



Regulation F Does Not Apply to FHLBanks

Correspondent relationships with a Federal Home Loan Bank (FHLBank) are not governed by Regulation F.¹ Regulation F, 12 C.F.R. Part 206, implements section 308 of the Federal Deposit Insurance Corporation Improvements Act of 1991 (FDICIA), 12 U.S.C. § 371b-2, which requires the Board of Governors of the Federal Reserve System (Fed) to prescribe standards to limit risk posed by exposure of insured depository institutions to other institutions.

When it promulgated Regulation F, the Fed specifically found that FHLBanks did not pose the type of risk which Congress intended to address in FDICIA. “Because exposure to a Federal Reserve Bank or Federal Home Loan Bank poses minimal risk to a respondent, the Board does not believe that Federal Reserve Banks and Federal Home Loan Banks should be included in the definition of correspondent in the final rule. To treat Federal Reserve Banks and Federal Home Loan Banks as correspondents under the final rule would impose unnecessary costs and burdens on banks, with no appreciable reduction in risk.” 57 F.R. 60089 (December 18, 1992).

On April 30, 2010, the Federal banking regulators published additional guidance concerning correspondent concentration risk. This guidance did not supplant or amend Regulation F, but clarifies that financial institutions should consider taking actions beyond the minimum requirements established in Regulation F to identify, monitor and manage correspondent concentration risks in a safe and sound manner. The guidance applies uniformly to all financial institutions engaged in correspondent banking services.

¹ FHLBanks are excluded from the specific terms of Regulation F in that the regulation does not include an FHLBank within the definition of a “correspondent.” A correspondent is defined as a “U.S. depository institution.” A U.S. depository institution is defined as a “bank.” A bank is defined as “an insured depository institution.” Therefore, since an FHLBank is not an insured depository institution, an FHLBank is not a correspondent for purposes of Regulation F.