

Federal Housing Finance Board

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compliance with applicable laws, regulations and policies and monitoring the results of these compliance efforts;

(8) Review the policies and procedures established by senior management to assess and monitor implementation of the Bank's strategic business plan and the operating goals and objectives contained therein; and

(9) Report periodically its findings to the Bank's board of directors.

(f) *Meetings.* The audit committee shall prepare written minutes of each audit committee meeting.

[65 FR 25274, May 1, 2000, as amended at 67 FR 12846, Mar. 20, 2002]

§917.8 Budget preparation.

(a) *Adoption of budgets.* Each Bank's board of directors shall be responsible for the adoption of an annual operating expense budget and a capital expenditures budget for the Bank, and any subsequent amendments thereto, consistent with the requirements of the Act, this section, other regulations and policies of the Finance Board, and with the Bank's responsibility to protect both its members and the public interest by keeping its costs to an efficient and effective minimum.

(b) *No delegation of budget authority.* A Bank's board of directors may not delegate the authority to approve the Bank's annual budgets, or any subsequent amendments thereto, to Bank officers or other Bank employees.

(c) *Interest rate scenario.* A Bank's annual budgets shall be prepared based upon an interest rate scenario as determined by the Bank.

(d) *Board approval for deviations.* A Bank may not exceed its total annual operating expense budget or its total annual capital expenditures budget without prior approval by the Bank's board of directors of an amendment to such budget.

§917.9 Dividends.

(a) A Bank's board of directors may declare and pay a dividend only from previously retained earnings or current net earnings and only if such payment will not result in a projected impairment of the par value of the capital stock of the Bank. Dividends on such capital stock shall be computed without preference.

(b) The requirement in paragraph (a) of this section that dividends shall be computed without preference shall cease to apply to any Bank that has established any dividend preferences for one or more classes or subclasses of its capital stock as part of its approved capital plan, as of the date on which the capital plan takes effect.

[65 FR 25274, May 1, 2000, as amended at 66 FR 8308, Jan. 30, 2001]

§917.10 Bank bylaws.

A Bank's board of directors shall have in effect at all times bylaws governing the manner in which the Bank administers its affairs and such bylaws shall be consistent with applicable laws and regulations as administered by the Finance Board.

PART 918—BANK DIRECTOR COMPENSATION AND EXPENSES

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AUTHORITY: 12 U.S.C. 1422b(a), 1427.

SOURCE: 65 FR 8260, Feb. 18, 2000, unless otherwise noted.

§918.1 Definitions.

As used in this part:

Compensation means any payment of money or provision of any other thing of value (or the accrual of a right to receive money or a thing of value in a subsequent year) in consideration of a director's performance of official duties for the Bank, including, without limitation, daily meeting fees, incentive payments and fringe benefits.

§918.2 Annual directors' compensation policy.

Beginning in 2000 and annually thereafter, each Bank's board of directors

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shall adopt by resolution a written policy to provide for the payment to Bank directors of reasonable compensation for the performance of their duties as members of the Bank's board of directors, subject to the requirements set forth in §918.3. At a minimum, such policy shall address the activities or functions for which attendance is necessary and appropriate and may be compensated, and shall explain and justify the methodology for determining the amount of compensation to be paid to directors.

[65 FR 8260, Feb. 18, 2000]

§918.3 Compensation policy requirements.

Payment to directors under each Bank's policy on director compensation may be based upon factors that the Bank determines to be appropriate, but each Bank's policy shall conform to the following requirements:

(a)(1) *Statutory limits on annual compensation.* Pursuant to section 7(i) of the Act (12 U.S.C. 1427(i)), for 2000, the following limits on compensation shall apply: for a Chairperson—\$25,000; for a Vice Chairperson—\$20,000; for any other member of the Bank's board of directors—\$15,000. Beginning in 2001 and for subsequent years, these limits on annual compensation shall be adjusted annually by the Finance Board to reflect any percentage increase in the preceding year's Consumer Price Index (CPI) for all urban consumers, as published by the Department of Labor. Each year, as soon as practicable after the publication of the previous year's CPI, the Finance Board shall publish notice by FEDERAL REGISTER, distribution of a memorandum, or otherwise, of the CPI-adjusted limits on annual compensation.

(2) Starting in 2000, the annual compensation limits set forth in paragraph (a)(1) of this section shall apply to the year in which any deferred compensation was accrued or earned by a director, and not to the year in which it is paid to the director.

(b) *Compensation permitted only for performance of official Bank business.* The total compensation received by each director in a year shall reflect the amount of time spent on official Bank business, and greater or lesser attend-

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ance at board and committee meetings during a given year shall be reflected in the compensation received by the director for that year. A Bank shall not pay a director who regularly fails to attend board or committee meetings. A Bank shall not pay fees to a director, such as retainer fees, that do not reflect the director's performance of official Bank business conducted prior to the payment of such fees.

[65 FR 8260, Feb. 18, 2000, as amended at 65 FR 13666, Mar. 14, 2000; 67 FR 12846, Mar. 20, 2002]

§918.4 Directors' expenses.

Each Bank may pay its directors for such necessary and reasonable travel, subsistence and other related expenses incurred in connection with the performance of their official duties as are payable to senior officers of the Bank under the Bank's travel policy, except that directors may not be paid for gift or entertainment expenses.

[65 FR 8260, Feb. 18, 2000]

§918.5 Approval by Finance Board.

Payments made to directors in compliance with the limits on annual directors' compensation and the standards set forth in this section are deemed to be approved by the Finance Board for purposes of section 7(i) of the Act (12 U.S.C. 1427(i)).

[65 FR 8260, Feb. 18, 2000, as amended at 67 FR 12846, Mar. 20, 2002]

§918.6 Disclosure.

Each Bank shall, in its annual report:

(a) State the sum of the total actual compensation paid to its directors in that year;

(b) State the sum of the total actual expenses paid to its directors in that year; and

(c) Summarize its policy on director compensation.

§918.7 Maintenance of effort.

Notwithstanding the limits on annual directors' compensation established by section 7(i) of the Act (12 U.S.C. 1427(i)), the board of directors of each Bank shall continue to maintain its level of oversight of the management of the Bank. In maintaining its