

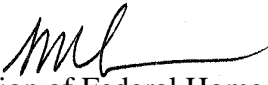


ADVISORY BULLETIN 2009-AB-01

July 20, 2009

Federal Housing Finance Agency
Division of Federal Home Loan Bank Regulation

To: Federal Home Loan Bank Chairs and Presidents
Chief Executive Officer, Office of Finance

From: Stephen M. Cross 
Deputy Director, Division of Federal Home Loan Bank Regulation

Subject: Disclosure of Preliminary Capital Classifications

Background

Advisory Bulletin 2006-AB-03, *Disclosure in SEC Filings of “Unpublished Information” as Defined in Part 911 of the Finance Board Rules and Regulations*, provides written authorization for each Federal Home Loan Bank (FHLBank) to use or disclose in its Securities and Exchange Commission (SEC) filings unpublished information that is material to the Bank’s financial condition and business operations, provided that the disclosure is limited to a recital of the factual content of the unpublished information.

This authority is granted the FHLBanks so that management of an FHLBank can satisfy the disclosure requirements of the Securities Exchange Act of 1934. Through the public filing of various disclosure documents, including annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, each FHLBank must disclose all material information concerning its financial condition and business operations.

Guidance

On January 30, 2009, the Federal Housing Finance Agency (FHFA) issued for public comment an interim final rule, *Capital Classifications and Critical Capital Levels for the Federal Home Loan Banks* (PCA rule). The PCA rule requires the Director of the FHFA to establish criteria for the capital classifications of “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” The PCA rule establishes requirements for

notification by the FHFA of an FHLBank's preliminary capital classification. Because the notification to the FHLBank of its preliminary classification is the first step in an on-going supervisory process to establish the FHLBank's capital classification, the FHFA believes the preliminary capital classification is a form of supervisory correspondence that should be treated as unpublished information under 12 C.F.R. Part 911.

The disclosure of information regarding preliminary capital classifications should take account of whether the information is important to inform the user of the information of material developments at the FHLBank. Judgment as to the materiality of the information and determinations regarding disclosure should be made by an FHLBank in consultation with its securities counsel. The disclosure of a preliminary capital classification of "adequately capitalized" may not provide material information not otherwise available from an FHLBank's financial statements. On the other hand, a preliminary capital classification of anything other than "adequately capitalized" might convey information that would be considered material by holders of an FHLBank's stock or debt, as it may provide information about FHLBank operations or potential future restrictions on FHLBank activities that could not be known based on otherwise public information. In that instance, the disclosure should include discussion of the preliminary nature of the capital classification and the possibility that the final classification could be different.

Related Guidance

Disclosure in SEC Filings of "Unpublished Information" as Defined in Part 911 of the Finance Board Rules and Regulations, Federal Housing Finance Board Advisory Bulletin 2006-AB-03, July 18, 2006.

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