



NEWS

1777 F Street, N.W., Washington, D.C. 20006
(202) 408-2500 – www.fhfb.gov

FOR RELEASE:
June 23, 2004
FHFB 04-27

Contact: Carter
Wood
(202) 408-2817

FEDERAL HOUSING FINANCE BOARD MOVES TO REQUIRE FEDERAL HOME LOAN BANKS TO REGISTER WITH SEC

The Federal Housing Finance Board today voted unanimously to require the 12 Federal Home Loan Banks to enhance their financial disclosures by registering with the U.S. Securities and Exchange Commission (SEC).

By a vote of 4-0, the Finance Board passed a final rule under which each Federal Home Loan Bank will be required to register a class of its equity securities under Section 12(g) of the Securities Exchange Act of 1934. By doing so, the Banks will become subject to the SEC's disclosure regime, which will require that they file quarterly, annual and supplemental financial disclosures with that agency.

Under the regulation as adopted, each Bank will be required to publicly file their first 1934 Act documents – Form10s – by no later than June 30, 2005, and to have their registrations effective by no later than August 29, 2005. Notwithstanding these deadlines, the Finance Board encourages and expects the Banks to commence discussions as soon as possible with a view to registering well in advance of those dates.

“Given the size, growth and complexity of the Federal Home Loan Banks it is simply a priority to move toward improved disclosures that provide more information to member financial institutions, the public, and investors,” Chairman Alicia R. Castaneda said.

Chairman Castaneda said the need for comparable disclosures argued for the Federal Home Loan Banks to disclose to the SEC, particularly in light of developments with the other Government Sponsored Enterprises (GSEs). Fannie Mae last year registered its equity with the SEC, and Freddie Mac has agreed to do so at a future date.

“Federal Home Loan Bank disclosures should be fully comparable to other entities in the market– both GSEs and other large financial institutions – and these disclosures must be accepted as comparable by investors,” she said.

As GSEs, the Federal Home Loan Banks raise funds by issuing consolidated obligations in the capital markets. As of March 31, 2004, the Bank System had \$603 billion of consolidated obligation bonds outstanding, and \$161.9 billion of consolidated obligation discount notes.

The funds are then lent to member institutions to support housing finance and other activities. As of December 31, 2003, there were 8,096 member institutions, including commercial banks, thrifts, insurance companies and federally insured credit unions.

The Finance Board adopted the proposed rule on September 10, 2003, and it was published in the Federal Register on September 17, 2003. The public comment period on the proposed regulation expired on January 15, 2004.

The final rule was accompanied by a memo from the Office of General Counsel, laying out the legal authority of the Finance Board to require the Banks to register with the SEC. Under the Federal Home Loan Bank Act, the Finance Board enjoys broad regulatory authority to ensure that the Federal Home Loan Banks are safe and sound and can maintain access to the capital markets.

“I firmly believe that the legal analysis presented by our staff leaves no reasonable doubt that the Finance Board has full statutory authority to take this action,” Chairman Castaneda said.

She noted the SEC, Finance Board and Federal Home Loan Banks had resolved several issues that stem from the cooperative nature of the Federal Home Loan Banks. In addition, she expressed confidence that the Finance Board and SEC would work cooperatively to address any issues that might arise in the future regarding the implementation of the regulation.

(The final rule will be posted at the Finance Board’s website upon its publication in the Federal Register.)

-###-