

Federal Farm Credit Banks Funding Corporation

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September 25, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
File Reference No.: 2012-200

Re: "Financial Instruments (Topic 825) – Disclosures about Liquidity Risk and Interest

Rate Risk"

Dear Director:

On behalf of the Banks of the Farm Credit System (FCS or the System), we welcome the opportunity to express the FCS's views with respect to the FASB proposed Accounting Standards Update, "Disclosures about Liquidity Risk and Interest Rate Risk."

Background Information about the Farm Credit System

The Farm Credit System is a federally chartered network of borrower-owned lending institutions comprised of cooperatives and related service organizations. Through its four Banks and 82 Associations, the FCS provides sound and dependable credit to American farmers, ranchers, producers or harvesters of aquatic products, their cooperatives, and farm-related businesses. The Associations are cooperatives owned by their borrowers, and the Banks are cooperatives owned by their affiliated Associations or principally owned by cooperatives and other eligible borrowers. As of June 30, 2012, the FCS's combined assets totaled \$236.3 billion, with \$180.3 billion of the assets consisting of net loans, \$46.6 billion of cash and investments, and liabilities of \$198.8 billion, with \$190.7 billion of the liabilities being Systemwide debt obligations that are publicly traded. The primary purpose of the investment portfolio is for liquidity and at June 30, 2012, we calculated that we had 180 days of liquidity. Also, as of June 30, 2012, the FCS had entered into derivative transactions with a total notional principal balance of \$32.3 billion and the exposure, net of collateral, totaled \$88 million.

The comments that follow are the result of consideration of issues related to the additional disclosure requirements proposed by the FASB. Some FCS institutions may be submitting comments separate from this letter in order to address specific issues not discussed or to clarify or emphasize positions expressed herein.

General Comments

The FCS supports the FASB's efforts to provide financial statement users with additional decision-useful information about an entity's liquidity risk and interest rate risk. However, for publicly-held companies, significant disclosures are already required in the Management's

Discussion and Analysis (MD&A). We do not believe the inclusion of this type of information in the footnotes is appropriate and that, due to the nature of the information, disclosure regarding liquidity and interest rate risk can better be discussed in MD&A. Further, the cost of preparing and placing such information in the financials that will then be required to be audited could be prohibitive.

As quoted from the proposed update, "the proposed liquidity risk disclosures would provide information about the risks and uncertainties that a reporting entity **might** encounter in meeting its financial obligations." A table required in the footnotes that "might" only partially illustrate the potential liquidity risk is not decision-useful and potentially inaccurate and misleading. The same is true for interest rate risk disclosures. We also do not believe that information that is forward-looking should be disclosed in the financial statements but rather should remain in the MD&A.

The FCS would encourage the board to further review the existing MD&A disclosures required by banking regulators and the SEC, and that are reported in an entity's annual and quarterly reports. It is also important to note that the proposed footnote disclosures may be misleading due to the standardization of the tables, which may not reflect management's risk mitigation practices that may have been utilized since the end of a reporting period. In addition, standardized forward looking disclosures may not truly reflect how a Bank monitors and manages its risks. Such matters should be described by an entity in its MD&A.

We appreciate this opportunity to respond and hope our comments prove useful to the Board. If you have any questions with respect to the contents of this response, please call me at (201) 200-8071.

Respectfully,

H. John Marsh, Jr. Managing Director –

Financial Management Division