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FHFB CHAIRMAN KORSMO: PROPOSED RULE TO FACILITATE REGISTRATION UNDER SECURITIES EXCHANGE ACT OF 1934

Citing recent, notable progress toward voluntary registration of Federal Home Loan Bank securities under the Securities Exchange Act of 1934, Chairman John T. Korsmo of the Federal Housing Finance Board said today he would offer a plan to bring the debate over improved financial disclosures to a positive conclusion.

The proposal follows requests by the boards of directors of two Federal Home Loan Banks that the Finance Board require voluntary registration of Bank securities with the SEC now that other disclosure options have been ruled out.

Korsmo said he would place a proposed rule on the Finance Board's September 10th agenda that, if adopted, would require each of the 12 Federal Home Loan Banks to voluntarily register a class of its securities with the Securities and Exchange Commission under section 12(g) of the Securities Exchange Act of 1934.

The proposed rule will provide a lengthy, 120-day comment period.

"It is my hope that each Bank will use this period to initiate individual discussions with SEC staff leading to a decision to register," Korsmo said. "If so, this proposed regulation will be finalized to facilitate voluntary registration."

Korsmo said his action responds in part to recent developments at several Home Loan Banks, including two requests for a Finance Board regulation requiring voluntary registration with the SEC.

- In an August 21 letter, the Board of Directors of the Federal Home Loan Bank of San Francisco stressed the Bank's commitment to effective and complete disclosure and outlined its ongoing discussions with the SEC now that alternatives to voluntary registration have been precluded: "In this regard, we believe that the Federal Housing Finance Board should assist the boards of directors of Federal Home Loan Banks in responding to your request for voluntary registration by duly adopting a regulation addressing the directors' fiduciary duty in this context and requiring registration if it is the Federal Housing Finance Board's position that registration is appropriate," the directors wrote in response to a July 24 joint letter from Korsmo, Treasury Secretary John W. Snow and Secretary of Housing and Urban Development Mel Martinez.
- On June 26, the Board of Directors of the Federal Home Loan Bank of Atlanta adopted a

resolution also saying, "(Should) it become apparent that SEC registration is inevitable, the Bank should suggest that a regulation mandating such registration could help alleviate concerns regarding potential liability associated with voluntary registration."

- On August 21, the Board of Directors of the Federal Home Loan Bank of Cincinnati built on its previous support for registration, resolving to "actively engage, effective immediately, in the process of voluntary registration with the SEC of its member-held stock." In February, the board decided to pursue registration, saying it could be "accomplished with minimum disruption to the operations of the Federal Home Loan Bank System."
- Representatives of the Federal Home Loan Bank of Chicago are actively engaged in ongoing discussions with SEC staff about registration.

"Given the willingness of these Banks to move forward, I believe it is appropriate to provide them the requested regulatory framework," Korsmo said. "My hope is that other Banks will follow their course once the proposed rule is adopted."

In July 2002, the Bush Administration called upon all government-sponsored enterprises to register voluntarily with the SEC to provide high-quality, consistent and transparent financial disclosures to investors and the public.

Chairman Korsmo later asked the Federal Home Loan Banks to register under the Securities Exchange Act of 1934 to improve the information available to the investing public and to fulfill their responsibilities as government-sponsored enterprises.

"As public trusts, these 12 GSEs have a duty to contribute both to the smooth functioning of capital and mortgage finance markets and to public confidence that GSE benefits are used wisely," Korsmo said.

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