

Comments on Proposed Rule - Federal Home Loan Bank Directors and Governance Docket Number RIN 2590-AB24

I wish to provide my comments on the proposed rule titled "Federal Home Loan Bank Directors and Governance."

Definition of "Confidential Information"

The term "confidential information" is not defined in the rule. In §1261.11 and §1239.31, I suggest including a definition of the term "confidential information".

Guidance on Gifts

The rule's guidance on gifts in §1261.11 could be enhanced by setting a clear monetary limit for "insubstantial" gifts. This would provide directors with concrete guidance and help avoid any misunderstanding regarding acceptable gift practices. Suggested verbiage: "Insubstantial gifts are defined as those with a monetary value not exceeding \$50."

Regular Audits and Reviews

One notable omission in sections §1261.11 and §1239.31 is the lack of a requirement for regular audits or reviews of conflicts of interest disclosures. Instituting regular audits would help ensure ongoing compliance and address any conflicts that may arise over time. Suggested verbiage: "A regular audit of conflict of interest disclosures should be conducted at least annually to ensure ongoing compliance and address any emerging conflicts."

Consultancy and Volunteer Roles

While §1239.31 effectively extends the conflicts of interest policies to employees, it would be beneficial to include specific language addressing consultancy roles and unpaid or volunteer positions, which might also lead to conflicts of interest. This extension would ensure comprehensive coverage of potential conflicts across all levels of the organization. Suggested verbiage: "Conflicts of interest policies should include specific guidelines for consultancy roles and volunteer positions to ensure that these roles do not lead to potential conflicts of interest."

Accountability in Conflict of Interest Policies

The proposed rule could specify the responsible parties for enforcing the conflicts of interest policies and overseeing compliance. Clear accountability would strengthen the implementation of these policies. Suggested verbiage: "The Chief Compliance Officer (CCO) shall be responsible for enforcing the conflicts of interest policies and overseeing compliance."

Remote and Hybrid Board Meetings

In §1261.24 and the corresponding section in §1273.8, specific provisions to address potential challenges with virtual meetings, such as technological issues or security concerns, should be detailed to maintain the integrity of board discussions and decisions. Suggested verbiage: "Provisions should be in place to address technological issues and security concerns to ensure effective communication during remote or hybrid board meetings."

Public Access to Meeting Minutes and Agendas

To ensure transparency and accountability, it is crucial for the Federal Housing Finance Agency (FHFA) to make meeting minutes and agendas for the Federal Home Loan Bank System Boards of Directors publicly accessible in some appropriate manner. Currently, there is a noticeable lack of transparency, as these documents are not readily available on the FHFA website. Providing public access to these materials would allow stakeholders to review the proceedings and decisions made during these meetings, fostering greater trust in the governance processes of the FHLBanks. I recommend that the proposed rule explicitly state that the FHFA will make meeting minutes and agendas available to the public within a reasonable timeframe after the meetings. Alternatively, FHFA could follow the prudent, time-tested model of the Federal Reserve Board: meeting minutes and meeting agendas are published three weeks after the date of the policy decision; transcripts are available five years after the date of the meeting.

Risk Management Strategies

While the proposed rule addresses credit risk management for FHLBank members, it would benefit from a more comprehensive approach to risk management strategies. Risk management is the hallmark of prudent banking operations, and is employed by all banks and bank regulators to ensure financial stability and resilience. Implementing a robust risk management framework that includes regular risk assessments, proactive identification of potential risks,

and the development of mitigation plans would enhance the overall governance of the FHLBanks.

Potential Loopholes and Unintended Consequences

Regarding sections §1261.11 and §1239.31, the potential exists for directors or employees to indirectly benefit from decisions by holding investments or interests through intermediaries or distant relatives not covered under "immediate family member" definitions. Clarifying the extent of indirect benefits and ensuring comprehensive disclosures could close this gap.

Suggested verbiage: "Directors and employees must disclose any indirect financial interests held through intermediaries or distant relatives not covered under the immediate family member definitions."

Disclosure Timeliness

The proposed rule under §1261.5 could also benefit from specifying timelines for when disclosures of conflicts of interest must be made. For instance, requiring immediate disclosure upon identification of a conflict ensures issues are addressed in real-time, rather than allowing delays that could impact decision-making processes. Suggested verbiage: "Conflicts of interest must be disclosed immediately upon identification to ensure timely resolution."

Transparency on Compensation Decisions

While the rule mandates a written compensation policy under §1261.22, it could further require that the rationale behind compensation decisions be documented and made available for stakeholder review. This ensures that compensation aligns with performance and that any deviations are well-justified and transparent. Suggested verbiage: "The rationale behind compensation decisions should be documented and made available for stakeholder review to ensure transparency."

Thank you for considering my comments.

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