The comment period is scheduled to expire on November 5, 2010. In a letter dated October 20, 2010, the Farm Credit Council (FCC), on behalf of the System including the Federal Farm Credit Banks Funding Corporation, requested that the Agency extend the comment period until February 28, 2011. The FCC requested the extension in order to give the System the opportunity to study the rules developed by the Federal banking regulators. The Basel Committee on Banking Supervision is in the process of formulating a new regulatory capital framework, and the U.S. banking regulators are expected to revise their capital guidelines consistent with the new requirements. In view of the expected revisions in the near future, the FCA has decided to extend the comment period 180 days beyond the original expiration date and, therefore, the comment period will close on May 4, 2011. The FCA supports public involvement and participation in its regulatory process and invites all interested parties to review and provide comments on our ANPRM.

Dated: November 4, 2010.

Roland E. Smith,

Secretary, Farm Credit Administration Board.

[FR Doc. 2010–28245 Filed 11–5–10; 8:45 am]

BILLING CODE 6705–01–P

FEDERAL HOUSING FINANCE BOARD

12 CFR Parts 965, 966, 969, and 987

FEDERAL HOUSING FINANCE AGENCY

12 CFR Part 1270

RIN 2590–AA36

Federal Home Loan Bank Liabilities

AGENCY: Federal Housing Finance Board, Federal Housing Finance Agency.

ACTION: Notice of proposed rulemaking; request for comment.

SUMMARY: The Federal Housing Finance Agency (FHFA) is proposing to re-organize and re-adopt existing Federal Housing Finance Board (Finance Board) regulations dealing with consolidated obligations (COs), as well as related regulations addressing other authorized Federal Home Loan Bank (Bank) liabilities and book-entry procedures for COs, as new part 1270 of the FHFA regulations. The proposed rule would also make changes to the regulations governing COs to reflect recent statutory amendments which removed authority from FHFA to issue COs on which the Banks are jointly and severally liable and provided this authority to the Banks themselves. Otherwise, FHFA is proposing to re-adopt most of the regulatory provisions addressed in this rulemaking without substantive amendment.

DATES: Comments on the proposed rule must be received on or before January 7, 2011. For additional information, see **SUPPLEMENTARY INFORMATION**.

ADDRESSES: You may submit your comments on the proposed rule, identified by regulatory information number (RIN) 2590–AA36 by any of the following methods:

- *E-mail:* Comments to Alfred M. Pollard, General Counsel may be sent by e-mail to *RegComments@FHFA.gov.* Please include "RIN 2590–AA36" in the subject line of the message.
- *Federal eRulemaking Portal: http://www.regulations.gov.* Follow the instructions for submitting comments. If you submit your comments to the Federal eRulemaking Portal, please also send it by e-mail to FHFA at *RegComments@FHFA.gov* to ensure timely receipt by the agency. Please include "RIN 2590–AA36" in the subject line of the message.
- *Hand Delivery/Courier:* The hand delivery address is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2590–AA36, Federal Housing Finance Agency, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. The package should be logged at the Guard Desk, First Floor, on business days between 9 a.m. and 5 p.m.
- *U.S. Mail, United Parcel Service, Federal Express, or Other Mail Service:* The mailing address for comments is: Alfred M. Pollard, General Counsel, Attention: Comments/RIN 2590–AA36, Federal Housing Finance Agency, Fourth Floor, 1700 G Street, NW., Washington, DC 20552.

FOR FURTHER INFORMATION CONTACT: Joseph A. McKenzie, Chief Economist, Federal Home Loan Bank and System Analysis, 202–408–2845, Federal Housing Finance Agency, 1625 Eye Street, NW., Washington, DC 20006; or Thomas E. Joseph, Senior Attorney-Advisor, 202–414–3095, Office of General Counsel, Federal Housing Finance Agency, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. The telephone number for the Telecommunications Device for the Deaf is (800) 877–8339.

SUPPLEMENTARY INFORMATION:

I. Comments

FHFA invites comments on all aspects of the proposed rule, and will adopt a final regulation with appropriate changes after taking all comments into consideration. Copies of all comments will be posted on the Internet Web site at *https://www.fhfa.gov.* In addition, copies of all comments received will be available for examination by the public on business days between the hours of 10 a.m. and 3 p.m., at the Federal Housing Finance Agency, Fourth Floor, 1700 G Street, NW., Washington, DC 20552. To make an appointment to inspect comments, please call the Office of General Counsel at (202) 414–6924.

II. Background

A. Creation of the Federal Housing Finance Agency and Recent Legislation

Effective July 30, 2008, the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110–289, 122 Stat. 2654, created FHFA as a new independent agency of the Federal Government, and transferred to FHFA the supervisory and oversight responsibilities of the Office of Federal Housing Enterprise Oversight (OFHEO) over the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation (collectively, the Enterprises), the oversight responsibilities of the Finance Board over the Banks and the Office of Finance (OF) (which acts as the Banks' fiscal agent) and certain functions of the Department of Housing and Urban Development. *See id.* at section 1101, 122 Stat. 2661–62. FHFA is responsible for ensuring that the Enterprises and the Banks operate in a safe and sound manner, including that they maintain adequate capital and internal controls, that their activities foster liquid, efficient, competitive and resilient national housing finance markets, and that they carry out their public policy missions through authorized activities. *See id.* at section 1102, 122 Stat. 2663–64. The Enterprises, the Banks, and the OF continue to operate under regulations promulgated by OFHEO and the Finance Board until such regulations are superseded by regulations issued by FHFA. *See id.* at sections 1301, 1302, 1311, 1312, 122 Stat. 2794–95, 2797–98.

B. The Bank System Generally

The twelve Banks are instrumentalities of the United States organized under the Federal Home Loan Bank Act (Bank Act).[1] *See* 12 U.S.C. 1423 and 1432(a). The Banks are cooperatives; only members of a Bank may purchase the capital stock of a

[1] The twelve Banks are located in: Boston, New York, Pittsburgh, Atlanta, Cincinnati, Indianapolis, Chicago, Des Moines, Dallas, Topeka, San Francisco, and Seattle.

Bank, and only members or certain eligible housing associates (such as state housing finance agencies) may obtain access to secured loans, known as advances, or other products provided by a Bank. *See* 12 U.S.C. 1426(a)(4), 1430(a), and 1430b. Each Bank is managed by its own board of directors and serves the public interest by enhancing the availability of residential mortgage and community lending credit through its member institutions. *See* 12 U.S.C. 1427. Any eligible institution (generally a federally insured depository institution or state-regulated insurance company) may become a member of a Bank if it satisfies certain criteria and purchases a specified amount of the Bank's capital stock. *See* 12 U.S.C. 1424; 12 CFR part 1263.

As government-sponsored enterprises (GSEs), the Banks are granted certain privileges under Federal law. In light of those privileges and their status as GSEs, the Banks typically can borrow funds at spreads over the rates on U.S. Treasury securities of comparable maturity lower than most other entities. The Banks pass along a portion of their GSE funding advantage to their members—and ultimately to consumers—by providing advances and other financial services at rates that would not otherwise be available to their members.

C. Consolidated Obligations

COs, consisting of bonds and discount notes, are the principal funding source for the Banks. Although each Bank is primarily liable for the portion of COs corresponding to the proceeds received by that Bank, each Bank is also jointly and severally liable with the other eleven Banks for the payment of principal and interest on all COs. *See* 12 CFR 966.9. In addition to issuing COs, the Banks are authorized to raise funds and incur liabilities by accepting deposits from members, other Banks and instrumentalities of the United States, purchasing Federal funds and entering into repurchase agreements. *See* 12 CFR 965.2.

Prior to June 2000, COs had for many years been issued on behalf of the Banks by the Finance Board, as the Banks' regulator, under authority in section 11(c) of the Bank Act. Until the passage of HERA, section 11(c) of the Bank Act authorized the Banks' regulator to issue bonds which were the joint and several obligations of all the Banks. *See* 12 U.S.C. 1431(c)(2007).

In June 2000, the Finance Board published a final rule which altered how COs were issued and transferred authority for issuance of the Bank COs to the Banks themselves pursuant to authority under section 11(a) of the Bank Act. *See* 65 FR 36290 (June 7, 2000) (*adopting* among other parts 12 CFR parts 966 and 985). Section 11(a) of the Bank Act allows each Bank to issue debt subject to any conditions and requirements established by the Banks' regulator. *See* 12 U.S.C. 1431(a). Under the rules published in June 2000, the Banks were allowed to issue debt subject to requirements that all such debt be the joint and several obligations of all twelve Banks and be issued through the OF as their agent. *See* 12 CFR 966.2(b). The Finance Board retained the option to issue COs itself under section 11(c) of the Bank Act at any point, although it did not do so. *See* 12 CFR 966.2(a).

In 2008, HERA amended section 11 of the Bank Act to remove the authority of the regulator to issue COs and to allow the Banks to issue such debt through OF as the Banks' agent. *See* section 1204(3), Public Law 110–289, 122 Stat. 2786. As a consequence, the Banks are now able to issue COs pursuant to section 11(c) of the Bank Act on which the Banks are jointly and severally liable by statute.[2] To reflect this statutory change, FHFA is proposing to amend the regulations governing the issuance of COs, as well as make other changes to existing regulations.

D. Considerations of Differences between the Banks and the Enterprises

Section 1201 of HERA requires the Director, when promulgating regulations relating to the Banks, to consider the following differences between the Banks and the Enterprises: Cooperative ownership structure; mission of providing liquidity to members; affordable housing and community development mission; capital structure; and joint and several liability. *See* section 1201 Public Law 110–289, 122 Stat. 2782–83 (*amending* 12 U.S.C. 4513). The Director also may consider any other differences that are deemed appropriate. In preparing this proposed rule, FHFA considered the differences between the Banks and the Enterprises as they relate to the above factors. FHFA requests comments from the public about whether differences related to these factors should result in any revisions to the proposal.

[2] As amended by HERA, section 11(c) of the Bank Act provides, in relevant part, that "* * * the Office of Finance, as agent for the Banks, may issue consolidated * * * Bank bonds which shall be the joint and several obligations of all the * * * Banks, and shall be secured and be issued upon such terms and conditions as such Office may prescribe." 12 U.S.C. 1431(c).

III. Analysis of the Proposed Rule

FHFA is proposing to amend the existing regulations previously adopted by the Finance Board that address COs to reflect changes made by HERA to section 11 of the Bank Act. At the same time, FHFA is proposing to combine the CO regulations with related regulations addressing Banks' authorized sources of funds, deposits from Bank members and book-entry procedures for COs into a single new part 1270 of the FHFA regulations. *See* 12 CFR parts 965, 966, 969 and 987. Most of the existing provisions would be carried over to new part 1270 without change, other than for technical changes necessary to conform cross-references to other FHFA regulations and to reflect the fact that FHFA is now regulator for the Banks. Changes to the regulations that FHFA is proposing are discussed in more detail below.

Proposed Subpart A of Part 1270

FHFA is proposing to consolidate relevant definitions from parts 965, 966, 969 and 987 of the Finance Board regulations into proposed subpart A of part 1270. To the extent necessary, FHFA is also proposing to include in this subpart, relevant definitions from part 900 of the Finance Board regulations. Definitions contained in part 900 apply to all Finance Board regulations but would not apply to proposed part 1270 of the FHFA regulations. *See* 12 CFR part 900. No substantive changes would be made to most of these definitions.

FHFA is, however, proposing to adopt a new definition for "consolidated obligations" that varies slightly from the one that is currently set forth in part 900. The proposed changes reflect the fact that HERA amended section 11 of the Bank Act so that the Banks, and not FHFA, are now authorized to issue COs while recognizing that some outstanding COs may have been issued by the Finance Board under the prior statutory provisions. The proposed definition is the same as one FHFA adopted in other regulations. *See, e.g.,* 12 CFR 1229.1.

FHFA is also proposing to amend slightly the definition for the "Office of Finance" that now appears in the part 987 regulations concerning book-entry procedures for COs. The Finance Board first adopted the definition for OF in the book-entry procedure rules in 1998 to reflect the fact that OF would act as agent for the Finance Board in issuing COs, but at other times, would act as agent for the Banks in other functions such as payment on the COs. *See* 63 FR 8057, 8058 (Feb. 18, 1998). In 2002, the Finance Board adopted a technical

amendment to the part 987 definition to remove references to the OF acting as agent for the Finance Board in recognition of the fact that the Finance Board in 2000 had delegated authority to issue COs to the Banks themselves. *See* Final Rule: Technical Amendments to Federal Housing Finance Board Regulations, 67 FR 12841, 12855 (Mar. 20, 2002). The definition proposed in this rulemaking would combine the definition of "OF" used in part 1273 of the FHFA regulations, which establishes OF, with the substance of the definition now in part 987. *See* 12 CFR 1273.1. The proposed changes to the definition would recognize that under proposed part 1270, a reference to "OF" could be made in circumstances, or to address duties, other than those related to book-entry procedures.

Proposed Subpart B of Part 1270

Proposed subpart B would combine provisions now found in the Finance Board regulations part 965, Sources of Funds, and part 969, Deposits. In this respect, § 965.2 of the Finance Board regulations would be relocated to proposed § 1270.2, and proposed § 1270.3 would combine in a single section the authorizations and requirements now set forth in § 965.3 and § 969.2 of the Finance Board regulations. 12 CFR 965.2, 965.3 and 969.2. No substantive changes are being proposed to any of the provisions which would be relocated to subpart B of part 1270 by this proposed rule.

Proposed Subpart C of Part 1270

Under the proposed rule, § 966.2 through § 966.10 of the Finance Board regulations, addressing COs, would be incorporated into subpart C of part 1270 as proposed §§ 1270.4 through 1270.11.[3] 12 CFR 966.2 through 966.10. FHFA is not proposing to amend most of these provisions in any substantive fashion.

FHFA is proposing amendments in § 1270.4 which would address issuance of COs, however. First, the provision now found in § 966.2(a) which reserves to the Banks' regulator the right to issue COs under section 11(c) of the Bank Act, would be deleted to conform the rule to the HERA amendments, which removed this authority for FHFA and provided the authority to the Banks instead. Similarly, proposed § 1270.4(a) would provide that the Banks shall issue COs pursuant to authority in section 11(c) of the Bank Act, rather than under section 11(a) of the Bank Act, as is stated in current § 966.2(b). New language in proposed § 1270.4(a) would also reflect other changes made by HERA to the Bank Act and update references to reflect FHFA's role as regulator and the fact that the FHFA Director's principal duties and authority for oversight of the Bank System are found in sections 1311, 1312, and 1313 of the Federal Housing Enterprises Financial Safety and Soundness Act, as amended. 12 U.S.C. 4511, 4512 and 4513.

Proposed § 1270.4(a) would continue to require the Banks to issue COs subject to the provisions of part 1270 and any other relevant rules, regulations, terms, and conditions as the FHFA Director may prescribe. The proposed provision also would continue to make clear that the Banks are jointly and severally liable on all COs issued under the rule. The negative pledge requirement now found in § 966.2(c) of the Finance Board regulations would also be carried over without substantive change under the proposed rule as new § 1270.4(b).

The proposed rule would also remove, as unnecessary, the current provision found in § 966.4(b) that refers to consolidated notes. *See* 12 CFR 966.4(b). This change has no effect on the Banks' authority to issue COs. Current § 966.4(a), which provides that all COs shall be issued in *pari passu,* would be carried over as new § 1270.4(a)(3). *See* 12 CFR 966.4(a).

Finally, FHFA is proposing to amend language in § 1270.9(c) which would carry over the current prohibition on the direct placement of COs found in § 966.8(c). 12 CFR 966.8(c). The proposed language would incorporate into the rule the regulatory interpretation issued in 2005 by the Finance Board which clarified that the prohibition on the direct placement of COs meant that the Banks cannot purchase COs as part of an initial issuance of COs regardless of whether the purchase was directly from the OF or indirectly from one of the firms that form OF's approved underwriter network. *See* Regulatory Interpretation 2005–RI–01 (Mar. 30, 2005). As explained in the RI, the Finance Board did not believe that such purchases would further the mission of the Banks. The proposed change in language is to make clear that FHFA agrees with this view and intends this interpretation of the prohibition in existing § 966.8(c) to be incorporated into the new provision.[4]

Proposed Subpart D of Part 1270

FHFA is proposing to move regulations governing book-entry procedures for COs now found in § 987.2 through § 987.10 to subpart D of part 1270 as proposed §§ 1270.12 through 1270.20.[5] Any changes being proposed to these provisions are technical and conforming in nature, such as amendments to remove and update references to the Finance Board and to make other changes made necessary by the transfer and combination of these regulations into new part 1270. No substantive changes are being proposed to these provisions.

Requirements Referencing Credit Ratings

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act provides Federal agencies with one year to review regulations that require the use of an assessment of the credit-worthiness of a security or money market instrument and any references to, or requirements in, such regulations regarding credit ratings, and to remove such references or requirements. *See* § 939A, Public Law 111–203, 124 Stat. 1376 (July 21, 2010). In place of such credit-rating based requirements, an agency is instructed to substitute appropriate standards for determining credit-worthiness. The new law further provides that, to the extent feasible, an agency should adopt a uniform standard of credit-worthiness for use in its regulations, taking into account the entities regulated by it and the purposes for which such regulated entities would rely on the credit-worthiness standard.

As proposed, the rule would carry over without change a number of existing provisions which reference credit ratings or otherwise impose specific credit rating requirements. Rather than use this rulemaking to suggest specific changes to these provisions, FHFA has determined instead to begin soliciting comments on what alternative standards of credit-worthiness could appropriately be adopted more generally to replace the requirements in its regulations that are based on credit ratings. Therefore, FHFA is requesting comments on potential credit-worthiness standards that could be applied across regulations governing the Bank System that could be used to replace the credit-ratings

[3] As already noted, relevant definitions now found in § 966.1 of the Finance Board regulations would be incorporated in subpart A of part 1270 under this proposed rule. 12 CFR 966.1.

[4] The proposed change would not affect the validity of the waiver of this requirement issued by the Finance Board in December 2005 to allow, subject to certain conditions, the direct placement of COs with a Bank when necessary to assure that the Federal Reserve Bank of New York has sufficient funds to pay all principal and interest that come due on a given day on COs or portion of COs. *See* Fed. Hsing, Fin. Brd. Res. 2005–22 (Dec. 14, 2005).

[5] As already noted, relevant definitions now found in § 987.1 of the Finance Board regulations would be incorporated in subpart A of part 1270 under this proposed rule. 12 CFR 987.1.

requirements discussed below, as well as to replace similar requirements in other applicable rules. Further, with regard to the specific provisions described below, FHFA is also seeking comments on whether the provisions could be deleted from a final rule without compromising safety or soundness or whether other specific safeguards or requirements (but ones which are not necessarily based on credit-worthiness standards) could provide similar protections as those afforded under the proposed provisions.

First, proposed § 1270.4(b)(6) references assets that have been assigned a rating or assessment by a credit rating organization registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization (NRSRO) that is equivalent to or higher than the rating or assessment assigned by the NRSRO to outstanding COs. This provision would be carried over as part of the "negative pledge requirement" which states that a Bank must maintain certain specific assets free of any lien or pledge in an amount equal to the Bank's pro rata share of total outstanding COs. *See* 12 CFR 966.2(c). The negative pledge requirement was first adopted in 1946. It has been amended only once to any significant degree, in 1992, at which time the Finance Board expanded slightly the list of qualifying assets to account for certain conservative investment opportunities that arose subsequent to 1946. *See* Proposed Rule: Leverage Ratio on Consolidated Federal Home Loan Bank Debt, 57 FR 20061, 20062 (May 11, 1992); Final Rule: Leverage Ratio on Consolidated Federal Home Loan Bank Debt, 57 FR 62183, 62185 (Dec. 30, 1992). The specific provision at issue here was added as part of the 1992 amendments. As the Finance Board noted in proposing the change, the provision was meant to assure that "the investments [used to meet the negative pledge] have a relatively conservative risk profile [by requiring] * * * a rating or assessment at least equal to senior [Bank] bonds * * *" 57 FR at 20062.

Proposed § 1270.5(a)(2)(xi), (xii), and (xiii) contain references to mortgage and community development related investments that carry either the highest or the second highest investment grade ratings from an NRSRO. These provisions are included in the transitional leverage limit which applies until a Bank converts to the capital structure required under the Gramm-Leach-Bliley Act (GLB Act) and complies with the GLB Act capital requirements in 12 CFR part 932. *See* Final Rule: Federal Home Loan Bank Consolidated Obligations—Definition of the Term "Non-Mortgage Assets", 67 FR 35713 (May 21, 2002). This proposed leverage requirement currently would apply to only one Bank. The specific provisions at issue identify assets that would be considered related to the Bank's core mission activities and therefore would not be included in calculations of the Bank's non-mortgage assets. *Id.* at 35713–14. The calculation of "non-mortgage assets" is relevant because, under the current and proposed regulations, the leverage limit applicable to a Bank would become more restrictive if the Bank's non-mortgage assets exceed 11 percent of the Bank's total assets.

FHFA is also proposing to carry over as new § 1270.5(b) and § 1270.5(c) current requirements concerning specific credit ratings that Banks collectively must maintain for COs and that each Bank must maintain individually. These requirements were adopted as a means of enhancing protections afforded holders of COs by requiring Banks either collectively or individually to take actions to maintain the required ratings. *See* Final Rule: Office of Finance; Authority of Federal Home Loan Banks to Issue Consolidated Obligations, 65 FR 36290, 36294 (June 7, 2000). The Finance Board believed that these requirements provided more effective on-going protections to bond holders than the provision that they replaced, which had required a written statement from a rating agency or an investment bank that a change in the leverage limit applicable to the Banks would not adversely affect the ratings or creditworthiness of COs, prior to the change becoming effective. *Id.*

IV. Paperwork Reduction Act

The proposed rule does not contain any collections of information pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 *et seq.*). Therefore, FHFA has not submitted any information to the Office of Management and Budget for review.

V. Regulatory Flexibility Act

The proposed rule applies only to the Banks, which do not come within the meaning of small entities as defined in the Regulatory Flexibility Act (RFA). *See* 5 U.S.C. 601(6). Therefore in accordance with section 605(b) of the RFA, FHFA certifies that this proposed rule, if promulgated as a final rule, will not have significant economic impact on a substantial number of small entities.

List of Subjects

12 CFR Parts 965, 969

Federal home loan banks.

12 CFR Part 966

Federal home loan banks, Government securities.

12 CFR Part 987

Accounting, Government securities.

12 CFR Part 1270

Accounting, Federal home loan banks, Government securities.

Accordingly, for reasons stated in the preamble and under the authority of 12 U.S.C. 1431, 1432, 1435, 4511, 4512, 4513, and 4526, FHFA proposes to amend subchapters H and K of chapter IX and subchapter D of chapter XII of title 12 of the Code of Federal Regulations as follows:

CHAPTER IX—FEDERAL HOUSING FINANCE BOARD

SUBCHAPTER H—FEDERAL HOME LOAN BANK LIABILITIES

PART 965—[REMOVED]

1. Remove part 965.

PART 966—[REMOVED]

2. Remove part 966.

PART 969—[REMOVED]

3. Remove part 969.

SUBCHAPTER K—OFFICE OF FINANCE

PART 987—[REMOVED]

4. Remove part 987.

CHAPTER XII—FEDERAL HOUSING FINANCE AGENCY

SUBCHAPTER D—FEDERAL HOME LOAN BANKS

5. Add part 1270 to subchapter D to read as follows:

PART 1270—LIABILITIES

Subpart A—Definitions

Sec.
1270.1 Definitions.

Subpart B—Sources of Funds

1270.2 Authorized liabilities.
1270.3 Deposits from members.

Subpart C—Consolidated Obligations

1270.4 Issuance of consolidated obligations.
1270.5 Leverage limit and credit rating requirements.
1270.6 Transactions in consolidated obligations.
1270.7 Lost, stolen, destroyed, mutilated or defaced consolidated obligations.
1270.8 Administrative provision.
1270.9 Conditions for issuance of consolidated obligations.

1270.10 Joint and several liability.
1270.11 Savings clause.

Subpart D—Book-Entry Procedure for Consolidated Obligations

1270.12 Law governing rights and obligations of Banks, FHFA, Office of Finance, United States and Federal Reserve Banks; rights of any Person against Banks, FHFA, Office of Finance, United States and Federal Reserve Banks.
1270.13 Law governing other interests.
1270.14 Creation of Participant's Security Entitlement; security interests.
1270.15 Obligations of the Banks and the Office of Finance; no Adverse Claims.
1270.16 Authority of Federal Reserve Banks.
1270.17 Liability of Banks, FHFA, Office of Finance and Federal Reserve Banks.
1270.18 Additional requirements; notice of attachment for Book-entry consolidated obligations.
1270.19 Reference to certain Department of Treasury commentary and determinations.
1270.20 Obligations of United States with respect to consolidated obligations.

Authority: 12 U.S.C. 1431, 1432, 1435, 4511, 4512, 4513, and 4526.

Subpart A—Definitions

§ 1270.1 Definitions.

As used in this part, unless the context otherwise requires or indicates:

Adverse Claim means a claim that a claimant has a property interest in a Book-entry consolidated obligation and that it is a violation of the rights of the claimant for another Person to hold, transfer, or deal with the Security.

Bank, written in title case, means a Federal Home Loan Bank established under section 12 of the Bank Act.

Bank Act means the Federal Home Loan Bank Act, as amended (12 U.S.C. 1421 through 1449).

Book-entry consolidated obligation means a consolidated obligation maintained in the book-entry system of the Federal Reserve Banks.

Consolidated obligation means any bond, debenture or note on which the Banks are jointly and severally liable and which was issued under section 11 of the Bank Act (12 U.S.C. 1431) and in accordance with any implementing regulations, whether or not such instrument was originally issued jointly by the Banks or by the Federal Housing Finance Board on behalf of the Banks.

Deposits in banks or trust companies means:

(1) A deposit in another Bank;

(2) A demand account in a Federal Reserve Bank;

(3) A deposit in, or a sale of Federal funds to:

(i) An insured depository institution, as defined in section 2(9)(A) of the Bank Act (12 U.S.C. 1422(9)(A)), that is designated by a Bank's board of directors;

(ii) A trust company that is a member of the Federal Reserve System or insured by the FDIC, and is designated by a Bank's board of directors; or

(iii) A U.S. branch or agency of a foreign bank, as defined in the International Banking Act of 1978, as amended (12 U.S.C. 3101 *et seq.*), that is subject to the supervision of the FRB, and is designated by a Bank's board of directors.

Director, written in title case, means the Director of FHFA or his or her designee.

Entitlement Holder means a Person or a Bank to whose account an interest in a Book-entry consolidated obligation is credited on the records of a Securities Intermediary.

Federal Reserve Bank means a Federal Reserve Bank or branch, acting as fiscal agent for the Office of Finance, unless otherwise indicated.

Federal Reserve Bank Operating Circular means the publication issued by each Federal Reserve Bank that sets forth the terms and conditions under which the Federal Reserve Bank maintains Book-entry Securities accounts and transfers Book-entry Securities.

FHFA means the Federal Housing Finance Agency.

FRB means the Board of Governors of the Federal Reserve System.

Funds account means a reserve and/or clearing account at a Federal Reserve Bank to which debits or credits are posted for transfers against payment, Book-entry Securities transaction fees, or principal and interest payments.

Non-complying Bank means a Bank that has failed to provide the liquidity certification as required under § 1270.10(b)(1).

NRSRO means a credit rating organization registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization.

Office of Finance or *OF* means the Office of Finance, a joint office of the Banks established under part 1273 of this title and referenced in the Bank Act and the Safety and Soundness Act, including OF acting as agent of the Banks in all matters relating to the issuance of Book-entry consolidated obligations and in the performance of all other necessary and proper functions relating to Book-entry consolidated obligations, including the payment of principal and interest due thereon.

Participant means a Person or a Bank that maintains a Participant's Securities Account with a Federal Reserve Bank.

Participant's Securities Account means an account in the name of a Participant at a Federal Reserve Bank to which Book-entry consolidated obligations held for a Participant are or may be credited.

Person means and includes an individual, corporation, company, governmental entity, association, firm, partnership, trust, estate, representative, and any other similar organization, but does not mean or include a Bank, the Director, FHFA, the Office of Finance, the United States, or a Federal Reserve Bank.

Repurchase agreement means an agreement in which a Bank sells securities and simultaneously agrees to repurchase those securities or similar securities at an agreed upon price, with or without a stated time for repurchase.

Revised Article 8 means Uniform Commercial Code, Revised Article 8, Investment Securities (with Conforming and Miscellaneous Amendments to Articles 1, 3, 4, 5, 9, and 10) 1994 Official Text. Copies of this publication are available from the Executive Office of the American Law Institute, 4025 Chestnut Street, Philadelphia, PA 19104, and the National Conference of Commissioners on Uniform State Laws, 676 North St. Clair Street, Suite 1700, Chicago, IL 60611.

Safety and Soundness Act means the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. 4501 *et seq.*) as amended.

Securities Intermediary means:

(1) A Person that is registered as a "clearing agency" under the Federal securities laws; a Federal Reserve Bank; any other person that provides clearance or settlement services with respect to a Book-entry consolidated obligation that would require it to register as a clearing agency under the Federal securities laws but for an exclusion or exemption from the registration requirement, its activities as a clearing corporation, including promulgation of rules, are subject to regulation by a Federal or State governmental authority; or

(2) A Person (other than an individual, unless such individual is registered as a broker or dealer under the Federal securities laws) including a bank or broker, that in the ordinary course of its business maintains securities accounts for others and is acting in that capacity.

Security Entitlement means the rights and property interest of an Entitlement Holder with respect to a Book-entry consolidated obligation.

Transfer Message means an instruction of a Participant to a Federal Reserve Bank to effect a transfer of a Book-entry consolidated obligation, as

set forth in Federal Reserve Bank Operating Circulars.

Subpart B—Sources of Funds

§ 1270.2 Authorized liabilities.

As a source of funds for business operations, each Bank is authorized to incur liabilities by:

(a) Accepting proceeds from the issuance of consolidated obligations issued in accordance with this part;

(b) Accepting time or demand deposits from members, other Banks or instrumentalities of the United States, and cash accounts from members or associates pursuant to § 950.17(b)(2)(i)(B) and 950.17(d) of this title, § 1269.4(a)(1) of this chapter, or § 1270.3 of this part, or from other institutions for which the Bank is providing correspondent services pursuant to section 11(e) of the Bank Act (12 U.S.C. 1431(e));

(c) Purchasing Federal funds; and

(d) Entering into repurchase agreements.

§ 1270.3 Deposits from members.

(a) Banks may accept demand and time deposits from members, reserving the right to require notice of intention to withdraw any part of time deposits. Rates of interest paid on all deposits shall be set by the Bank's board of directors (or, between regular meetings thereof, by a committee of directors selected by the board) or by the Bank President, if so authorized by the board. Unless otherwise specified by the board, a Bank President may delegate to any officer or employee of the Bank any authority he possesses under this section.

(b) Each Bank shall at all times have at least an amount equal to the current deposits received from its members invested in:

(1) Obligations of the United States;

(2) Deposits in banks or trust companies; or

(3) Advances with a remaining maturity not to exceed five years that are made to members in conformity with part 950 of this title.

Subpart C—Consolidated Obligations

§ 1270.4 Issuance of consolidated obligations.

(a) *Consolidated obligations issued by the Banks*—(1) Pursuant to the duties and authority of the Director set forth in sections 1311, 1312, and 1313 of the Safety and Soundness Act (12 U.S.C. 4511, 4512 and 4513), and subject to the provisions of this part and such other rules, regulations, terms, and conditions as the Director may prescribe, the Banks may issue joint debt under section 11(c) of the Bank Act (12 U.S.C. 1431(c)), which shall be consolidated obligations, on which the Banks shall be jointly and severally liable in accordance with § 1270.10 of this part.

(2) Consolidated obligations shall be issued only through the Office of Finance, as agent of the Banks pursuant to this part and part 1273 of this chapter.

(3) All consolidated obligations shall be issued in *pari passu.*

(b) *Negative pledge requirement.* Each Bank shall at all times maintain assets described in paragraphs (b)(1) through (b)(6) of this section free from any lien or pledge, in an amount at least equal to a *pro rata* share of the total amount of currently outstanding consolidated obligations and equal to such Bank's participation in all such consolidated obligations outstanding, provided that any assets that are subject to a lien or pledge for the benefit of the holders of any issue of consolidated obligations shall be treated as if they were assets free from any lien or pledge for purposes of compliance with this paragraph (b). Eligible assets are:

(1) Cash;

(2) Obligations of or fully guaranteed by the United States;

(3) Secured advances;

(4) Mortgages as to which one or more Banks have any guaranty or insurance, or commitment therefor, by the United States or any agency thereof;

(5) Investments described in section 16(a) of the Bank Act (12 U.S.C. 1436(a)); and

(6) Other securities that have been assigned a rating or assessment by an NRSRO that is equivalent to or higher than the rating or assessment assigned by that NRSRO to consolidated obligations outstanding.

§ 1270.5 Leverage limit and credit rating requirements.

(a) *Bank leverage*—(1) Except as provided in paragraph (a)(2) of this section, the total assets of any Bank that is not subject to the capital requirements set forth in part 932 of this title shall not exceed 21 times the total of paid-in capital stock, retained earnings, and reserves (excluding loss reserves and liquidity reserves for deposits pursuant to section 11(g) of the Bank Act (12 U.S.C. 1431(g)) of that Bank.

(2) The aggregate amount of assets of any Bank that is not subject to the capital requirements set forth in part 932 of this title may be up to 25 times the total paid-in capital stock, retained earnings, and reserves of that Bank, provided that non-mortgage assets, after deducting the amount of deposits and capital, do not exceed 11 percent of such total assets. For the purposes of this section, the amount of non-mortgage assets equals total assets after deduction of:

(i) Advances;

(ii) Acquired member assets, including all United States government-insured or guaranteed whole single-family or multi-family residential mortgage loans;

(iii) Standby letters of credit;

(iv) Intermediary derivative contracts;

(v) Debt or equity investments:

(A) That primarily benefit households having a targeted income level, a significant proportion of which must benefit households with incomes at or below 80 percent of area median income, or areas targeted for redevelopment by local, state, tribal or Federal government (including Federal Empowerment Zones and Enterprise and Champion Communities), by providing or supporting one or more of the following activities:

(*1*) Housing;

(*2*) Economic development;

(*3*) Community services;

(*4*) Permanent jobs; or

(*5*) Area revitalization or stabilization;

(B) In the case of mortgage-or asset-backed securities, the acquisition of which would expand liquidity for loans that are not otherwise adequately provided by the private sector and do not have a readily available or well established secondary market; and

(C) That involve one or more members or housing associates in a manner, financial or otherwise, and to a degree to be determined by the Bank;

(vi) Investments in SBICs, where one or more members or housing associates of the Bank also make a material investment in the same activity;

(vii) SBIC debentures, the short term tranche of SBIC securities, or other debentures that are guaranteed by the Small Business Administration under title III of the Small Business Investment Act of 1958, as amended (15 U.S.C. 681 *et seq.*);

(viii) Section 108 Interim Notes and Participation Certificates guaranteed by the Department of Housing and Urban Development under section 108 of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 5308);

(ix) Investments and obligations issued or guaranteed under the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 *et seq.*).

(x) Securities representing an interest in pools of mortgages (MBS) issued, guaranteed, or fully insured by the Government National Mortgage Association (Ginnie Mae), the Federal

Home Loan Mortgage Corporation (Freddie Mac), or the Federal National Mortgage Association (Fannie Mae), or Collateralized Mortgage Obligations (CMOs), including Real Estate Mortgage Investment Conduits (REMICs), backed by such securities;

(xi) Other MBS, CMOs, and REMICs rated in the highest rating category by an NRSRO;

(xii) Asset-backed securities collateralized by manufactured housing loans or home equity loans and rated in the highest rating category by an NRSRO; and

(xiii) Marketable direct obligations of state or local government units or agencies, rated in one of the two highest rating categories by an NRSRO, where the purchase of such obligations by a Bank provides to the issuer the customized terms, necessary liquidity, or favorable pricing required to generate needed funding for housing or community development.

(b) *Credit ratings*—(1) The Banks, collectively, shall obtain from an NRSRO and, at all times, maintain a current credit rating on the Banks' consolidated obligations.

(2) Each Bank shall operate in such a manner and take any actions necessary, including without limitation reducing Bank leverage, to ensure that the Banks' consolidated obligations receive and continue to receive the highest credit rating from any NRSRO by which the consolidated obligations have then been rated.

(c) *Individual Bank credit rating.* Each Bank shall operate in such a manner and take any actions necessary to ensure that the Bank has and maintains an individual issuer credit rating of at least the second highest credit rating from any NRSRO providing a rating, where such rating is a meaningful measure of the individual Bank's financial strength and stability, and is updated at least annually by an NRSRO, or more frequently as required by FHFA, to reflect any material changes in the condition of the Bank.

§ 1270.6 Transactions in consolidated obligations.

The general regulations of the Department of the Treasury now or hereafter in force governing transactions in United States securities, except 31 CFR part 357 regarding book-entry procedure, are hereby incorporated into this subpart C of this part, so far as applicable and as necessarily modified to relate to consolidated obligations, as the regulations of FHFA for similar transactions on consolidated obligations. The book-entry procedure for consolidated obligations is contained in subpart D of this part.

§ 1270.7 Lost, stolen, destroyed, mutilated or defaced consolidated obligations.

United States statutes and regulations of the Department of the Treasury now or hereafter in force governing relief on account of the loss, theft, destruction, mutilation or defacement of United States securities, so far as applicable and as necessarily modified to relate to consolidated obligations, are hereby adopted as the regulations of FHFA for the issuance of substitute consolidated obligations or the payment of lost, stolen, destroyed, mutilated or defaced consolidated obligations.

§ 1270.8 Administrative provision.

The Secretary of the Treasury or the Acting Secretary of the Treasury is hereby authorized and empowered, as the agent of FHFA and the Banks, to administer §§ 1270.6 and 1270.7, and to delegate such authority at their discretion to other officers, employees, and agents of the Department of the Treasury. Any such regulations may be waived on behalf of FHFA and the Banks by the Secretary of the Treasury, the Acting Secretary of the Treasury, or by an officer of the Department of the Treasury authorized to waive similar regulations with respect to United States securities, but only in any particular case in which a similar regulation with respect to United States securities would be waived. The terms "securities" and "bonds" as used in this section shall, unless the context otherwise requires, include and apply to coupons and interim certificates.

§ 1270.9 Conditions for issuance of consolidated obligations.

(a) The Office of Finance board of directors shall authorize the offering for current and forward settlement (up to 12 months) or the reopening of consolidated obligations, as necessary, and authorize the maturities, rates of interest, terms and conditions thereof, subject to the provisions of 31 U.S.C. 9108.

(b) Consolidated obligations may be offered for sale only to the extent that Banks are committed to take the proceeds.

(c) Consolidated obligations shall not be purchased by any Bank as part of an initial issuance whether such consolidated obligation is purchased directly from the Office of Finance or indirectly from an underwriter.

(d) If the Banks issue consolidated obligations denominated in a currency other than U.S. Dollars or linked to equity or commodity prices, then any Bank accepting proceeds from those consolidated obligations shall meet the following requirements with regard to such consolidated obligations:

(1) The relevant foreign exchange, equity price or commodity price risks associated with the consolidated obligation must be hedged in accordance with § 956.6 of this title;

(2) If there is a default on the part of a counterparty to a contract hedging the foreign exchange, equity or commodity price risk associated with a consolidated obligation, the Bank shall enter into a replacement contract in a timely manner and as soon as market conditions permit.

§ 1270.10 Joint and several liability.

(a) *In general*—(1) Each and every Bank, individually and collectively, has an obligation to make full and timely payment of all principal and interest on consolidated obligations when due.

(2) Each and every Bank, individually and collectively, shall ensure that the timely payment of principal and interest on all consolidated obligations is given priority over, and is paid in full in advance of, any payment to or redemption of shares from any shareholder.

(3) The provisions of this part shall not limit, restrict or otherwise diminish, in any manner, the joint and several liability of all of the Banks on any consolidated obligation.

(b) *Certification and reporting*—(1) Before the end of each calendar quarter, and before declaring or paying any dividend for that quarter, the President of each Bank shall certify in writing to FHFA that, based on known current facts and financial information, the Bank will remain in compliance with the liquidity requirements set forth in section 11(g) of the Act (12 U.S.C. 1431(g)), and any regulations (as the same may be amended, modified or replaced), and will remain capable of making full and timely payment of all of its current obligations, including direct obligations, coming due during the next quarter.

(2) A Bank shall immediately provide written notice to FHFA if at any time the Bank:

(i) Is unable to provide the certification required by paragraph (b)(1) of this section;

(ii) Projects at any time that it will fail to comply with statutory or regulatory liquidity requirements, or will be unable to timely and fully meet all of its current obligations, including direct obligations, due during the quarter;

(iii) Actually fails to comply with statutory or regulatory liquidity requirements or to timely and fully meet

all of its current obligations, including direct obligations, due during the quarter; or

(iv) Negotiates to enter or enters into an agreement with one or more other Banks to obtain financial assistance to meet its current obligations, including direct obligations, due during the quarter; the notice of which shall be accompanied by a copy of the agreement, which shall be subject to the approval of FHFA.

(c) *Consolidated obligation payment plans*—(1) A Bank promptly shall file a consolidated obligation payment plan for FHFA approval:

(i) If the Bank becomes a non-complying Bank as a result of failing to provide the certification required in paragraph (b)(1) of this section;

(ii) If the Bank becomes a non-complying Bank as a result of being required to provide the notice required pursuant to paragraph (b)(2) of this section, except in the event that a failure to make a principal or interest payment on a consolidated obligation when due was caused solely by a temporary interruption in the Bank's debt servicing operations resulting from an external event such as a natural disaster or a power failure; or

(iii) If FHFA determines that the Bank will cease to be in compliance with the statutory or regulatory liquidity requirements, or will lack the capacity to timely and fully meet all of its current obligations, including direct obligations, due during the quarter.

(2) A consolidated obligation payment plan shall specify the measures the non-complying Bank will undertake to make full and timely payments of all of its current obligations, including direct obligations, due during the applicable quarter.

(3) A non-complying Bank may continue to incur and pay normal operating expenses incurred in the regular course of business (including salaries, benefits, or costs of office space, equipment and related expenses), but shall not incur or pay any extraordinary expenses, or declare, or pay dividends, or redeem any capital stock, until such time as FHFA has approved the Bank's consolidated obligation payment plan or inter-Bank assistance agreement, or ordered another remedy, and all of the non-complying Bank's direct obligations have been paid.

(d) *FHFA payment orders; Obligation to reimburse*—(1) FHFA, in its discretion and notwithstanding any other provision in this section, may at any time order any Bank to make any principal or interest payment due on any consolidated obligation.

(2) To the extent that a Bank makes any payment on any consolidated obligation on behalf of another Bank, the paying Bank shall be entitled to reimbursement from the non-complying Bank, which shall have a corresponding obligation to reimburse the Bank providing assistance, to the extent of such payment and other associated costs (including interest to be determined by FHFA).

(e) *Adjustment of equities*—(1) Any non-complying Bank shall apply its assets to fulfill its direct obligations.

(2) If a Bank is required to meet, or otherwise meets, the direct obligations of another Bank due to a temporary interruption in the latter Bank's debt servicing operations (*e.g.,* in the event of a natural disaster or power failure), the assisting Bank shall have the same right to reimbursement set forth in paragraph (d)(2) of this section.

(3) If FHFA determines that the assets of a non-complying Bank are insufficient to satisfy all of its direct obligations as set forth in paragraph (e)(1) of this section, then FHFA may allocate the outstanding liability among the remaining Banks on a *pro rata* basis in proportion to each Bank's participation in all consolidated obligations outstanding as of the end of the most recent month for which FHFA has data, or otherwise as FHFA may prescribe.

(f) *Reservation of authority.* Nothing in this section shall affect the Director's authority to adjust equities between the Banks in a manner different than the manner described in paragraph (e) of this section, or to take enforcement or other action against any Bank pursuant to the Director's authority under the Safety and Soundness Act or the Bank Act, or otherwise to supervise the Banks and ensure that they are operated in a safe and sound manner.

(g) *No rights created*—(1) Nothing in this part shall create or be deemed to create any rights in any third party.

(2) Payments made by a Bank toward the direct obligations of another Bank are made for the sole purpose of discharging the joint and several liability of the Banks on consolidated obligations.

(3) Compliance, or the failure to comply, with any provision in this section shall not be deemed a default under the terms and conditions of the consolidated obligations.

§ 1270.11 Savings clause.

Any agreements or other instruments entered into in connection with the issuance of consolidated obligations prior to the amendments made to this part shall continue in effect with respect to all consolidated obligations issued under the authority of section 11 of the Bank Act (12 U.S.C. 1431) and pursuant to this part. References to consolidated obligations in such agreements and instruments shall be deemed to refer to all joint and several obligations of the Banks.

Subpart D—Book-Entry Procedure for Consolidated Obligations

§ 1270.12 Law governing rights and obligations of Banks, FHFA, Office of Finance, United States and Federal Reserve Banks; rights of any Person against Banks, FHFA, Office of Finance, United States and Federal Reserve Banks.

(a) Except as provided in paragraph (b) of this section, the rights and obligations of the Banks, FHFA, the Director, the Office of Finance, the United States and the Federal Reserve Banks with respect to: A Book-entry consolidated obligation or Security Entitlement and the operation of the Book-entry system, as it applies to consolidated obligations; and the rights of any Person, including a Participant, against the Banks, FHFA, the Director, the Office of Finance, the United States and the Federal Reserve Banks with respect to: A Book-entry consolidated obligation or Security Entitlement and the operation of the Book-entry system, as it applies to consolidated obligations; are governed solely by regulations of FHFA, including the regulations of this part 1270, the applicable offering notice, applicable procedures established by the Office of Finance, and Federal Reserve Bank Operating Circulars.

(b) A security interest in a Security Entitlement that is in favor of a Federal Reserve Bank from a Participant and that is not recorded on the books of a Federal Reserve Bank pursuant to § 1270.14(c)(1), is governed by the law (not including the conflict-of-law rules) of the jurisdiction where the head office of the Federal Reserve Bank maintaining the Participant's Securities Account is located. A security interest in a Security Entitlement that is in favor of a Federal Reserve Bank from a Person that is not a Participant, and that is not recorded on the books of a Federal Reserve Bank pursuant to § 1270.14(c)(1), is governed by the law determined in the manner specified in § 1270.13.

(c) If the jurisdiction specified in the first sentence of paragraph (b) of this section is a State that has not adopted Revised Article 8, then the law specified in the first sentence of paragraph (b) of this section shall be the law of that State as though Revised Article 8 had been adopted by that State.

§ 1270.13 Law governing other interests.

(a) To the extent not inconsistent with this part 1270, the law (not including the conflict-of-law rules) of a Securities Intermediary's jurisdiction governs:

(1) The acquisition of a Security Entitlement from the Securities Intermediary;

(2) The rights and duties of the Securities Intermediary and Entitlement Holder arising out of a Security Entitlement;

(3) Whether the Securities Intermediary owes any duties to an adverse claimant to a Security Entitlement;

(4) Whether an Adverse Claim can be asserted against a Person who acquires a Security Entitlement from the Securities Intermediary or a Person who purchases a Security Entitlement or interest therein from an Entitlement Holder; and

(5) Except as otherwise provided in paragraph (c) of this section, the perfection, effect of perfection or non-perfection, and priority of a security interest in a Security Entitlement.

(b) The following rules determine a "Securities Intermediary's jurisdiction" for purposes of this section:

(1) If an agreement between the Securities Intermediary and its Entitlement Holder specifies that it is governed by the law of a particular jurisdiction, that jurisdiction is the Securities Intermediary's jurisdiction.

(2) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify the governing law as provided in paragraph (b)(1) of this section, but expressly specifies that the securities account is maintained at an office in a particular jurisdiction, that jurisdiction is the Securities Intermediary's jurisdiction.

(3) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify a jurisdiction as provided in paragraphs (b)(1) or (b)(2) of this section, the Securities Intermediary's jurisdiction is the jurisdiction in which is located the office identified in an account statement as the office serving the Entitlement Holder's account.

(4) If an agreement between the Securities Intermediary and its Entitlement Holder does not specify a jurisdiction as provided in paragraphs (b)(1) or (b)(2) of this section and an account statement does not identify an office serving the Entitlement Holder's account as provided in paragraph (b)(3) of this section, the Securities Intermediary's jurisdiction is the jurisdiction in which is located the chief executive office of the Securities Intermediary.

(c) Notwithstanding the general rule in paragraph (a)(5) of this section, the law (but not the conflict-of-law rules) of the jurisdiction in which the Person creating a security interest is located governs whether and how the security interest may be perfected automatically or by filing a financing statement.

(d) If the jurisdiction specified in paragraph (b) of this section is a State that has not adopted Revised Article 8, then the law for the matters specified in paragraph (a) of this section shall be the law of that State as though Revised Article 8 had been adopted by that State. For purposes of the application of the matters specified in paragraph (a) of this section, the Federal Reserve Bank maintaining the Securities Account is a clearing corporation, and the Participant's interest in a Bank Book-entry Security is a Security Entitlement.

§ 1270.14 Creation of Participant's Security Entitlement; security interests.

(a) A Participant's Security Entitlement is created when a Federal Reserve Bank indicates by book entry that a Book-entry consolidated obligation has been credited to a Participant's Securities Account.

(b) A security interest in a Security Entitlement of a Participant in favor of the United States to secure deposits of public money, including, without limitation, deposits to the Treasury tax and loan accounts, or other security interest in favor of the United States that is required by Federal statute, regulation, or agreement, and that is marked on the books of a Federal Reserve Bank is thereby effected and perfected, and has priority over any other interest in the Securities. Where a security interest in favor of the United States in a Security Entitlement of a Participant is marked on the books of a Federal Reserve Bank, such Federal Reserve Bank may rely, and is protected in relying, exclusively on the order of an authorized representative of the United States directing the transfer of the Security. For purposes of this paragraph (b), an "authorized representative of the United States" is the official designated in the applicable regulations or agreement to which a Federal Reserve Bank is a party, governing the security interest.

(c)(1) The Banks, FHFA, the Director, the Office of Finance, the United States and the Federal Reserve Banks have no obligation to agree to act on behalf of any Person or to recognize the interest of any transferee of a security interest or other limited interest in a Security Entitlement in favor of any Person except to the extent of any specific requirement of Federal law or regulation or to the extent set forth in any specific agreement with the Federal Reserve Bank on whose books the interest of the Participant is recorded. To the extent required by such law or regulation or set forth in an agreement with a Federal Reserve Bank, or the Federal Reserve Bank Operating Circular, a security interest in a Security Entitlement that is in favor of a Federal Reserve Bank or a Person may be created and perfected by a Federal Reserve Bank marking its books to record the security interest. Except as provided in paragraph (b) of this section, a security interest in a Security Entitlement marked on the books of a Federal Reserve Bank shall have priority over any other interest in the Securities.

(2) In addition to the method provided in paragraph (c)(1) of this section, a security interest in a Security Entitlement, including a security interest in favor of a Federal Reserve Bank, may be perfected by any method by which a security interest may be perfected under applicable law as described in § 1270.12(b) or § 1270.13. The perfection, effect of perfection or non-perfection, and priority of a security interest are governed by that applicable law. A security interest in favor of a Federal Reserve Bank shall be treated as a security interest in favor of a clearing corporation in all respects under that law, including with respect to the effect of perfection and priority of the security interest. A Federal Reserve Bank Operating Circular shall be treated as a rule adopted by a clearing corporation for such purposes.

§ 1270.15 Obligations of the Banks and the Office of Finance; no Adverse Claims.

(a) Except in the case of a security interest in favor of the United States or a Federal Reserve Bank or otherwise as provided in § 1270.14(c)(1), for the purposes of this part 1270, the Banks, the Office of Finance and the Federal Reserve Banks shall treat the Participant to whose Securities Account an interest in a Book-entry consolidated obligation has been credited as the person exclusively entitled to issue a Transfer Message, to receive interest and other payments with respect thereof and otherwise to exercise all the rights and powers with respect to the Security, notwithstanding any information or notice to the contrary. Neither the Banks, FHFA, the Director, the Office of Finance, the United States, nor the Federal Reserve Banks are liable to a Person asserting or having an Adverse Claim to a Security Entitlement or to Book-entry consolidated obligation in a Participant's Securities Account, including any such claim arising as a

result of the transfer or disposition by a Federal Reserve Bank pursuant to a Transfer Message that the Federal Reserve Bank reasonably believes to be genuine.

(b) The obligation of the Banks and the Office of Finance to make payments of interest and principal with respect to Book-entry consolidated obligations is discharged at the time payment in the appropriate amount is made as follows:

(1) Interest on Book-entry consolidated obligations is either credited by a Federal Reserve Bank to a Funds Account maintained at the Federal Reserve Bank or otherwise paid as directed by the Participant.

(2) Book-entry consolidated obligations are paid, either at maturity or upon redemption, in accordance with their terms by a Federal Reserve Bank withdrawing the securities from the Participant's Securities Account in which they are maintained and by either crediting the amount of the proceeds, including both principal and interest, where applicable, to a Funds Account at the Federal Reserve Bank or otherwise paying such principal and interest as directed by the Participant. No action by the Participant is required in connection with the payment of a Book-entry consolidated obligation, unless otherwise expressly required.

§ 1270.16 Authority of Federal Reserve Banks.

(a) Each Federal Reserve Bank is hereby authorized as fiscal agent of the Office of Finance: To perform functions with respect to the issuance of Book-entry consolidated obligations, in accordance with the terms of the applicable offering notice and with procedures established by the Office of Finance; to service and maintain Book-entry consolidated obligations in accounts established for such purposes; to make payments of principal, interest and redemption premium (if any), as directed by the Office of Finance; to effect transfer of Book-entry consolidated obligations between Participants' Securities Accounts as directed by the Participants; and to perform such other duties as fiscal agent as may be requested by the Office of Finance.

(b) Each Federal Reserve Bank may issue Operating Circulars not inconsistent with this part 1270, governing the details of its handling of Book-entry consolidated obligations, Security Entitlements, and the operation of the Book-entry system under this part 1270.

§ 1270.17 Liability of Banks, FHFA, Office of Finance and Federal Reserve Banks.

The Banks, the Finance Board, the Office of Finance and the Federal Reserve Banks may rely on the information provided in a tender, transaction request form, other transaction documentation, or Transfer Message, and are not required to verify the information. Neither the Banks, FHFA, the Director, the Office of Finance, the United States, nor the Federal Reserve Banks shall be liable for any action taken in accordance with the information set out in a tender, transaction request form, other transaction documentation, or Transfer Message, or evidence submitted in support thereof.

§ 1270.18 Additional requirements; notice of attachment for Book-entry consolidated obligations.

(a) *Additional requirements.* In any case or any class of cases arising under the regulations in this part 1270, the Office of Finance may require such additional evidence and a bond of indemnity, with or without surety, as may in its judgment, or in the judgment of the Banks or FHFA, be necessary for the protection of the interests of the Banks, FHFA, the Office of Finance or the United States.

(b) *Notice of attachment.* The interest of a debtor in a Security Entitlement may be reached by a creditor only by legal process upon the Securities Intermediary with whom the debtor's securities account is maintained, except where a Security Entitlement is maintained in the name of a secured party, in which case the debtor's interest may be reached by legal process upon the secured party. The regulations in this part 1270 do not purport to establish whether a Federal Reserve Bank is required to honor an order or other notice of attachment in any particular case or class of cases.

§ 1270.19 Reference to certain Department of Treasury commentary and determinations.

Notwithstanding provisions in § 1270.6 regarding Department of Treasury regulations set forth in 31 CFR part 357:

(a) The Department of Treasury TRADES Commentary (31 CFR part 357, appendix B) addressing the Department of Treasury regulations governing book-entry procedure for Treasury Securities is hereby referenced, so far as applicable and as necessarily modified to relate to Book-entry consolidated obligations, as an interpretive aid to this subpart D of this part.

(b) Determinations of the Department of Treasury regarding whether a State shall be considered to have adopted Revised Article 8 for purposes of 31 CFR part 357, as published in the **Federal Register** or otherwise, shall also apply to this subpart D of this part.

§ 1270.20 Obligations of United States with respect to consolidated obligations.

Consolidated obligations are not obligations of the United States and are not guaranteed by the United States.

Dated: November 3, 2010.

Edward J. DeMarco,

Acting Director, Federal Housing Finance Agency.

[FR Doc. 2010–28178 Filed 11–5–10; 8:45 am]

BILLING CODE 8070–01–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 39

[Docket No. FAA–2010–1101; Directorate Identifier 2009–CE–013–AD]

RIN 2120–AA64

Airworthiness Directives; Cessna Aircraft Company Models 150, 152, 170, 172, 175, 177, 180, 182, 185, 188, 190, 195, 206, 207, 210, T303, 336, and 337 Airplanes

AGENCY: Federal Aviation Administration (FAA), Department of Transportation (DOT).

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: We propose to supersede Airworthiness Directive (AD) 87–20–03 R2, which applies to certain Cessna Aircraft Company (Cessna) 150, 152, 170, 172, 175, 177, 180, 182, 185, 188, 190, 195, 206, 207, 210, T303, 336, and 337 series airplanes. AD 87–20–03 R2 currently requires repetitive inspections and replacement of parts, if necessary, of the seat rail and seat rail holes; seat pin engagement; seat rollers, washers, and axle bolts or bushings; wall thickness of roller housing and the tang; and lock pin springs. Since we issued AD 87–20–03 R2, we have added steps to the inspection procedures, added revised figures, and clarified some of the existing steps. Consequently, this proposed AD would retain all of the actions from the previous AD and add steps to the inspection procedures in the previous AD. We are proposing this AD to prevent seat slippage or the seat roller housing from departing the seat rail, which may consequently cause the pilot/copilot to be unable to reach all the controls. This failure could lead to