



***Federal Housing Finance Board
Office of Supervision***

Date: May 13, 2004
To: Bank Chairs, Presidents, General Counsels, and Directors of Internal Audit
From: Stephen M. Cross, Director, Office of Supervision
Subject: Board Minutes

Background:

As part of the effort to improve corporate governance, each Federal Home Loan Bank (FHLBank) must meet a minimum standard for documenting the activities and discussions of its board of directors through board minutes. A full and accurate record of the board's deliberations also is the best evidence that a board has acted with due care. Our corporate governance reviews have revealed instances of incomplete board minutes and inconsistent practices among the FHLBanks. We view board minutes to be incomplete if they do not contain enough detail to allow the Federal Housing Finance Board (Finance Board) to determine that the board has fully informed itself as to the matters at hand and has sufficiently considered the issues on which it votes. This Advisory Bulletin sets forth a minimum standard that Finance Board examiners will expect each FHLBank to satisfy for minutes of board meetings, including all general and executive sessions and board committee meetings.

Guidance:

At a minimum, the minutes should fully and clearly describe each matter discussed; provide a full and accurate summary of each action taken; explain the reasons for those actions, including a description of each of the views expressed on any item; and record any roll call vote reflecting the vote of each member on the action. All documents considered in connection with any action should be identified in the minutes.

For example, examiners expect to see detailed information about presentations of financial performance, including management's explanations as to why performance exceeded or fell short of prior expectations, and the performance of certain classes of assets, such as Acquired Member Assets, mortgage-backed securities, and advances. Examiners also expect to see management's goals and purposes for new business activities, investments, or strategies and any board discussion reacting to or assessing the merits of those matters. The minutes need not recite the board discussions verbatim, but they should reflect the substance of each discussion, noting all issues and concerns addressed by board members and all questions and answers that arose in the course of the discussion. Examiners will not normally view a statement in the minutes that "discussion ensued" to be sufficient or complete.



When submitting copies of board packages to the Finance Board, each FHLBank should include all of the documents that it makes available to the FHLBank's board members. If the FHLBank provides any additional documents to its board members at the meeting, the FHLBank should submit copies of them to the Finance Board without delay.

An Office of Supervision Advisory Bulletin presents guidance to the Federal Home Loan Banks on the application of legal requirements through the supervisory process. It is not a supervisory determination. Any supervisory determination implementing such guidance is subject to review pursuant to the Procedures for Review of Disputed Supervisory Determinations.