank's noncompliance with the AB 01-3 as a result of early adoption of the requirements under section 932.9. This letter expresses only the position of Finance Board staff, and may be modified or superseded by the Board of Directors of the Finance Board.

If you have any questions, please contact Mitchell Berns, Director, Office of Supervision, at 202-408-2562.

Sincerely,

James L. Bothwell
Managing Director

cc: Mitchell Berns