



Dean Schultz
President and
Chief Executive Officer

November 29, 2010

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA35
Federal Housing Finance Agency
Fourth Floor, 1700 G Street, NW
Washington, D.C. 20552

VIA FEDERAL EXPRESS AND EMAIL

Re: Notice of Proposed Rulemaking and Request for Comments –Information Sharing Among Federal Home Loan Banks (RIN 2590-AA35)

Dear Mr. Pollard:

The Federal Home Loan Bank of San Francisco (Bank) appreciates this opportunity to comment on the Proposed Rule issued by the Federal Housing Finance Agency (Finance Agency) on September 30, 2010 concerning information sharing among the Federal Home Loan Banks (FHLBanks). Given the joint and several liability of the FHLBanks, the Bank has historically supported information sharing among the FHLBanks as a risk assessment tool. Therefore the Bank supports the proposed rule. The Bank offers the following comments, however, in order to improve the effectiveness of the Proposed Rule:

A. The Final Regulation Should Be Enhanced to Protect Confidential or Sensitive Information as well as Proprietary Information

Each FHLBank is a separate legal entity, maintains separate management and may pursue different business strategies within the parameters of applicable law and regulations. Consequently, providing an FHLBank with access to sensitive or confidential strategic, operational, regulatory and business information of another FHLBank that may be contained in the other FHLBank's report of examination (ROE) may not be appropriate. In addition, such disclosure may be subject to legal limitations, such as confidentiality agreements or confidentiality provisions of license or other similar agreements. Finally, the ROEs may contain information that is not strictly proprietary but is highly sensitive, such as personnel matters. Therefore, we request that any final Finance Agency regulation include an explicit recognition that information beyond that which is strictly "proprietary," but may be "sensitive or confidential," also would be subject to protection from disclosure to the other FHLBanks by the Finance Agency.

B. Timing of Routine Disclosures; Objections; Transition

The Bank supports sections 1260.3(b) and (c) of the Proposed Rule under which an FHLBank will be given ten (10) business days to object to the disclosure of its confidential, sensitive or proprietary information. We believe, however that this provision should be enhanced in the following ways:

- When an FHLBank has objected to the disclosure of certain confidential, proprietary or sensitive information in the ROE and the Finance Agency determines not to accept the FHLBank's requested redactions in full or in part, the Finance Agency shall notify the FHLBank in writing regarding which information will not be redacted. This notice should be provided before the

Finance Agency distributes the ROE, so that the FHLBank may, if necessary, make appropriate SEC or contractual disclosures in a timely fashion.

- With respect to the distribution of each FHLBank's most recent ROE contemplated in the transition provision section of proposed section 1260.3(c), the Bank requests that the transition provision provide for 15 business days for each FHLBank to submit an objection to the Finance Agency. Under existing regulations and the Advisory Bulletin 2006-AB-03, the FHLBanks cannot share their ROEs even on a voluntary basis with each other; thus, under the transition provision of the Proposed Rule, each FHLBank will be reviewing its ROE for potential information sharing concerns for the first time. The Bank supports providing only the most current ROE for the transition provision as proposed.

The Bank suggests revising proposed sections 1260.3(a) and (b) as follows to clarify delivery of the final reports of examination and to clarify the exact beginning of the 10 day period in which an FHLBank may request certain information be withheld from the ROE (changes underlined):

- “(a) *In general.* In order to enable each Bank to evaluate the financial condition of any one or more of the other Banks and the Bank System, FHFPA periodically shall distribute to the chief executive officer of each Bank and of the Office of Finance the final reports of examination (or such portions thereof that FHFPA deems appropriate) of all other Banks, as well as any other supervisory reports that FHFPA presents to the board of directors of a Bank, subject to the requirements set forth in paragraphs (b) through (d) of this section.”
- “(b) *Requests to withhold proprietary information.* – (1) ~~After FHFPA has presented a Bank's report of examination or other supervisory report to its board of directors,~~ The Bank shall have ten (10) business days after the date on which FHFPA has presented a Bank's report of examination or supervisory report to its board of directors, within which to request in writing that particular information contained therein be withheld from disclosure because it is proprietary, sensitive or confidential, and the public interest requires that it not be shared.”

Thank you for this opportunity to comment on this important issue. The joint and several liability structure of the FHLBanks is a unique aspect of their operation and financial strength. This structure is responsible in part for the FHLBanks' ability to issue debt on attractive terms every day to a diverse set of global investors. We believe that the Proposed Rule is an important step in enhancing the information sharing among the FHLBanks necessary to maintain the proper functioning of this vital system of liquidity for our nation's financial institutions.

Sincerely,



Dean Schultz
President and Chief Executive Officer