Federal Home Loan Bank
NEW YORK

August 6, 2021

Submitted Electronically
Federal Housing Finance Agency
Office of the Director
400 7th Street, SW, 10th Floor
Washington, DC 20219

RE: FHFA Request for Input -- Executive Compensation at the Regulated Entities

Dear Acting Director Thompson:

We write in connection with the above-referenced matter to communicate the views of the Board of Directors ("Board") of the Federal Home Loan Bank of New York ("FHLBNY").

We believe that any Federal Housing Finance Agency ("FHFA") guidance with regard to executive compensation as it affects the Federal Home Loan Banks ("FHLBanks") should not impact and impair a FHLBank's responsibility and ability to hire and retain qualified senior management, or override a FHLBank Board's business judgment

It is the statutory responsibility of the Directors of each Federal Home Loan Bank "to select, employ and fix compensation of such officers, employees … as shall be necessary for the transaction of its business". (12 USC 1432(a)). The FHLBank Boards are regulatorily responsible for having policies to assure their oversight of the compensation programs of the FHLBank. (12 CFR 1239.4(c)(1)). Further, to help administer these responsibilities, each FHLBank's Board is required to have a compensation committee. (12 CFR 1239.5(b)). These Federal statutes clearly grant compensation-setting authority with the FHLBanks, and the FHFA is by statute expressly prohibited from setting a specific level or range of compensation. (12 USC 4518 (d)).

We believe that the foregoing provisions that give the Boards this authority in the area of executive compensation reflect an excellent understanding of the particular nature of the Boards of the FHLBanks. We say this because:

1) Members of FHLBank management are prohibited from serving on any FHLBank Board, thus eliminating the possibility of a conflict of interest that might exist if there were "management directors" on a FHLBank Board; and

2) Each FHLBank Board is comprised of shareholder owner representatives and independent and public interest representatives -- and these FHLBank directors are ultimately responsible to FHLBank shareholders, who will want their FHLBank to manage employees and expenses prudently and who can express their agreement or disagreement of the Board's direction in the course of the annual director election process.

As such, we believe that the district Boards are capable of determining prudent and reasonable compensation, after review by each Board's Compensation Committee and the Board's independent compensation consultants -- and we are of the view that the Director and the government should not set, or through their actions effectively control, compensation for the FHLBanks.

We do acknowledge that the FHFA Director can prohibit providing compensation from being paid to any executive officer that is not reasonable and comparable with compensation for employment in other similar businesses involving similar duties and responsibilities. (12 USC 4518 (a)). However, those standards should be evaluated in the context of the process by which the FHLBank Board makes the determination of what reasonable compensation is for its Bank.

If the FHFA were to impose ‘hard-wired’ -- or take action that has the effect of imposing ‘hard-wired’ -- benchmark standards and/or salary caps, the FHFA Director risks arbitrarily stepping into the shoes of a FHLBank’s Board with respect to fixing compensation, hiring and retention. This would potentially usurp the FHLBank Board’s statutory duties under 12 USC 1432(a) as well as potentially violate 12 USC 4518 (d).

Further, centralized control could have the effect of ignoring local market factors besides eroding District Board oversight of compensation. Indeed, regulatory mandated caps could have the effect of inadvertently inflating salaries in low-cost areas and depressing salaries in high-cost areas. This is not what Congress intended.

Continuing, we do not agree with the FHFA’s assessment that, as suggested in the RFI, that the FHLBNY has a “monolithic business model”. The FHLBNY is actively engaged in these six business lines:

- Advances & Collateral, including at-cost community economic development loans to banks, credit unions, insurance companies & community development financial institutions.
- Letters of Credit support for municipalities and economic development
- Secondary market mortgage purchases (the FHLBNY’s Mortgage Asset Program)
- Affordable Housing Program & technical assistance and charitable grants to local communities
- Investments in government and private-label MBS Securities and credit support to Housing Finance Authorities
- Correspondent banking services

All these activities require an extremely talented, knowledgeable, and financially and technologically savvy work force. Here, we note that, as of December 31, 2020, the FHLBNY’s employees are a highly professional group, diverse and small in number, with 354 full-time employees due to the wholesale nature of our business. However, this small group was responsible for the management of $7.3 billion of member-owned private capital. Given its size, individual responsibilities are quite significant, and the FHLBNY’s average employee tenure is over nine years.

With regard to talent, a talent market reflects the geography, industry and/or unique organizations from which an employer recruits or loses talent. Talent markets can be “relaxed” with many qualified candidates or “tight” with relatively few qualified candidates. In addition, talent markets may differ by job and reflect the type of knowledge, skills and experience required for a job.

As such, the members of the FHLBNY Board’s Compensation & Human Resources Committee have taken into consideration various factors influencing the competitive market for FHLBNY executive talent (i.e., varied lines of business, market for financial services talent in the metropolitan New York city area, etc.) and set a compensation policy reflective of these market factors to ensure that FHLBNY can attract and retain the executive talent needed to successfully lead the Bank. This compensation policy guides the Compensation & Human Resources Committee in ensuring executive compensation is reasonable and comparable relative to FHLBNY’s defined market for executive talent.

To provide additional context supporting the fact that executive compensation at FHLBNY is reasonable relative to its competitive market for executive talent, we examined publicly-available CEO pay ratio data for two market perspectives below. The CEO pay ratio* is calculated by dividing the CEO's compensation by the pay of the median employee.

- Commercial Bank Peer Group (assets ranging from $20B to $60B): this is the primary peer group used for assessing Named Executive Officer compensation at FHLBNY
- Geographic Bank Peer Group (assets ranging from $8B to $60B): secondary peer group of publicly-traded banks headquartered in New York and New Jersey

2021 Market Median CEO Pay Ratio Statistics

Market Perspective	Median Employee Compensation	Median CEO Compensation	Median CEO Pay Ratio
Commercial Bank Peer Group	$68,221	$4,832,997	58
Geographic Bank Peer Group	$70,485	$5,032,920	65
FHLBNY	$253,970	$3,617,129	14

*Peer bank CEO pay ratio data are from proxy filings and data shown in table above are independently arrayed. Median employee and CEO compensation may include additional rewards components beyond base salary, bonus and long-term incentives, such as retirement and health and welfare benefits, as SEC guidance provides latitude in assumptions used to calculate the CEO pay ratio.

Market Median CEO Pay Ratio 2019-2021

Market Perspective	2019	2020	2021	3-Year Average
Commercial Bank Peer Group	91	81	58	77
Geographic Bank Peer Group	60	73	65	66

We note that the 2021 pay ratio statistics for our Commercial Bank Peer Group shown above track lower than in 2019 and 2020 due to lower executive pay levels in 2021 (the effect of performance in the industry over the 2020 performance year) and increases made to the pay levels of employees over that same year. In 2019 and 2020, median CEO pay ratio was 91 and 81 respectively (compared to 58 shown above for 2021). The three-year average of the median CEO pay ratio for 2019-2021 proxy disclosures was 77.

The median CEO pay ratio for the Geographic Bank Peer Group in 2019 and 2020 was 60 and 73 respectively. The three-year average of the median CEO pay ratio for 2019-2021 proxy disclosures was 66.

The FHLBNY is not suggesting the CEO pay ratio is a means to benchmark CEO pay, as assumptions companies use in calculating the CEO pay ratio can vary greatly given SEC guidance, but the difference in magnitude of CEO pay ratios (FHLBNY CEO pay ratio of 14X versus peers' three-year average of 77X or 66X) shows that in the context of the FHLBNY, the CEO's pay is relatively low to peers and does not appear to constitute an "unreasonable" level of compensation.

We believe it is improper for the FHFA to disregard our market benchmarks or suggest that the FHLBNY's benchmarks should be discounted or jobs should be 'reduced by a level' when conducting benchmarking because of the perceived simplicity of our business. The business is complex and individual employee responsibilities are significant.

In conclusion, we ask that whatever executive compensation actions are taken by the FHFA should not impede the FHLBanks' fiduciary duty to prudently and safely oversee their respective FHLBanks, including the requirement under Standard 8 of the Prudential Management & Operations Standards of engaging competent talent for its risk management function. (12 CFR 1236 Appendix).

Thank you for your consideration of these comments.

Very truly yours,

John R. Buran
Chairman

cc: Andre D. Galeano
Rick Oettinger
Ashley Romanias
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Maelean Sanders