



November 15, 2002

William P. Morrissey, Chair
Federal Home Loan Bank of Boston
111 Huntington Avenue, 24th Floor
Boston, Massachusetts 02199-7614

RE: Implementation of Federal Home Loan Bank of Boston Capital Plan (2002-APP-06)

Dear Mr. Morrissey:

On May 8, 2002, the Board of Directors of the Federal Housing Finance Board (Finance Board) approved the capital plan of the Federal Home Loan Bank of Boston (Bank) subject to the Bank receiving approval of its risk assessment procedures and controls pursuant to 12 C.F.R. § 932.1. Finance Board staff has reviewed the materials that the Bank submitted in support of its request for these approvals, as well as supervisory materials related to the Bank's risk exposure and management. We also have had conversations with the Bank about its risk management policies and risk controls.

Pursuant to 12 C.F.R. § 932.1, the Finance Board approves the Bank's risk assessment procedures and controls.¹ This approval is based on the information, representations and commitments made by the Bank.

The Bank's risk assessment framework provides a comprehensive process for identifying, measuring, monitoring and reporting on key risk areas. The framework includes a risk assessment working group that draws upon the resources of the Bank's audit function and management committees. The results of the effort of the risk assessment working group are used to prioritize actions that address and drive the annual risk assessment program.

[REDACTED]

[REDACTED]

¹ Pursuant to 12 C.F.R. § 932.1, the Bank also must receive Finance Board approval of its internal market risk model before implementing its capital plan. Review of the Bank's internal market risk model is underway.

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[REDACTED]

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Any material change in the information, representations or commitments made by the Bank, or in the Bank's business plan or operations, prior to the Bank's conversion to its new capital plan, would be a cause for us to modify, change or rescind our approvals.

Sincerely,

/s/ Stephen M. Cross

Stephen M. Cross
Director
Office of Supervision

cc: Michael A. Jessee, President and CEO