

THE FINANCIAL SERVICES ROUNDTABLE



Housing Policy Council

January 15, 2004

Ms. Elaine L. Baker
Secretary to the Board
Federal Housing Finance Board
1777 F Street, N.W.
Washington, D.C. 20006-5210

Re: September 17, 2003, Proposed Rule: Registration by Each Federal Home Loan Bank of a Class of Its Securities Under the Securities Exchange Act of 1934 (No.2003-19; RIN 3069-AB22).

Dear Ms. Baker:

The Housing Policy Council (the "HPC") appreciates the opportunity to provide its comments on the Federal Housing Finance Board's (the "Finance Board") proposed rule regarding the registration by each Federal Home Loan Bank (the "FHL Banks") of a class of its securities under the Securities Exchange Act of 1934 ("the Act"). The HPC is a wholly-owned subsidiary of The Financial Services Roundtable that is dedicated to improving the regulatory and legislative framework for housing finance.

General view of the Housing Policy Council

The Housing Policy Council supports the goal of increasing financial transparency for all the Government Sponsored Enterprises (GSEs). The laudable purpose of the federal securities acts is to protect the investing public by providing accurate financial information in a timely and understandable fashion. That underlying purpose, however, does not fit the template of the Federal Home Loan Banks.

The Federal Home Loan Banks differ from the normal SEC registrants. They are cooperative associations owned by members and their stock does not trade publicly. As such, there are no shareholders who would benefit from the disclosures connected with SEC registration.

Enhanced disclosure of the activities of the Federal Home Loan Banks may be appropriate. That goal, however, could be best achieved by regulations or guidelines promulgated and enforced by the Finance Board, not the SEC.

I. The Finance Board is in the best position to oversee FHL Bank disclosures.

The HPC does not believe that the FHL Banks should be required to register their stock with the Securities and Exchange Commission (the "SEC"). Such a requirement would place two federal agencies in the position of gathering information about the financial condition and governance of

the FHL Banks and would create confusion to the general public and to member shareholders. The HPC believes that the Finance Board is in the best position to assure the timeliness, accuracy and completeness of the disclosures by the FHL Banks because it was established by Congress to exercise the full range of regulatory and examination authority over the activities and operations of the FHL Banks. That authority provides the Finance Board with intimate knowledge of each of the FHL Bank's business and financial condition. The Finance Board has unparalleled ability to scrutinize and oversee the securities disclosures made by the FHL Banks, given that the twelve FHL Banks are the Finance Board's sole focus.

II. The Finance Board does not have the legal authority to enact the proposed regulation.

The Finance Board does not have the authority to adopt the proposed regulations. Nowhere within the Federal Home Loan Bank Act is the Finance Board expressly authorized by Congress to transfer its regulatory duties over the FHL Banks to another agency. The laudable purpose of the proposed regulation, to protect the investing public, cannot alone empower the agency to delegate its statutorily mandated authority. Absent new legislation, the HPC believes that the Finance Board is without authority to adopt the proposed regulation in its current form.

III. Enhanced disclosure can be achieved by regulations or guidelines promulgated and enforced by the Finance Board, not the SEC.

Section 12(i) of the Securities Act of 1934 provides a road map for disclosures modeled along the lines of the registration requirements of the '34 Act. Under a regulatory scheme based upon the 12(i) approach, the SEC would continue to promulgate applicable disclosure rules, and the Finance Board would be responsible for applying and enforcing them with respect to the FHL Banks. The Finance Board would consult with the SEC regarding accommodations that are necessary to adapt the statutory structure of the FHL Banks to new disclosure rules. The Finance Board would continuously review the disclosures issued by the FHL Banks.

By having the SEC and the Finance Board follow this approach, the regulation of the FHL Banks would be consistent with how other federal agencies divide the responsibilities for regulation of disclosures issued by financial institutions that are not owned by a holding company. Commercial banks long have been subject to the disclosure rules promulgated by their regulators pursuant to section 12(i), and the public benefits of those disclosures have been demonstrated. The application of a similar requirement on the Federal Home Loan Banks would seem to be an appropriate alternative to SEC registration. We urge you to consider such an approach.

Best regards,



Steve Bartlett
President & CEO
The Financial Services Roundtable