



To all FHLB Boston members:

The Bank has instituted policies and procedures to mitigate operational risks. The Bank ensures that employees are properly trained for their roles and that written policies and procedures exist to support the key functions of the Bank. The Bank maintains a system of internal controls to ensure that responsibilities are adequately segregated and that the activities of the Bank are appropriately monitored and reported to management and the board of directors. Annual risk assessments review these risks and related controls for efficacy and potential opportunities for enhancement. Additionally, the Bank's Operations Committee oversees the Bank's exposure to operational risk and reviews the following: new products, new processes, annual risk assessments, exceptions and related reports, new regulations affecting products and operations, and staff turnover. The Bank's Internal Audit Department, which reports directly to the Audit Committee of the board of directors, regularly monitors the Bank's adherence to established policies and procedures. However, some operational risks are beyond the Bank's control, and the failure of other parties to adequately address their operational risks could adversely affect the Bank.

Disaster-Recovery/Business Continuity Provisions. The Bank maintains a disaster-recovery site in Westborough, Massachusetts to provide continuity of operations in the event that its Boston headquarters becomes unavailable. Data for critical computer systems is backed up regularly and stored offsite to avoid disruption in the event of a computer failure. The Bank also has a reciprocal back-up agreement in place with the Federal Home Loan Bank of Topeka to provide short-term liquidity advances in the event that both of the Massachusetts facilities are inoperable. In the event that the Federal Home Loan Bank of Topeka's facilities are inoperable, the Bank will provide short-term liquidity advances to their members.

Insurance Coverage. The Bank has insurance coverage for employee fraud, forgery, alteration, and embezzlement, as well as director and officer liability protection for breach of duty, misappropriation of funds, negligence, and acts of omission. Additionally, comprehensive insurance coverage is currently in place for electronic data-processing equipment and software, personal property, leasehold improvements, fire/explosion/water damage, and personal injury including slander and libelous actions. The Bank maintains additional insurance protection as deemed appropriate, which covers automobiles, company credit cards, and business-travel accident and supplemental traveler's coverage for both directors and staff. The Bank uses the services of an insurance consultant who periodically conducts a comprehensive review of insurance coverage levels.

Subcontractors. The Bank utilizes Citibank, N.A. for the custody and clearance of securities and related transactions. The Bank will provide you with a copy of Citibank, N.A.'s Service Organization Control (SOC 1) Report for Securities and Fund Services for Global Custody and Securities Finance for the period of January 1, 2016 to September 30, 2016, and any updates thereto, upon your request. The Bank has developed an internal control structure that, among other things, is intended to address the Complementary User Entity Control Considerations set forth in Citibank, N.A.'s SOC 1.

Data Security. The Bank:

- acknowledges 201 C.M.R. § 17.00 (the “Data Security Regulations”);
- maintains appropriate security measures to protect Personal Information (as defined in the Data Security Regulations) designed to be consistent with the Data Security Regulations;
- has established a written, comprehensive information security program that complies with the Data Security Regulations; and
- will provide the required notices in accordance with M.G.L. c. 93H § 3.

Red Flag Rules. The Bank has adopted policies and procedures in accordance with the Fair and Accurate Credit Transactions Act of 2003 to detect, prevent and mitigate identity theft of member information. If a “red flag” has been identified with respect to a member, the Bank will take action(s) as it deems appropriate based on the circumstances, which may include contacting the member about such red flag.

Financial Condition. You may find all information made public related to our financial condition at http://http://www.fhlbboston.com/aboutus/investor_relations.

If you have any further questions or related issues, please feel free to contact me at

(800) 357-3452.

Sincerely,

Rachele McDonough

Vice President - Director of Bank Operations