



No.: **1999-65**

Date: **December 14, 1999**

FEDERAL HOUSING FINANCE BOARD

Federal Home Loan Bank Directorships

WHEREAS, on November 12, 1999 the Gramm-Leach-Bliley Act (Gramm-Leach), Pub. Law No. 106-102, became law and, among other things, amended section 7(d) of the Federal Home Loan Bank Act (Bank Act), 12 U.S.C. § 1427(d) (1994), to provide that the term of each director of a Federal Home Loan Bank (Bank) shall be three years; and

WHEREAS, prior to the effective date of Gramm-Leach, section 7(d) had established the term of each elected director at two years and the term of each appointed director at four years; and

WHEREAS, Gramm-Leach did not provide that the directorships existing on the date of enactment would continue until the end of their two- or four-year terms, nor did it otherwise provide for the transition of the existing directorships to the new three-year terms; and

WHEREAS, Gramm-Leach did not establish a delayed effective date for the amendments that it made to section 7(d), but did establish delayed effective dates for other amendments to the Bank Act; and

WHEREAS, the legislative history to Gramm-Leach does not explain why Congress chose to make the amendments to section 7(d) effective immediately and without any transition provisions; and

WHEREAS, Congress only twice previously has amended the Bank Act to alter the terms and structure of the directorships and in each case, in the Act of May 28, 1935, ch. 150, secs. (a), (b), 49 Stat. 294, and in Pub. Law 87-211, sec. 1, 75 Stat. 486 (Sept. 8, 1961), Congress has expressly provided that the terms of office of existing directorships were to continue until the date of expiration established under prior law, and also specified a delayed effective date for the amendments; and

WHEREAS, section 2A(a)(3) and section 2B(a)(1) of the Bank Act, 12 U.S.C. §§ 1422a(a)(3) and 1422b(a)(1) (1994), authorize the Finance Board to ensure that the Banks operate in a financially safe and sound manner and to promulgate and enforce such orders and regulations as are necessary to carry out the provisions of the Bank Act; and

WHEREAS, section 7(f) of the Bank Act, 12 U.S.C. § 1427(f) (1994), which authorizes the Finance Board to fill a vacant appointive directorship on the board of directors of each Bank, does not address vacancies that result when a term of office expires by operation of law prior to its scheduled date of expiration; and

WHEREAS, Gramm-Leach directs that the board of directors of each Bank and the Finance Board shall adjust the term of office of any director first elected or appointed after November 12, 1999, as necessary to ensure that approximately 1/3 of the terms on each board expire each year; and

WHEREAS, when Congress last amended the terms of office for Bank directors it expressly authorized the predecessor to the Finance Board to "shorten" the term of any elected director to one year, as necessary to conform to the amended directorship structure, Pub. Law 87-211, sec. 1, 75 Stat. 486 (Sept. 8, 1961); and

WHEREAS, the Board of Directors has considered a legal opinion of the Office of General Counsel, dated December 10, 1999, which addresses the effects on the existing directorships resulting from Gramm-Leach taking effect immediately upon enactment and without any transition provisions.

NOW, THEREFORE, IT IS RESOLVED that as a consequence of Gramm-Leach taking effect upon enactment and without any transition provision, the term of office of each Bank directorship, both appointed and elected, was converted by operation of law to three years, as measured from the date on which each term began, effective as of November 12, 1999.

IT IS FURTHER RESOLVED that the elective directorships at each Bank that would have expired on December 31, 1999 under prior law will expire instead on December 31, 2000, and the elective directorships that would have expired on December 31, 2000 under prior law will expire instead on December 31, 2001.

IT IS FURTHER RESOLVED that the persons who, had Gramm-Leach not become law, would have been elected to directorships at each Bank for a term commencing on January 1, 2000, may not assume office on that date.

IT IS FURTHER RESOLVED that the appointive directorships at each Bank that would have expired on December 31, 2000, 2001, and 2002, will expire instead on December 31, 1999, 2000, and 2001, respectively.

IT IS FURTHER RESOLVED that the appointive directorships at each Bank that would have expired on December 31, 1999 under prior law expired instead on November 12, 1999, by operation of law as a result of Gramm-Leach.

IT IS FURTHER RESOLVED that because the vacancy provisions of section 7(f) of the Bank Act, 12 U.S.C. § 1427(f) (1994), do not provide a means to replace the appointive directors whose terms expired by operation of law as a result of Gramm-Leach, and because section 7 requires the board of each Bank to have a specified number of appointive directors, the Finance Board hereby authorizes the following individuals to continue to serve as appointive directors in a holdover capacity, effective November 12, 1999, until December 31, 1999, pursuant to the authority conferred by section 2A(a)(3) and section 2B(a)(1) of the Bank Act, 12 U.S.C. §§ 1422a(a)(3) and 1422b(a)(1) (1994): Kathleen N. Sullivan (Boston); Michael M. Horn (New York); David W. Curtis (Pittsburgh); F. Barton Harvey, III (Atlanta); Margaret L. Behm (Cincinnati); Leslie Ann Howard (Chicago); John H. Wodele (Des Moines); Dennis N. Stine (Dallas); David W. Herlinger (Topeka); Daniel J. Ortega (San Francisco); and Stephen M. Studdert (Seattle).

IT IS FURTHER RESOLVED that because the Bank Act neither requires nor bars the voiding of the 1999 elections for purposes of selecting directors to fill terms commencing on January 1, 2001, the Finance Board intends to authorize the board of directors of each Bank to determine whether to uphold or set aside the results of the 1999 election for that purpose, and will, by regulation or order establish the criteria by which the Banks shall make that determination, which shall be deemed to constitute the completion of the 1999 election process.

By the Board of Directors of the
Federal Housing Finance Board

/s/ Bruce A. Morrison

Bruce A. Morrison, Chairman