



March 11, 2002

President
Federal Home Loan Bank

NO-ACTION LETTER: Failure to Comply with 12 C.F.R. § 950.11(a) Regarding Capital Stock Requirements Due to Circumstances Surrounding the Events of September 11, 2001 (**2002-NAL-03**)

Dear Mr. :

This responds to your request dated February 1, 2002 for a No-Action Letter regarding the Federal Home Loan Bank's (Bank) failure to comply with 12 C.F.R. § 950.11(a) as a result of the loss of the Bank's automated systems which necessitated manual calculation of members' capital stock requirements on September 12th and 13th in the aftermath of the events of September 11, 2001. Your request states that three members held insufficient capital stock on September 12, 2001, in violation of the regulation. Two of the members returned to regulatory compliance on September 13, 2001, when they reduced their advances outstanding commensurate with their capital stock ownership. The third member purchased additional capital stock on September 14, 2001 sufficient to bring it into compliance with the regulation.

It is our understanding that all applicable Bank systems have been fully restored. Additionally, we were advised in a March 4, 2002 telephone conversation with the Senior Vice President that Bank staff subsequently has taken steps to improve procedures to mitigate any recurrence of similar violations in the unlikely event of another catastrophic interruption of the Bank's systems.

In light of the circumstances surrounding these violations, and the subsequent remedial actions taken by the Bank to avoid similar violations in the future, Federal Housing Finance Board (Finance Board) staff will not recommend to its Board of Directors that supervisory action be taken against the Bank, nor will Finance Board staff undertake any such supervisory action, for these regulatory violations.

This letter expresses only the position of Finance Board staff and may be modified or superseded by the Board of Directors of the Finance Board. If you have any questions, please contact Gwen R. Grogan, Acting Deputy Director, Office of Supervision, at 202-408-2892.

Sincerely,

/s/ James L. Bothwell
James L. Bothwell
Managing Director

cc: Gwen R. Grogan