



ADVISORY BULLETIN 2003-AB-03

March 6, 2003

Federal Housing Finance Board Office of Supervision

To: Federal Home Loan Bank Presidents, Chief Financial Officers, Controllers, and Directors of Internal Audit

From: Stephen M. Cross, Director, Office of Supervision

Subject: Expanded Financial Statement Disclosures

Background:

The Office of Supervision has received requests from Federal Home Loan Banks (Banks) to make expanded financial statement disclosures based on Securities and Exchange Commission (SEC) requirements that are not included in the combined reports. Section 985.6(b)(1) of the Federal Housing Finance Board (Finance Board) regulations (12 C.F.R. § 985.6(b)(1)) requires the scope, form, and content of the disclosure in the combined Federal Home Loan Bank System (Bank System) annual and quarterly reports to be generally consistent with the requirements of SEC Regulations S-K and S-X (17 CFR parts 229 and 210). Further, section 989.4 of the Finance Board regulations (12 C.F.R. § 989.4) requires that any financial report issued by an individual Bank be consistent in both form and content with the Bank System combined reports.

Guidance:

The Finance Board encourages increased disclosure by the Banks. Consequently, we will not raise supervisory concerns or initiate supervisory action in response to Bank financial reports that depart from the combined reports through expanded disclosures so long as those disclosures follow SEC prescribed rules or other generally accepted financial disclosures that increase transparency. Further, we encourage Banks to expand their financial report disclosures as the SEC promulgates new disclosure requirements. The Finance Board previously has issued Regulatory Interpretations requiring the Banks to comply with SEC rules affecting financial reports (*see* Regulatory Interpretations 2000-RI-06 (June 23, 2000), 2000-RI-24 (September 19, 2000), and Advisory Bulletin 2003-AB-01 (January 3, 2003)). Staff at the Banks who prepare or review financial statements should make it a practice to monitor SEC promulgations as they are issued and adopt those reporting requirements that are appropriate for the Bank.

An Advisory Bulletin is a staff document through which the Office of Supervision provides guidance to the Federal Home Loan Banks and the Office of Finance regarding particular supervisory issues. Although an Advisory Bulletin does not have the force of a regulation or an order, it does reflect the position of the Office of Supervision on the particular issue and as such will be followed by examination staff. If non-compliance with an Advisory Bulletin is cited as the basis for a supervisory determination, any such determination will be subject to review by the Board of Directors pursuant to the procedures of 12 C.F.R. § 907.9. Advisory Bulletins are effective upon issuance.