

## Board Independence

Following the enactment of the Housing Act amendments to the Act on July 30, 2008, an individual is not eligible to be an Independent Bank director if the individual serves as an officer, employee, or director of any member of the Bank, or of any recipient of loans from the Bank. From the enactment of the Housing Act amendments to present, none of the Bank's Independent Directors was an officer, employee or director of any member or of any institution that received advances from the Bank.

Effective on enactment of the Housing Act, the FHLBanks are required to comply with the substantive Audit Committee director independence standards under Section 10A(m) of the Exchange Act. Rule 10A-3(b)(ii)(B) implementing Section 10A(m) provides that in order to be considered to be independent, a member of an audit committee may not: a) accept directly or indirectly a compensatory fee (other than from the issuer for service on the Board) or b) be an affiliated person of the issuer, defined as someone who directly or indirectly controls the issuer. The SEC implementing regulations provide that a person will be deemed not to control an issuer if the person does not own directly or indirectly more than 10% of any class of voting equity securities. The existence of this safe harbor does not create a presumption in any way that a person exceeding the ownership requirement controls or is otherwise an affiliate of a specified person.

The Rules and Regulations of the Federal Housing Finance Agency (Title 12, CFR) holds that "any member of the Bank's board of directors shall be considered to be sufficiently independent to serve as a member of the Audit Committee if that director does not have a disqualifying relationship with the Bank or its management that would interfere with the exercise of that director's independent judgment." Such disqualifying relationships include, but are not limited to:

- Being employed by the Bank in the current year or any of the past five years;
- Accepting any compensation from the Bank other than compensation for service as a board director;
- Serving or having served in any of the past five years as a consultant, advisor, promoter, underwriter or legal counsel of or to the Bank; or
- Being an immediate family member of an individual who is, or has been in any of the past five years, employed by the Bank as an executive officer.



FHLBank Pittsburgh  
601 Grant Street  
Pittsburgh, PA 15219  
[www.fhlp-gph.com](http://www.fhlp-gph.com)