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Web site at http://www.ofheo.gov. However, the Enterprise may disclose the risks in its non-mortgage liquidity investment activities, consistent with the expectations expressed in this guidance, using a format of its choice.

E—Summary

This Guidance sets forth OFHEO’s process for evaluating the safety and soundness of liquidity non-mortgage investment activities. OFHEO remains committed to ensuring the Enterprises remain financially sound, have appropriate control environments, and engage only in financially sound business and investment activities. OFHEO’s examiners have been instructed to incorporate this evaluation process into their ongoing safety and soundness examinations. Examiners will evaluate and test the Enterprise’s non-mortgage liquidity investment processes and activities to ensure they are in compliance with this guidance.

APPENDIX C TO PART 1720—POLICY GUIDANCE; SAFETY AND SOUNDNESS STANDARDS FOR INFORMATION

A—Introduction

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5. Adjust the Program.
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A—Introduction


1. Scope. The Guidance applies to information maintained by or on behalf of the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) (collectively, the Enterprises).
b. Protect against any anticipated threats or hazards to the security or integrity of such information; and

c. Protect against unauthorized access to or use of such information.

C—DEVELOPMENT AND IMPLEMENTATION OF INFORMATION SECURITY PROGRAM

1. Involve the Board of Directors. The board of directors or an appropriate committee of the board of each Enterprise shall:

   a. Approve the Enterprise’s written information security program; and

   b. Oversee the development, implementation, and maintenance of the Enterprise’s information security program, including assigning specific responsibility for its implementation and reviewing reports from management.

2. Assess Risk. Each Enterprise shall:

   a. Identify reasonably foreseeable internal and external threats that could result in unauthorized disclosure, misuse, alteration, or destruction of information or information systems;

   b. Assess the likelihood and potential damage of these threats, taking into consideration the sensitivity of nonpublic information; and

   c. Assess the sufficiency of policies, procedures, information systems, and other arrangements in place to control risks.

3. Manage and Control Risk. Each Enterprise shall:

   a. Design its information security program to manage and control the identified risks, commensurate with the sensitivity of the information as well as the complexity and scope of the Enterprise’s activities. Each Enterprise should consider whether the following security measures are appropriate for the Enterprise and, if so, adopt those measures the Enterprise concludes are appropriate:

      i. Access controls over information systems, including controls to authenticate and permit access only to authorized individuals and controls to prevent employees from providing information to unauthorized individuals who may seek to obtain this information through fraudulent means;

      ii. Access restrictions at physical locations containing information, such as buildings, computer facilities, and records storage facilities to permit access only to authorized individuals;

      iii. Encryption of electronic information, including information while in transit or in storage on networks or systems to which unauthorized individuals may have access;

      iv. Procedures designed to ensure that information system modifications are consistent with the Enterprise’s information security program;

      v. Dual control procedures, segregation of duties, and employee background checks for employees with responsibilities for or access to information;

      vi. Monitoring systems and procedures to detect actual and attempted attacks on or intrusion into information systems;

      vii. Response programs that specify actions to be taken when the Enterprise suspects or detects that unauthorized individuals have gained access to information systems, including appropriate reports to regulatory and law enforcement agencies; and

      viii. Measures to protect against destruction, loss or damage of information due to potential environmental hazards, such as fire and water damage or technological failures.

   b. Review the key controls, systems and procedures of the information security program. The frequency and nature of such tests should be determined by the Enterprise’s risk assessment. Tests should be conducted or reviewed by independent third parties or staff that are independent of those that develop or maintain the security programs.

4. Oversee Service Provider Arrangements. Each Enterprise shall:

   a. Exercise appropriate due diligence in selecting its service providers;

   b. Require its service providers by contract to implement appropriate measures designed to meet the objectives of the Guidance; and

   c. Where indicated by the Enterprise’s risk assessment, monitor its service providers to confirm that they have satisfied their obligations as required by section 9(b). As part of this monitoring, an Enterprise should review audits, summaries of test results, or other equivalent evaluations of its service providers.

5. Adjust the Program. Each Enterprise shall:

   a. Exercise appropriate due diligence in selecting its service providers;

   b. Oversee and monitor the Enterprise’s own changing business arrangements, such as acquisitions, alliances and joint ventures, outsourcing arrangements, and changes to information systems.

6. Report to the Board. Each Enterprise shall report to its board or an appropriate committee of the board at least annually. This report should describe the overall status of the information security program and the Enterprise’s compliance with the Guidance. The reports should discuss material matters related to its program, including issues such as: risk assessment; risk management and control decisions; service provider arrangements; results of testing; security breaches or violations and management’s responses; and recommendations for changes in the information security program.
7. Implementation. a. Each Enterprise should implement an information security program pursuant to the Guidance.
b. Until January 1, 2004, a contract that an Enterprise has entered into with a service provider to perform services for it or functions on its behalf satisfies the provisions of section 9, even if the contract does not include a requirement that the service provider maintain the security and confidentiality of information, as long as the Enterprise entered into the contract on or before the effective date.

PART 1730—DISCLOSURE OF FINANCIAL AND OTHER INFORMATION

§ 1730.1 Purpose.
(a) The purpose of this part is to require the Enterprises to prepare and submit financial and other disclosures as specified by OFHEO.
(b) This part does not limit or restrict the authority of OFHEO to act under its safety and soundness mandate to regulate the Enterprises, including conducting examinations, requiring reports and disclosures, and enforcing compliance with applicable laws, rules and regulations.

§ 1730.2 Definitions.
For purposes of this part, the term:
(a) Commission means the Securities and Exchange Commission (or SEC).
(b) Disclosure or disclosures means any report[s], form[s], or other information submitted by the Enterprises pursuant to this part and may be used interchangeably with the terms “report[s]” or “form[s].”
(c) Enterpise means the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation; and the term “Enterprises” means, collectively, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

(e) OFHEO means the Office of Federal Housing Enterprise Oversight (or the office).

§ 1730.3 Periodic disclosures.
(a) Each Enterprise shall prepare disclosures relating to its financial condition, results of operation, business developments, and management’s expectations that include supporting financial information and certifications.
(b) The requirement of paragraph (a) of this section for disclosures will be satisfied if:
(1) In the case of an Enterprise having a class of securities registered pursuant to Section 12 of the Exchange Act, the Enterprise prepares and makes public an annual report, quarterly report and current reports and such other materials that may be required under the rules and regulations of the Commission, including interpretations of the Commission and its staff and rules governing audited financial statements;
(2) The Enterprise files with the Commission all reports, statements, and forms required pursuant to Sections 14(a) and (c) of the Exchange Act and by rules and regulations adopted by the Commission under those sections that would be required to be filed by the Enterprises if the Enterprises has a class of equity securities registered under Section 12(g) of the Exchange Act that were not exempted securities under the Exchange Act; and,
(3) The officers and directors of the Enterprise file with the Commission all reports and forms relating to the common stock of the Enterprise that would be required to be filed by the officers and directors pursuant to Section 16 of the Exchange Act and by rules and regulations adopted by the Commission under that section if the Enterprises had a class of equity securities registered under Section 12(g) of the Exchange Act that were not exempted securities under the Exchange Act.

§ 1730.4 Submission of disclosures.
Unless otherwise required by OFHEO, the Enterprises shall provide to OFHEO on a concurrent basis copies of