



Winthrop Watson
Chief Operating Officer

VIA E-MAIL (REGCOMMENTS@FHFA.GOV) & FEDERAL EXPRESS

November 29, 2010

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA35
Federal Housing Finance Agency
Fourth Floor, 1700 G Street, NW
Washington, D.C. 20552

Re: Notice of Proposed Rulemaking and Request for Comments – Information Sharing Among Federal Home Loan Banks (RIN 2590-AA35) (“Proposed Rule”)

Dear Mr. Pollard:

The Federal Home Loan Bank of Pittsburgh (“FHLBank Pittsburgh”) has reviewed the Proposed Rule issued by the Federal Housing Finance Agency (“Finance Agency”) on September 30, 2010. FHLBank Pittsburgh appreciates both the Finance Agency’s efforts to enhance the information available to the FHLBanks regarding the condition of the other FHLBanks and the opportunity to offer the following comments:

A. We Support the Sharing of Reports of Examination (“ROEs”) and Other Supervisory Reports Among the FHLBanks

FHLBank Pittsburgh supports the terms of the Proposed Rule providing for sharing of: 1) final ROEs presented to an FHLBank’s board of directors and 2) any other final Finance Agency supervisory determination presented to an FHLBank’s board of directors. We agree that documents such as findings and conclusions memoranda and work programs should be included among the distributed materials. We also agree that it is not necessary to distribute the ROEs for the Office of Finance (“OF”) as the FHLBanks already have access to this information via their representation on the OF board of directors. However, we ask the Finance Agency to provide clarification that FHLBank presidents or their designees, who receive the OF ROEs as members of the OF board of directors, are permitted to share such ROEs with their boards of directors and senior staffs.

Additionally, we believe the basis for the information sharing provision in the Housing and Economic Recovery Act of 2008 (“HERA”) is broader than simply providing each FHLBank with sufficient information to evaluate the financial condition of the other FHLBanks in order to assess the likelihood that it may be required to make payments on behalf of another FHLBank under the joint and several liability on the FHLBanks’ Consolidated Obligations (“COs”).

To this end, it would be helpful if the FHLBanks could also view other FHLBank management’s responses to their ROEs, which could provide useful additional information regarding the issues and show how those FHLBanks intend to address the findings. Consequently, we request that

the Finance Agency add a provision to the rule stating that the Finance Agency shall also distribute management's responses to the ROEs as they become available to the Finance Agency.

B. The Final Regulation Should be Enhanced to Better Protect Certain Confidential Information

Depending on the source or nature of underlying information in the ROE, its disclosure may be subject to legal limitations, such as confidentiality agreements or confidentiality provisions of license or other similar agreements. While the FHLBanks are likely to have included in many of their contracts the authority to disclose confidential information under the contract to their auditors, examiners and regulators, disclosure of such confidential information to any other third party, including another FHLBank, is generally prohibited under the terms of various FHLBank contracts. Any final Finance Agency Regulation should include an explicit recognition that such information shall not be included in the disclosure of an FHLBank's ROE by the Finance Agency to the other FHLBanks. Additionally, as the ROEs may contain information that is not strictly proprietary but is highly sensitive, such as identification of personnel or personnel matters, we request that any final Finance Agency Regulation include an explicit recognition that such information shall not be included in the disclosure of an FHLBank's ROE by the Finance Agency to the other FHLBanks.

C. Each FHLBank Must Ensure that Its Directors, Officers, and Employees with Access to Supervisory Information Regarding Another FHLBank Maintain the Confidentiality of that Information

Because ROEs contain highly sensitive and confidential information, all FHLBanks should be required under the terms of the final regulation to maintain safeguards (for example, Code of Conduct terms, confidentiality agreements, blackout agreements) to ensure that the confidentiality of ROE information of another FHLBank is maintained by their directors and any employees given access to the ROEs. The provision of the confidential ROE information of another FHLBank should be conditioned upon each FHLBank and its officers, directors, and employees, maintaining the confidentiality of the ROE. The consequences for violating this confidentiality obligation should be prompt and severe. Accordingly, we believe the final regulation should expressly state that the Finance Agency shall impose sanctions on any FHLBank and/or individual that breaches these confidentiality obligations.

D. Timing of Routine Disclosures; Objections

FHLBank Pittsburgh supports the sharing of ROE and related information by the Finance Agency as a matter of course, rather than making information available only upon the request of an individual FHLBank, for the reasons cited in the Proposed Rule. Further, we support Sections 1260.3(b) and (c) of the Proposed Rule under which an FHLBank will be given ten business days to object to the disclosure of its confidential and proprietary information. We believe, however, that the provisions regarding sharing of the ROEs should be enhanced in the following ways:

- The final regulation should state that the Finance Agency will provide written notice to an FHLBank prior to disclosing its ROE to another FHLBank and that notice shall start

the ten-business-day period for an FHLBank to object to the disclosure of confidential and proprietary information in its ROE.

- When an FHLBank has objected to the disclosure of certain confidential or proprietary information in the ROE and the Finance Agency determines not to accept the FHLBank's requested redactions in full or in part, the Finance Agency shall notify the FHLBank in writing regarding which information will not be redacted. This notice should be provided before the Finance Agency distributes the ROE so that the FHLBank may, if necessary, make appropriate SEC or contractual disclosures in a timely fashion.
- With respect to the distribution of each FHLBank's most recent ROE contemplated in the transition provision section of proposed Section 1260.3(e), we request that the transition provision provide for 15 business days for each FHLBank to submit an objection to the Finance Agency. Under existing regulations and the Advisory Bulletin 2006-AB-03, the FHLBanks cannot share their ROEs even on a voluntary basis with each other; thus, under the transition provision of the Proposed Rule, each FHLBank will be reviewing its ROE for potential information sharing concerns for the first time.

E. The FHLBanks' Disclosure Obligations and the Existing System Disclosure Regime Should Be Recognized in Any Final Finance Agency Information Sharing Regulation

We support the explicit acknowledgment in proposed Section 1260.3(d) that the release of information by the Finance Agency does not constitute a waiver or release of control over subsequent use and disclosure of any information under 12 CFR 911.1. FHLBank Pittsburgh believes this provision should be enhanced in the following ways:

- The final regulation should require that, if an FHLBank determines, from information received under the final regulation, that there is a likelihood it will incur a direct liability under 12 U.S.C. 1431(a) for the COs of another FHLBank and (based on accounting and legal advice) public disclosure of any part of the information is warranted under generally accepted accounting principles or required under the federal securities laws, such FHLBank may make public disclosure of such information only with prior advance notice to the subject FHLBank. Such a requirement would acknowledge the FHLBanks' potentially conflicting disclosure obligations under the securities laws, consistent with a similar acknowledgement in Section 20A of the Federal Home Loan Bank Act.
- The final regulation should recognize the existing FHLBank System disclosure process followed among the FHLBanks and the OF and state that any information in an ROE that raises any potential System disclosure issue is required to be handled by the FHLBanks in accordance with the OF disclosure regime.
- The final regulation also should clarify that the release of information by the Finance Agency under the final regulation will not be deemed a waiver by the subject FHLBank of any privilege, or rights to control of the underlying information, with respect to such information in the ROE.

F. Responses to Specific Requests for Comment

The Finance Agency requested comment on whether the rule should allow the Finance Agency to expand the categories of information to be distributed to the FHLBanks through a less formal means, without undertaking a subsequent rulemaking. We support such a provision, as long as the FHLBanks are given a reasonable opportunity to review and comment on the proposed expansion in advance of its adoption.

The Finance Agency also requested comments on whether the rule should retain the approach whereby the Finance Agency distributes supervisory information directly to each of the FHLBanks. We support this approach because we believe it is the most efficient and effective means for complying with Section 20A of HERA.

Finally, the Finance Agency requested comments regarding whether the transition provision should require distribution of any ROEs other than the most current ROE as of the effective date of the final rule. We support the transition provision as proposed because we believe that if the most current ROEs are distributed, earlier ROEs would provide little or no additional relevant information.

Thank you again for the opportunity to comment on the Proposed Rule. Please contact us if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Anthony Walton". The signature is written in a cursive, flowing style.