



No.: **2002-23**
Date: **May 8, 2002**

FEDERAL HOUSING FINANCE BOARD

Capital Structure Plan of the Federal Home Loan Bank of Boston

WHEREAS, the Gramm-Leach-Bliley Act (GLB Act) amended section 6 of the Federal Home Loan Bank Act (Bank Act) in order to enhance the safety and soundness of the Federal Home Loan Bank (Bank) System by replacing the existing subscription capital structure with a permanent capital structure that includes risk-based and leverage capital requirements; and

WHEREAS, the Federal Housing Finance Board (Finance Board) has adopted regulations to implement the capital provisions of the GLB Act, which regulations have established the risk-based and leverage capital requirements for the Banks, as well as the requirements for the capital structure of each Bank; and

WHEREAS, section 6(b) of the Bank Act and the implementing regulations of the Finance Board, 12 C.F.R. § 933.1(a), require the board of directors of each Bank to develop and submit for Finance Board approval a plan to establish and implement a new capital structure for such Bank; and

WHEREAS, the board of directors of the Federal Home Loan Bank of Boston (Boston Bank) has submitted to the Finance Board a capital structure plan for the Boston Bank dated April 25, 2002 (Boston Capital Plan or Plan); and

WHEREAS, the president of the Boston Bank has represented to Finance Board staff that the board of directors of the Boston Bank intends to amend Section IV.C.1 of the Boston Capital Plan at its next regularly scheduled meeting to conform it more closely to the requirements of section 6(c)(1)(D) of the Bank Act and 12 C.F.R. § 933.2(a)(4), and has provided Finance Board staff with a proposed amendment to Section IV.C.1 of the Plan; and

WHEREAS, Finance Board regulations preclude a Bank from implementing its capital plan until the Finance Board has approved the capital plan, as well as the internal market risk model or the internal cash flow model that the Bank intends to use to calculate the market risk component of the Bank's risk-based capital requirement, and the risk assessment procedures and controls to be used to manage its credit, market, and operation risks, 12 C.F.R. §§ 932.1 and 933.1(a); and

WHEREAS, the Board of Directors has considered the Boston Capital Plan, including the proposed amendment to Section IV.C.1 of the Plan, its supporting materials, as well as a memorandum from the Office of Policy, Research and Analysis, and the Office of General Counsel that analyzed the Plan and recommends its approval, subject to the condition that the Bank amend Section IV.C.1 of the Plan substantially in the manner proposed; and

WHEREAS, the use of the terms “discretion” or “sole discretion” in the Capital Plan when describing actions that may be taken by the Boston Bank’s board of directors cannot limit any authority granted the Finance Board under the Bank Act to review, prohibit or otherwise regulate such actions; and

WHEREAS, the Board of Directors has determined that the Boston Capital Plan, with the inclusion of the proposed amendment to Section IV.C.1 of the Plan, meets all statutory and regulatory requirements regarding capital structure, and does not compromise the safety and soundness of the Boston Bank or of the Bank System;

NOW, THEREFORE IT IS RESOLVED that the Board of Directors hereby approves the Boston Capital Plan, pursuant to sections 2B(a)(1) and 6(b) of the Bank Act, 12 U.S.C. §§ 1422b(a)(1) and 1426(b) and 12 C.F.R. § 933.1(c), subject to the terms of this resolution;

IT IS FURTHER RESOLVED that the Finance Board’s approval of the Boston Capital Plan is conditioned on the approval by the board of directors of the Boston Bank, at its next regularly scheduled meeting, and submission to the Finance Board of an amendment to Section IV.C.1 of the Plan that is, in the determination of Finance Board staff, substantially the same as the proposed amendment and that conforms to the requirements of section 6(c)(1)(D) of the Bank Act and 12 C.F.R. § 933.2(a)(4);

IT IS FURTHER RESOLVED that the approval of the Boston Capital Plan does not imply that the Finance Board intends to limit any authority granted it under the Bank Act to review, prohibit or otherwise regulate actions that, under the terms of the Boston Capital Plan, may be taken in the “discretion” or “sole discretion” by the board of directors of the Boston Bank;

IT IS FURTHER RESOLVED that the Boston Bank’s internal market risk model and its risk assessment procedures and controls will be approved pursuant to 12 C.F.R. § 932.1, subject to the right of the Board of Directors to review the approval, in accordance with 12 C.F.R. § 907.7;

IT IS FURTHER RESOLVED that prior to implementing the Boston Capital Plan, the Boston Bank shall submit to the Finance Board written confirmation from the independent certified public accountant and the credit ratings organization that have reviewed the initial version of the Boston Capital Plan in accordance with 12 C.F.R. § 933.3, that they have reviewed the final version of the Boston Capital Plan and reaffirm their prior determinations that the implementation of the Plan will not cause the Boston Bank to write down the value of its capital stock nor will it affect the credit rating of the Bank;

IT IS FURTHER RESOLVED that in the event that the board of directors of the Boston Bank exercises its authority under Sections IV.A.4 or IV.B.2 of the Plan to revise the applicable percentage of any stock purchase requirement, or the dollar amount of any minimum or maximum investment requirement, then the Boston Bank shall promptly notify the Finance Board of such changes.

By the Board of Directors of the
Federal Housing Finance Board

/s/ John T. Korsmo

John T. Korsmo
Chairman