(b) *Conduct and responsibilities.* The board of directors is responsible for directing the conduct and affairs of the Enterprise in furtherance of the safe and sound operation of the Enterprise and must remain reasonably informed of the condition, activities, and operations of the Enterprise. The responsibilities of the board of directors include having in place adequate policies and procedures to assure its oversight of, among other matters, the following:

(1) Corporate strategy, major plans of action, risk policy, and corporate performance;

(2) Hiring and retention of qualified senior executive officers and succession planning for such senior executive officers;

(3) Compensation programs of the Enterprise;

(4) Integrity of accounting and financial reporting systems of the Enterprise, including independent audits and systems of internal control;

(5) Process and adequacy of reporting, disclosures, and communications to shareholders, investors, and potential investors; and

(6) Responsiveness of executive officers in providing accurate and timely reports to Federal regulators and in addressing the supervisory concerns of Federal regulators in a timely and appropriate manner.

(c) *Guidance.* The board of directors should refer to the body of law elected under § 1710.10 and to publications and other pronouncements of OFHEO for additional guidance on conduct and responsibilities of the board of directors.

§§ 1710.16–1710.19 [Reserved]

Subpart C—Indemnification

§ 1710.20 Indemnification.

(a) *Safety and soundness authority.* OFHEO has the authority, under the Act, to prohibit or restrict reimbursement or indemnification of any current or former board member or any current or former executive officer by an Enterprise or by any affiliate of an Enterprise in furtherance of the safe and sound operations of the Enterprise.

(b) *Policies and procedures.* Each Enterprise shall have in place policies and procedures consistent with this part for indemnification, including the approval or denial by the board of directors of indemnification of current and former board members and current or former executive officers. Such policies and procedures should address, among other matters, standards relating to indemnification, investigation by the board of directors, and review by independent counsel.

PART 1720—SAFETY AND SOUNDNESS

Sec.

1720.1 Authority.
1720.2 Safety and soundness standards.
APPENDIX A TO PART 1720—POLICY GUIDANCE; MINIMUM SAFETY AND SOUNDNESS REQUIREMENTS
APPENDIX B TO PART 1720—POLICY GUIDANCE; NON-MORTGAGE LIQUIDITY INVESTMENTS
APPENDIX C TO PART 1720—POLICY GUIDANCE; SAFETY AND SOUNDNESS STANDARDS FOR INFORMATION

AUTHORITY: 12 U.S.C. 4513(a), 4513(b)(1), 4513(b)(5), 4517(a), 4521(a)(2) through (3), 4631, 4632, and 4636.

SOURCE: 67 FR 55693, Aug. 30, 2002, unless otherwise noted.

§ 1720.1 Authority.

(a) *Authority.* This part is issued by the Office of Federal Housing Enterprise Oversight (OFHEO) pursuant to sections 1313(a), 1313(b)(1), and 1313(b)(5) of the Federal Housing Enterprise Financial Safety and Soundness Act (Act) (12 U.S.C. 4513(a), 4513(b)(1), and 4513(b)(5)). These provisions of the Act authorize OFHEO to take any action deemed appropriate by the Director of OFHEO to ensure that the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (the Enterprises) are operated in a safe and sound manner, including by adopting supervisory policies and standards by regulation, guidance, or other process.

(b) *Preservation of existing authority.* No action by OFHEO undertaken with reference to a policy guidance or this regulation will in any way limit the authority of the Director otherwise to address unsafe or unsound conditions or practices, or other violations of law,