



ADVISORY BULLETIN 2005-AB-07

August 23, 2005

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

To: Federal Home Loan Bank Chairs, Presidents, General Counsels, and Office of Finance Managing Director

From: Stephen M. Cross
Director
Office of Supervision

Subject: Federal Home Loan Bank Registration
With the Securities and Exchange Commission

Background:

Part 998 of the rules and regulations of the Federal Housing Finance Board (Finance Board) (12 C.F.R. part 998) requires that each Federal Home Loan Bank (FHLBank) file a registration statement with the Securities and Exchange Commission (SEC) pursuant to the provisions of section 12(g)(1) of the Securities Exchange Act of 1934 (1934 Act). Part 998 further requires that each FHLBank ensure that its registration statement become effective as provided in section 12 of the 1934 Act no later than August 29, 2005.

Since the adoption of Part 998, the Finance Board has closely monitored the efforts of each FHLBank to comply with the requirements of Part 998. Each of the FHLBanks has made substantial progress toward registration, but completion of registration at several of the FHLBanks has been delayed. Several of the FHLBanks have concluded that they did not meet all of the requirements of the Statement of Financial Accounting Standard No. 133, *Accounting for Derivative Instruments and Hedging Activities (SFAS 133)*. Those FHLBanks have reported that they will have to restate prior period financial statements and will withdraw their registration statements previously filed with the SEC. Additional FHLBanks may also determine that it is necessary to restate prior period financial statements or withdraw their registration statements. Any FHLBank that withdraws its registration statement will be unable to complete the registration of its equity securities under the 1934 Act by August 29, 2005.

Purpose:

In light of the need to restate prior period financial statements or to withdraw registration statements previously filed with the SEC, we have received inquiries as to whether the Finance Board will extend the August 29, 2005 deadline. The purpose of this Advisory Bulletin is to notify all of the FHLBanks that the Finance Board does not intend to change the regulatory deadline. The Finance Board expects each FHLBank to complete the registration process as soon as possible, recognizing that completion of the registration process also requires the concurrence of both the FHLBank's independent auditor and the SEC. In addition, the following guidance should be followed by each FHLBank until it has submitted a registration statement with the SEC that has become effective as provided in section 12 of the 1934 Act.

Guidance:

Each FHLBank remains responsible for completing the registration of its equity securities under the 1934 Act. Any Bank that does not have its registration statement effective by August 29, 2005, must continue to report weekly to its examiner-in-charge its progress and any communication with the FHLBank's independent auditor and the SEC. In addition, each FHLBank remains responsible for complying with the statutory provisions regarding the payment of dividends. Section 16(a) of the Federal Home Loan Bank Act (Bank Act) provides that dividends may only be paid out of previously retained earnings or current net earnings. Until an FHLBank has completed any financial restatements and its registration with the SEC has become effective, it must demonstrate to the satisfaction of the Finance Board that any proposed dividend payments would comply with the requirements of Section 16(a) of the Bank Act. Therefore, until the FHLBank's registration with the SEC becomes effective, it should declare a dividend only following consultation with and approval by the Finance Board's Office of Supervision.

Principal Finance Board Contact:

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