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February 15, 2013

VIA ELECTRONIC SUBMISSION

David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission
1155 21st Street NW
Washington, DC 20581

Re: Notice of Proposed Rulemaking - Enhancing Protections Afforded Customers and Customer Funds Held by Futures Commission Merchants and Derivatives Clearing Organizations (RIN 3038-AD88)[1]

Dear Mr. Stawick:

On behalf of the twelve Federal Home Loan Banks (the "FHLBanks"), we are submitting this letter in response to the above-referenced proposed rules (the "Proposed Customer Protection Rules" or the "Proposed Rules") issued by the Commodities Futures Trading Commission (the "Commission") in accordance with the Commodity Exchange Act, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act").

The Proposed Customer Protection Rules respond to two recent events in which customer funds entrusted to futures commission merchants ("FCMs") were inappropriately utilized by FCMs in contravention of the Commodity Exchange Act (the "CEA") and the Commission's rules. As a result, when these FCMs became insolvent, their non-defaulting customers suffered material economic losses that they should never have incurred. These events have placed a cloud over the regulatory regime for futures and cleared swaps, a cornerstone of which is the inviolability of customer funds from misuse by FCMs.

The FHLBanks participated in the Commission Roundtables held on February 29, March 1, and August 9, 2012 to address concerns resulting from the insolvencies of MF Global Inc. and Peregrine Financial Group. The FHLBanks are pleased that a number of the recommendations

[1] See 77 Fed. Reg. 67866-67971 (hereinafter referred to as "Fed. Reg. at ___")

offered at the Roundtables to enhance FCM transparency were incorporated into the Proposed Customer Protection Rules.[2]

The twelve FHLBanks are government-sponsored enterprises of the United States, organized under the authority of the Federal Home Loan Bank Act of 1932, as amended, and structured as cooperatives. Each FHLBank is independently chartered and managed, but the FHLBanks issue consolidated debt obligations for which each FHLBank is jointly and severally liable. The FHLBanks serve the general public interest by providing liquidity to approximately 8,000 member financial institutions, thereby increasing the availability of credit for residential mortgages, community investments, and other services for housing and community development. Specifically, the FHLBanks provide readily available, low-cost sources of funds to their member financial institutions through loans referred to as "advances."

The FHLBanks enter into swap transactions as end-users with swap dealers to facilitate their business objectives and to mitigate financial risk, primarily interest rate risk. As of September 30, 2012, the aggregate notional amount of over-the-counter interest rate swaps held by the FHLBanks collectively was approximately $601 billion. At present, these swap transactions are entered into bilaterally and none of them are cleared. While it is impossible to predict the percentage of the FHLBanks' swaps that will ultimately be subject to mandatory clearing under the Dodd-Frank Act, the FHLBanks expect that over time many of the swaps they enter into for risk mitigation purposes will be cleared. Certain of the FHLBanks also provide their member institutions, particularly smaller, community-based institutions, with access to the swap market by intermediating swap transactions between their member institutions and the large swap dealers, thus allowing such members to hedge interest rate risk associated with their respective businesses.

I. Overview

The FHLBanks were strong proponents of Commission action to protect collateral posted in connection with cleared swaps against "fellow-customer risk." The FHLBanks believe that the adoption of the "Legal Segregation with Operational Commingling" ("LSOC") model for the segregation of cleared swaps customer collateral will significantly reduce, <u>but not eliminate</u>, risks to customer funds that could arise from the insolvency of an FCM. The LSOC model also does not eliminate operational risk, malfeasance risk, or investment risk. Accordingly, there will continue to be a need for customers to monitor the performance and financial condition of their FCMs. The only way for a customer to be certain that it will not suffer economic losses from clearing through a particular FCM is to avoid being its customer in the event it becomes insolvent.

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[2] See follow-up letter to the Commission from Reginald T. O'Shields, Senior Vice President and General Counsel to the FHLBank of Atlanta, dated March 27, 2012, regarding the Commission Roundtables held on February 29 and March 1, 2012.

The FHLBanks expect to post tens of millions of dollars as initial margin to FCMs, as intermediaries to derivatives clearing organizations ("DCO") for cleared swaps. To address the risks identified above, the FHLBanks, along with thousands of other futures and cleared swap market participants, will be actively monitoring the financial health and regulatory compliance of their FCMs. The Proposed Customer Protection Rules will greatly facilitate this task, particularly if the final rules retain provisions providing for timely public release of information that the FCMs will otherwise be required to provide to the Commission and FCMs' designated self-regulatory organizations ("DSROs"). For the reasons outlined in this letter, the FHLBanks believe such transparency is entirely consistent with the regulatory regime for futures and cleared swaps, and that the benefits to the public of transparency will far outweigh any negative impacts that disclosing this information may have on FCMs.[3]

Perhaps the most compelling argument for additional public disclosure of certain information addressed in the Proposed Customer Protection Rules is that the benefits should far exceed the additional cost associated with mandating such public disclosures. Most, if not all, of the information that we believe should be made publicly available about an FCM will already have been submitted to the Commission, a DSRO, or the relevant derivatives clearing organizations ("DCO") in electronic form pursuant to the Proposed Rules, generally utilizing the Commission's Winjammer electronic filing system. Thus, the incremental cost of making this information available to market participants on a timely basis should be minimal. The cost/benefit assessment of increasing the transparency of FCM financial and regulatory compliance information seems particularly compelling when compared to the costs associated with other aspects of the Proposed Customer Protection Rules (as discussed below), and the FHLBanks strongly support such increased transparency. Like the FCMs themselves, the FHLBanks are highly sensitive to the costs associated with market regulation because such costs will ultimately be borne by customers.

The cost-benefit analysis for other parts of the Proposed Rules is not easy to assess. For example, the Commission is proposing that each FCM be required to establish a targeted amount of residual interest that the FCM must seek to maintain as its residual interest in the segregated funds account in order to ensure compliance with segregated funds requirements at all times.[4] The FHLBanks are interested in how market participants will assess this proposal from a cost-benefit perspective. While it cannot be disputed that a residual interest buffer should lower the risk that an FCM will fall out of compliance with its segregation requirements, there will likely

[3] The FHLBanks recognize that certain (but not all) of the information about FCMs that they believe should be publicly disclosed is currently available on the NFA's Background Affiliation Status Information Center (BASIC). However, the NFA has voluntarily made this information public, and it is the FHLBanks' view that public disclosure about FCMs' financial condition should also be required by the Commission. Moreover, as noted below, the FHLBanks believe that additional information should be made available and, in some cases, with greater frequency.

[4] See Proposed Reg. 1.11(e)(3)(D)

be a real economic cost associated with maintaining whatever residual interest buffer is established by an FCM.[5] In addition, the prospects of funding an additional residual interest buffer may discourage FCMs from appropriately demanding collateral from customers in excess of DCO requirements. For these reasons, at this time the FHLBanks reserve judgment with respect to this aspect of the Proposed Rules.

II. Additional Transparency Regarding the Financial Condition and Regulatory Compliance of FCMs is in the Public Interest

The principal roles of FCMs are to facilitate the movement of funds between customers and clearing houses and to guarantee the performance of customers' trades to clearing houses. FCMs also advance funds required by clearing houses for customers and then collect such funds from the appropriate customers. Customer funds held by FCMs are meant to facilitate advances to clearing houses on behalf of customers and, more importantly, to minimize the risk that an FCM will be required, as guarantor of a customer's trades, to utilize its own funds to meet clearing house obligations. Customer funds provided in connection with cleared swaps are not to be commingled with an FCM's own funds and cannot be used to satisfy the obligations of other customers.[6] The ability of an FCM to benefit from the investment of customer funds is strictly limited by the investment limitations of Commission Regulation 1.25, 17 C.F.R. § 1.25 (2012), and by the requirement that any investment losses be borne by the FCM and not the customer.[7]

The clearing model is based on the understanding that a customer looks to a clearing house, not its FCM, as its counterparty to satisfy its trades and that a customer should generally be free to move trades from its current FCM to another FCM if it is concerned about the performance or financial viability of its current FCM. Indeed, FCMs frequently cite this right as the major protection afforded to clearing customers. Of course, upon failure of an FCM, the

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[5] Amounts in customer segregated accounts are properly subject to severe investment limitations designed to ensure their safety and preserve their liquidity. Thus, funds maintained by an FCM as residual interest can reasonably be expected to earn less than the FCM's unrestricted funds. This represents a real cost to FCMs and it can be expected that such costs will in some fashion be passed on to customers.

[6] The FHLBanks do not currently engage in substantial futures transactions. Accordingly, the comments in this letter are generally directed to matters relating to the activities of FCMs in connection with cleared swaps. However, FHLBanks may in the future be more active participants in the futures markets. Although LSOC does not apply to customer funds held in connection with futures, the FHLBanks agree with the thrust of the Proposed Rules, which seek to ensure consistency in FCM disclosure requirements for both futures and cleared swaps.

[7] Commission Rule 1.29, 17 C.F.R. § 1.29, which indicates that FCMs are entitled to all gains earned in connection with the investment of customer funds, has been interpreted as requiring FCMs to bear the risk of losses incurred in connection with the investment of customer funds. *See* Marchese v. Shearson Hayden Stone, Inc., 644 F. Supp. 1381 (C.D. Cal. 1986), *aff'd*, 822 F.2d 876 (9th Cir. 1987). The Commission has confirmed this interpretation. *See* Protection of Cleared Swaps Customer Contracts and Collateral; Conforming Amendments to the Commodity Broker Bankruptcy Provisions, 77 Fed. Reg. 6,336, 6,353 (Feb. 7, 2012) (to be codified at 17 C.F.R. pts. 22 and 190) ("To be clear, Cleared Swaps Customers are not responsible for losses on investments made pursuant to, and in accordance with, regulation 1.25.").

customers look to the Commission and the relevant clearing house(s) to direct the transfer of the accounts of non-defaulting customers to new, solvent FCMs.

Two important conclusions can be drawn from the foregoing. First, as a matter of public policy, the customer's interest in its own segregated funds is more important than the FCM's interest in those funds. Indeed, the FCM's only legitimate claim with respect to such funds is that they are available in the event that the customer fails to satisfy its obligations to the FCM/DCO.[8] Second, any legitimate claim of the FCM is in no way diminished or jeopardized by making information regarding the financial condition and regulatory compliance of the FCM public. Although the Commission and DSROs have a responsibility to do what they can to ensure the protection of customer funds, customers could ultimately bear losses incurred as the result of an FCM's failure to comply with legal or operational requirements, as with the MF Global and Peregrine insolvencies. If a customer believes that the financial condition or regulatory compliance of its FCM puts the customer's funds at risk, *i.e.*, because the FCM is at risk of default or becoming insolvent, the customer has every right to place new trades with (and move its existing trades to) another FCM. A customer need not await either the insolvency of its FCM or the intervention of its regulator. Indeed, it would be anomalous to have a system where the Commission and DSROs are notified that an FCM has a deficiency in segregated funds, but this information is withheld from a customer contemplating a new trade with that FCM.[9] The fact that central clearing of certain swaps will no longer be optional for many customers, but will be mandated by the Dodd-Frank Act, makes it even more important for the Commission to take all reasonable steps, within its authority, to provide maximum protection for cleared swap customers.

The FHLBanks appreciate that it is not unusual for financial regulators to obtain information from financial institutions that is not made public. In the case of banks, for example, there is good reason for this. Banks borrow funds on a short term basis from depositors and lend those funds, on a longer term basis, to individuals and businesses. Premature disclosure of financial or other information that calls into question the viability of the bank can lead to a run on the bank. No bank can immediately honor the demand of all its depositors for the withdrawal of their funds. <u>However, this is not the case with respect to FCMs</u>. FCMs are precluded from using customer collateral for their own purposes and from using the collateral of one cleared swaps customer to meet the obligations of another cleared swaps customer.[10] Although FCMs may invest customer funds and retain, as their own, any benefits accruing therefrom, such investments may only be made in accordance with the Commission's stringent investment regulations and, further, an FCM must maintain the value of customer funds in its customer

[8] The FCM does not even have a claim to the income that can be earned on the investment of customer funds in the future because the customer is entitled at any time to move those funds to another FCM.

[9] In Section III below, the FHLBanks indicate the types of information that they would find particularly useful in assessing the viability of their FCMs

[10] *See* Commission Rules 1.20 and 22.2(d), 17 C.F.R. §§ 1.20 and 22.2(d).

segregated accounts at all times.[11] Thus, at any point in time, it should be feasible to port all of an FCM's customer positions and associated collateral to a new FCM. Therefore, customers who port their trades from one FCM to another, based on concerns regarding the financial viability or regulatory compliance of an FCM, do not pose a "run on the bank" problem or any other type of systemic risk. Such customers are acting in a manner that is totally consistent with the statutory and regulatory regime for futures and cleared swaps.

The FHLBanks believe that the risk of public disclosure causing an unwarranted flight of customers from an FCM can be substantially mitigated. For example, noncompliance with segregation requirements resulting from inadvertent operational or administrative errors could be reported with the explanation of what caused the noncompliance and how it is being addressed. Presumably, this would minimize the movement of business away from the FCM. (On the other hand, if such compliance failures occur regularly, customers would likely take notice and reassess their choice of FCMs, which we believe is a proper result.) We also believe that providing customers with access to more current information about an FCM will lessen the chance that any single piece of information (or rumor) will prompt unwarranted flight. Thus, if customers have current financial information regarding the FCM's capital and profitability, they will take the total mix of information into account when making a decision whether to remain with an FCM or move business to another FCM. Unless and until experience dictates otherwise, the Commission should regulate from the perspective that greater transparency will promote rather than jeopardize market stability.

As is generally contemplated by the Proposed Rules, the FHLBanks prefer the immediate public release of financial and regulatory compliance information provided to the Commission and DSROs. However, if it is determined that certain information, such as violations of Commission rules, should not be subject to immediate public disclosure, the FHLBanks believe a delay of a day or two in releasing certain information to allow the FCM to correct the problem or draft an explanatory note would be preferable to withholding the information altogether or to releasing the information publicly after a long delay that renders it of little value to market participants.

[11] *See* Commission Rules 1.25 and 22.2(e), 17 C.F.R. §§ 1.25 and 22.2(e).

III. Information that Will be Most Useful to Customers and Other Market Participants?

The FHLBanks believe that the information regarding FCMs that will be most useful to them and other market participants includes the following:

a. Segregation computation. The FHLBanks understand that as of the close of business each business day, FCMs are required to perform a segregation computation demonstrating compliance with the obligation to hold sufficient funds in segregated accounts in an amount sufficient to cover the total Net Liquidating Equity of each of the FCM's cleared swap customers. This report must be provided to the FCM's DSRO and the Commission.[12] The FHLBanks believe that every market participant should have access to this critical information on a daily basis. The FHLBanks understand that this is exactly what is contemplated by the new requirement that FCMs post the computation on their Web sites.[13] The FHLBanks strongly endorse this disclosure requirement. The FHLBanks believe there would be some benefit from posting the reports of all FCMs on a single Web site, but it would be acceptable if each FCM posted the information on its own website.

b. Cleared Swaps Segregation Schedule. This schedule is to be prepared on a monthly basis and will include information regarding "whether the firm holds excess segregated or secured funds in the segregated or secured accounts as of the reporting date."[14] Under the Proposed Rules, the FCM would also be required to disclose in the Cleared Swaps Segregation Schedule a "target amount" of "residual interest" (denoting the FCM's proprietary funds) that the FCM is required to maintain in customer segregated accounts based on its written policies and procedures mandated by new proposed risk management provisions.[15] The FHLBanks believe that this information will be of great value in assessing the safety of funds entrusted to the FCM. If necessary, the Proposed Rules should be clarified to ensure that information regarding the FCM's "target amount" and "residual interest" is required for each business day of the reporting month, and not simply "as of the reporting date." Alternatively, average data regarding the "target amount" and "residual interest" for the reporting period would be beneficial.
It appears that the Commission would only require the Cleared Swap Segregation Schedule to be prepared in connection with the FCM's certified annual report to be disclosed on the FCM's Web site.[16] The FHLBanks believe that FCMs should be required to post on their Web site the Cleared Swap Segregation Schedules prepared for the most recent twelve months.

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[12] See Fed. Reg. at 67872
[13] See Proposed Reg. 1.55(o)
[14] Fed. Reg. at 67872.
[15] See Proposed Reg. 1.11
[16] See Proposed Reg. 1.55(o)(v); The monthly Cleared Swaps Segregation Schedules would apparently not be published by the Commission and would only be available upon request to the Commission. Fed. Reg. at 67872-67873.

c. Monthly unaudited and yearly audited financial statements. The FHLBanks understand that the Proposed Rules would require each FCM to publish its annual certified financial statement on its Web site.[17] The FHLBanks support this requirement, but also believe that prompt public disclosure of the monthly unaudited financial statements required by the proposed amendments to Commission Regulation 1.10, 17 C.F.R. § 1.10 (2012), would be highly beneficial to end-user customers in determining the ongoing viability of their current and prospective FCMs.[18] At a minimum, the FHLBanks suggest that total revenue and net income numbers be made public on a monthly basis. Summary income reporting should address whatever concerns FCMs may have about disclosing proprietary "trade secrets."

At present, and as contemplated by the Proposed Rules, only monthly information regarding the FCM's capital requirements and excess net capital would be made public. For reasons articulated in the Commission's release, this does not provide sufficient information to assess the financial condition of an FCM. In addition to monthly balance sheet and income/loss information, the FHLBanks believe the public release of additional information, such as the "balance sheet leverage ratio" required of FCMs pursuant to the Proposed Rules, would materially assist market participants in evaluating the financial condition of current or potential FCMs. As indicated in the Commission's release:

> The leverage ratio will provide information regarding the amount of assets supported by the FCM's capital base. The Commission views leverage information as an important element in assessing the financial condition of an FCM as a high degree of balance sheet leverage may indicate that the firm does not have the capital to support its investment decisions, particularly if such investments lose a significant amount of their value in a short period of time or require substantial margin payments or other payments to support.[19]

The FHLBanks agree that this is very useful information and support the Commission's view that mere disclosure of the FCM's capital position is insufficient to enable the FHLBanks to reasonably assess the financial condition of their current and prospective FCMs. The reasons for making this information available to the Commission also support making this information available to market participants.

d. Reportable Events. Commission Regulation 1.12, 17 C.F.R. § 1.12 (2012), currently requires FCMs to provide notice to the Commission and the relevant DSROs if specified reportable events occur. These events include:

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[17] See Prop. Reg. 1.55(o)(v)

[18] In this regard, there is precedent for the public release by the bank regulators of such information contained in individual bank Call Reports.

[19] Fed. Reg. at 67873

- Failing to maintain the minimum level of required regulatory capital;

- Failing to maintain current books and records in accordance with regulatory requirements; and

- Failing to comply with customer segregation requirements.

The Proposed Rules would clarify the need to immediately notify the Commission if an FCM is unable to compute or document its actual capital at the time it is undercapitalized. The Commission is proposing to add a number of additional reportable events, including:

- Whenever an FCM discovers or is informed that it has invested funds held for customers in investments that are not permitted investments under Commission Regulation 1.25, 17 C.F.R. § 1.25 (2012);

- Any time an FCM does not hold an amount of funds in segregated accounts for futures or cleared swap customers that is sufficient to meet the firm's targeted "residual interest";

- Whenever an FCM, its parent or material affiliate experiences a material adverse impact to its creditworthiness or its ability to fund its operations; and

- Whenever an FCM experiences a material change in its operations or risk profile (including a change in senior management or change in the FCM's credit arrangements).

In negotiating clearing agreements with FCMs, the FHLBanks seek to require FCMs to make periodic financial disclosures and to covenant that the FCM, at the time of entering into the agreement and again upon each date on which a cleared derivatives transaction is entered into, is and will continue to be in compliance with all laws and regulations applicable to cleared derivatives transactions and all applicable laws and orders to which the FCM may be subject if failure to so comply would materially impair its ability to perform its obligations under the clearing agreement. The purpose of such provisions is to allow the FHLBanks the opportunity to assess whether it would be prudent to port their trades to another FCM. A number of FCMs have agreed to some or all of these contractual provisions, but others have declined to agree, citing various concerns, including:

- That the periodic public disclosure of FCM financial information by the Commission should be sufficient;

- That confidentiality restrictions in Commission rules prohibit such disclosures;

- That selective disclosure of this nature to some, but not all, customers could give rise to legal risk; and

- That it is not operationally feasible to prepare ad hoc reports for individual customers.

The FHLBanks believe that additional transparency regarding FCMs' financial condition and regulatory compliance is in the public interest and that FCMs should not be sheltered from making such disclosures by Commission regulations. On the contrary, the FHLBanks believe that the Commission should affirmatively facilitate such disclosures to all market participants. The FHLBanks maintain clearing relationships with FCMs premised on the sound financial condition of the particular FCMs and on a representation by each FCM that it is in compliance with all laws and regulations applicable to cleared swaps. Certainly, a number of the reportable events described above would be of great interest to customers seeking to evaluate their FCMs and preserve their collateral. Accordingly, the FHLBanks suggest that the Commission give serious consideration to mandating the public disclosure of these events (particularly those involving violations of capital or segregation requirements).[20] Requiring public disclosure would directly address each of the FCMs' concerns cited above. At a minimum, the Commission should retain the proposed requirement, discussed below, that an FCM consider the need to make public disclosures whenever these reportable events occur.

Under the Proposed Rules, FCMs would be required to provide customers with an enhanced Risk Disclosure Statement that addresses, in addition to market risk, the risks specifically related to customer funds that could arise from the failure of an FCM.[21] In addition, the Proposed Rules would require each FCM to prepare and publish on its Web site a Firm Specific Disclosure Document that would include information relevant to the operations of the firm that could be used by customers in evaluating whether to entrust funds to a particular FCM. The FHLBanks strongly endorse this proposed requirement and particularly the requirement that the FCM update the Firm Specific Risk Disclosure as circumstances warrant. As stated in the Proposed Rules:

> The futures commission merchant shall update the information required by this section as and when necessary, but at least annually, to keep such information accurate and complete and shall promptly disclose such updated information to all of its customers. In connection

[20] To the extent that customers respond to an FCM's notice of failure to comply with customer segregation requirements by porting their trades to another FCM, the burden on the Commission of dealing with a later default by the FCM that filed the notice should be reduced, not heightened. Admittedly, the transfer of positions is likely to have an adverse impact on the profitability of the FCM losing the business. However, as noted in the commentary accompanying the adoption of LSOC: "The Commission agrees with the comment that 'swap margin is not meant to enhance the swap dealers' bottom line, but to protect the system against counterparty failure,' …" Protection of Cleared Swaps Customer Contracts and Collateral; Conforming Amendments to the Commodity Broker Bankruptcy Provisions, 77 Fed. Reg. 6,336, 6,344 (Feb. 7, 2012) (to be codified at 17 C.F.R. pts. 22 and 190).

[21] Prop. Reg. 1.55(b).

> with such obligation to update information, the futures commission merchant shall take into account any material change to its business operation, financial condition and other factors material to the customer's decision to entrust the customer's funds and otherwise do business with the futures commission merchant since its most recent disclosure pursuant to this paragraph, and for this purpose shall without limitation consider events that require periodic reporting to be filed pursuant to §1.12 of this part. [22]

e. Twice Monthly Reports on Investment of Customer Funds. The Commission notes that the National Futures Association ("NFA") and the Chicago Mercantile Exchange recently adopted rules requiring member FCMs to submit detailed information about how they invest customer funds and the depositories holding customer funds. The Commission also notes that the NFA will be publishing information on its Web site regarding how each FCM invests and holds customer funds. In the Proposed Rules release, the Commission solicits input on whether FCMs should be required to disclose (presumably to the public) information regarding its investment of customer funds and, if so, what information would be the most benefit to market participants in assessing whether to entrust funds to a particular FCM. The Commission also asks whether the information should be published on the FCM's Web site and whether the NFA should act as the primary source of disclosure of how FCMs hold and invest customer funds. The FHLBanks support greater transparency related to the investment of customer funds by FCMs and believe that customers would benefit from being able to compare the investment activities of various FCMs. Thus, it would be preferable for data regarding investments to be collected at a single source, whether that be the NFA or the Commission, in a format that would facilitate such comparison. A link to the collected data should also be included in the Firm Specific Disclosure Document published on the Web site of each FCM.

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In summary, the FHLBanks welcome the Commission's efforts to increase transparency regarding the financial condition and regulatory compliance of FCMs. With the implementation of the mandatory clearing requirement of the Dodd-Frank Act, FCMs will necessarily be entrusted with billions of additional dollars of customer funds. In light of recent events, any cost-effective requirements that will enhance FCM accountability for the proper handling of such funds are clearly in the public interest.

[22] Prop. Reg. 1.55(i) (emphasis added)

The FHLBanks appreciate the opportunity to offer these comments. Please contact Warren Davis at (202) 383-0133 or warren.davis@sutherland.com with any questions you may have.

Respectfully submitted,

Warren Davis, Of Counsel
Sutherland Asbill & Brennan LLP

cc: FHLBank Presidents
FHLBank General Counsel