January 31, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: 1890-100 Discussion Paper, Effective Dates and Transition Methods

Dear Technical Director:

The 12 Federal Home Loan Banks (the “FHLBanks”) appreciate the opportunity to comment on the Financial Accounting Standards Board’s (the “FASB” or “Board”) Discussion Paper: Effective Dates and Transition Methods (hereinafter referred to as the “Discussion Paper”). Below are our responses to each question.

**Question 1: Please describe the entity (or the individual) responding to this Discussion Paper.**

*For example:*

a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.

b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.

c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.

d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.

e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

The FHLBanks were created by the Federal Home Loan Bank Act of 1932 and play a critical role in the continuous flow of funds to the residential mortgage market by providing loans
(known as advances) to their approximately 8,000 member financial institutions throughout the United States. All members of the FHLBanks are required to purchase capital stock as a condition of membership and in proportion to their asset size and borrowing activity. Each FHLBank's capital stock is owned by an FHLBank's members, former members that retain the stock as provided in an FHLBank's capital plan, or by non-member institutions that have acquired a member and must retain the stock to support advances. FHLBank debt and equity securities are exempt from registration under the Securities Act of 1933 and are "exempted securities" under the Securities Exchange Act of 1934 (the "Exchange Act"). However, each FHLBank has voluntarily registered a class of its equity securities with the Securities and Exchange Commission ("SEC") under Section 12(g) of the Exchange Act. As registrants, the FHLBanks are subject to the periodic disclosure regime as administered and interpreted by the SEC. The FHLBanks are primarily preparers of financial statements and prepare such statements in accordance with U.S. GAAP.

The FHLBanks raise funds through the issuance of bonds and discount notes (known as consolidated obligations) in the capital markets. Most of these funds are loaned to member financial institutions, which in turn provide liquidity and funding to their customers. As of September 30, 2010, the FHLBanks' combined total assets and total liabilities were approximately $904 billion and $859 billion, respectively. As of that same date, total financial instrument assets and total financial instrument liabilities recorded on a basis other than fair value (e.g., amortized cost or amortized cost adjusted for changes in fair value attributable to changes in a benchmark interest rate) were approximately $690 billion and $772 billion, respectively, including $489 billion and $770 billion of advances and consolidated obligations, respectively. Accordingly, we believe the Accounting for Financial Instruments Project has the potential to have a pervasive impact on the FHLBanks' financial statements, depending on the outcome of the Board's ongoing deliberations. Additionally, the FHLBanks believe the Financial Statement Presentation Project has the potential to significantly impact the FHLBanks' financial statements. The FHLBanks believe it is unlikely that the other projects will have a significant impact on their financial statements.

**Question 2:** Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

a. **How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each new standard?**

b. **What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?**

The FHLBanks believe they will need at least three years to learn about, appropriately train personnel, plan for, implement and otherwise adapt to the Accounting for Financial Instruments final standard. In developing this estimate the FHLBanks considered the complexity of the Exposure Draft; the magnitude of information system and financial reporting changes that will need to be developed, implemented, and tested prior to adoption of the new standard; the time needed to develop and test internal controls; and new reporting mandates by the SEC (e.g., XBRL reporting). The FHLBanks anticipate incurring costs for training personnel, implementing
changes to information and financial reporting systems, and the development and testing of internal controls. The FHLBanks expect these costs to be significant.

Furthermore, due to the anticipated convergence between U.S. GAAP and IFRS, the FHLBanks are concerned that these costs will merely be for a temporary change and that additional significant costs will be incurred upon convergence. Therefore, until such time as convergence (or conversion) occurs, the Board should not create significant new differences from IFRS or pending IFRS.

Regarding the other Comprehensive Income, Revenue Recognition and Leases Exposure Drafts, the FHLBanks do not anticipate a significant impact from implementing these new standards.

**Question 3: Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?**

The FHLBanks are concerned that the final requirements of the Financial Statement Presentation Project will not be consistent with the financial reporting requirements of SEC registrants (e.g., Article 9 of Regulation S-X for Bank Holding Companies) and trust that the Board is taking such requirements into consideration and is consulting with the SEC as it proceeds with this project. The FHLBanks have no comment on tax reporting requirements or the need for changes in auditing standards.

**Question 4: In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.**

With the exception of the transition method provided in the Accounting for Financial Instruments Exposure Draft, the FHLBanks generally agree with the proposed transition methods. The following comments were provided to the Board in the FHLBanks’ September 28, 2010 comment letter regarding the Accounting for Financial Instruments Exposure Draft:

The FHLBanks generally agree with the transition provisions in the proposed Update. However, the FHLBanks believe that separate guidance should be provided for the amendments related to hedge accounting. For example, if an entity previously applied the shortcut method, it is unclear how the entity should account for the cumulative ineffectiveness that may exist in the hedging relationship. Additionally, the proposed guidance does not address how the transition guidance would be applied to hedging relationships that exist as of the transition date, but which were redesignated and redesignated in periods prior to transition. It is unclear whether hedge accounting for subsequent relationships should be reversed and the accounting should assume the original relationships were still intact as of the transition date. Such information would be extremely difficult and impractical to obtain. In the absence of specific transition
guidance related to hedge accounting, the FHLBanks recommend that the final Update only require prospective application of the proposed hedge accounting amendments to qualifying hedging relationships that are designated anew at or in periods subsequent to the initial date of adoption with no restatement required for hedging relationships reported in periods prior to adoption.

**Question 5:** In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).

b. Under a single date approach, what should the mandatory effective date be and why?

c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.

d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

As both preparers and users of financial statements, the FHLBanks believe the sequential approach, which permits each new standard or an appropriate group of new standards to become effective as of different dates spanning a number of years, is preferable. As discussed in our response to Question 2, the implementation of new accounting guidance can be very time consuming and costly. Requiring entities to adopt numerous standards at once may be financially and operationally burdensome. For example, both the Accounting for Financial Instruments Exposure Draft and the Financial Statement Presentation Project are very complex and are expected to have a pervasive impact on financial statement preparation and presentation. Considering the magnitude of information system and financial reporting changes that will need to be developed, implemented and tested prior to adoption of each of the final standards, the FHLBanks believe these two standards, when issued, should have different effective dates.

**Question 6:** Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should be on early adoption (for example, are there related requirements that should be adopted at the same time)?

In order to promote consistency and comparability among entities, the Board should not permit entities to adopt new standards prior to their mandatory effective dates.

**Question 7:** For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should
companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

The FHLBanks believe that delayed effective date provisions for certain entities simply delays consistency and comparability among entities. Historically, the Board has proposed delayed effective dates for nonpublic entities. This seems to disregard the fact that many larger public entities may need more time than smaller nonpublic entities to develop and test internal controls in addition to implementing substantial (i.e., time consuming) and costly system modifications. The FHLBanks believe that new standards should not be effective until it would be feasible for all entities to implement them as of the same date.

Question 8: Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

In order to promote consistency and comparability among entities, the FASB and IASB should require the same effective dates and transition methods for their comparable standards.

Question 9: How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

The Foundation’s ongoing evaluation of standards setting for private companies does not affect the FHLBanks’ views on the questions raised in the Discussion Paper.

We thank the Board for its consideration of the FHLBanks’ views and welcome the opportunity to discuss this matter with the Board and its staff. Please do not hesitate to contact me at (214) 441-8535.

Sincerely,

Tom Lewis
Senior Vice President and Chief Accounting Officer
Federal Home Loan Bank of Dallas
(On behalf of the Federal Home Loan Banks as Chair of the Controllers’ Committee)