



***Federal Housing Finance Board  
Office of Supervision***

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*Date:* August 27, 2002

*To:* Federal Home Loan Bank Presidents, Chief Financial Officers and Directors of Internal Audit

*From:* Stephen M. Cross  
Director  
Office of Supervision

*Subject:* Unsecured Credit Reporting Requirements

Introduction

Section 932.9(e) of the Federal Housing Finance Board ("Finance Board") regulations provides that each Federal Home Loan Bank ("FHLBank") report periodically to the Finance Board certain information on its credit exposures. This bulletin outlines changes to the unsecured credit reporting system of the Office of Finance ("OF") and to the Call Report System that will allow us to eliminate separate reporting of similar information to the Finance Board's Office of Supervision. This bulletin describes changes necessary to the OF reporting system to satisfy the requirements of Section 932.9(e)(1). The bulletin also discusses changes to the Call Report System to capture data for extensions of secured and unsecured credit to a single counterparty required by Section 932.9(e)(2).

Section 932.9(e)(1) Reporting

Section 932.9(e)(1) of the unsecured credit rule, requires each FHLBank to report monthly to the Finance Board the total amount of unsecured extensions of credit to any single counterparty or group of affiliated counterparties that exceeds five percent of the FHLBank's total capital or the counterparty's or affiliated counterparties' combined Tier 1 capital.

The FHLBanks currently report their unsecured credit exposure by counterparty to the OF, which uses the data to prepare consolidated monthly reports. The unsecured credit reporting system administered by OF will fulfill the reporting requirements of Section 932.9(e)(1) when accrued interest receivable and unsecured exposure on derivatives are added to the currently reported investment principal.

Using OF's existing reporting system to meet the Section 932.9(e)(1) reporting requirement will minimize the reporting burden on the FHLBanks by avoiding a redundant reporting mechanism to the Finance Board.



## Advisory Bulletin 02-7

Effective September 30, 2002, the FHLBanks should modify their reporting of unsecured credit exposure to OF as follows, in order to meet the reporting requirement of Section 932.9(e)(1):

- By the twelfth calendar day of every month, each FHLBank should report electronically to OF in a standardized Excel spreadsheet (or other format as directed by OF), total unsecured credit exposure by counterparty, including accrued interest receivable and net derivative exposure, as of the last business day of the prior month.
- Accrued interest should be combined with the related principal amount for each maturity bucket and counterparty. Net derivative exposure should be reported as a separate amount per counterparty in a single column inserted after the maturity buckets and before the total unsecured credit column. Report all extensions of credit, not just those over five percent of capital.
- Report all amounts in millions to three decimal places (e.g., report \$1 million as 1.000).

The FHLBank capital and counterparty Tier 1 capital amounts needed to determine the five percent reporting requirement will come directly from OF's databases.

### Section 932.9(e)(2) Reporting

The Finance Board plans to incorporate into the Call Report System the information required by Section 932.9(e)(2) on total extensions of secured and unsecured credit to any single counterparty or group of affiliated counterparties that exceeds five percent of the FHLBank's total assets. Until those changes are incorporated into the Call Report, the FHLBanks should continue to provide to the Finance Board's Office of Supervision the total extensions of credit to any single counterparty or affiliated counterparties that exceed five percent. The due date is the same as the due date for the monthly Call Report, which is currently the twelfth calendar day of the following month. FHLBank assets should be as of the same month-end as the extensions of credit.

### Section 932.9(e)(3) Reporting

Each FHLBank shall promptly report directly to the Finance Board any extension of unsecured credit that exceeds any limit set forth in Section 932.9(a), (b) or (c), as required by Section 932.9(e)(3).