February 29, 2016

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


Dear Ms. Cosper:

The 11 Federal Home Loan Banks (the “FHLBanks”) appreciate the opportunity to comment on the Financial Accounting Standards Board’s (the “FASB” or “Board”) Exposure Draft of a Proposed Accounting Standards Update, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (hereinafter referred to as the “proposed Update”). Our responses to the questions asked in the proposed Update are presented below.

**Question 1: Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.**

The FHLBanks do not believe that the proposed amendments would result in more effective, decision-useful information about fair value measurements. Specifically, the FHLBanks do not believe that the proposed changes to paragraph ASC 820-10-50-2(d), requiring disclosure of the amount of total gains or losses included in other comprehensive income and earnings that is attributable to the changes in unrealized gains or losses disaggregated by Level of the fair value hierarchy, provides any measurable benefit to the users of our financial statements. The FHLBanks believe that their financial statements in conjunction with their current disclosures, specifically those currently required by ASC 220, ASC 320, ASC 815, ASC 820 and ASC 825, provide sufficient information regarding the impact of unrealized gains and losses. Accordingly, we believe the proposed disclosure is unnecessary and potentially distracting. Furthermore, we believe that the existing guidance in paragraph ASC 820-10-50-2(c) should be removed. Please see our response to question 8.

The FHLBanks do not believe that the proposed amendments would result in the elimination of decision-useful information about fair value measurements.
Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

The FHLBanks believe that the proposed disclosure requirements are operable and auditable. However, the FHLBanks are concerned that the costs associated with the proposed changes to paragraph ASC 820-10-50-2(d), requiring disclosure of the amount of total gains or losses included in other comprehensive income and earnings that is attributable to the changes in unrealized gains or losses disaggregated by Level of the fair value hierarchy, will outweigh any perceived benefit. Please see our response to question 3.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

Yes. The proposed disclosures, specifically those required by ASC 820-10-50-2(d), would impose significant incremental costs. The FHLBanks believe that many entities, including the FHLBanks, currently do not accumulate the data at the level of granularity necessary to provide this disclosure. Accordingly, in addition to the costs associated with the preparation of the disclosure and the application of internal controls, entities would incur costs in developing a process to compile the data. Because the FHLBanks do not believe that the proposed disaggregated disclosure provides incremental benefit to users, we believe that the costs associated with this effort are excessive and unnecessary.

Furthermore, we applaud the Board’s recent efforts regarding materiality and disclosures, as evidenced by the recent 2015-310 Exposure Draft, Notes to Financial Statements (Topic 235) Assessing Whether Disclosures Are Material and the 2012-220 Invitation to Comment - Disclosure Framework, which stated the following:

...to the Board, reducing volume is a means of increasing effectiveness. Volume is not necessarily bad if the information is relevant to an assessment of the prospects for cash flows from a particular entity. However, unnecessary volume increases the workload of issuers of financial statements (to gather the data and prepare the disclosure). It also increases the workload of users of financial statements (to study the data to determine what is relevant and what is not) and increases the probability that they will overlook information that could affect their investment and credit decisions.

In keeping with these efforts, we urge the Board to consider the stress that additional complex and/or voluminous disclosures continue to place on organizations’ systems and financial reporting processes.

Question 4A: The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.
The FHLBanks do not object to the exemption for private companies.

Question 4B: Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.

The FHLBanks would also not object to entities other than public business entities (e.g., employee benefit plans and not-for-profit organizations) being exempt from the proposed amendments mentioned in Question 4A.

Question 5: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements. Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.

The FHLBanks are not aware of any classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information.

Question 6: The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?

The FHLBanks do not believe that the inclusion of this disclosure would result in significant incremental costs as we believe that most entities that develop significant unobservable inputs would have this data available. However, we do not believe that this disclosure provides more effective, decision-useful information.

Question 7: Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

The FHLBanks are not aware of other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement. However, the FHLBanks suggest the following additional edit to paragraph 820-10-50-2(bbb) [Added text is underlined]:

... A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without significant adjustment). However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity [emphasis added].
It is not uncommon for an entity to obtain third-party pricing information from multiple vendors and apply an algorithm to develop an estimate of fair value. An algorithm may be as simple as averaging the prices received, and/or excluding any prices outside certain parameters. The FHLBanks do not believe that the application of this type of algorithm is consistent with the development of quantitative unobservable inputs. Accordingly, the FHLBanks are requesting the word “significant” be added as indicated above to avoid interpretation of this type of process as such and to align the example with the last sentence of the paragraph forbidding an entity to ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available.

**Question 8: Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.**

The FHLBanks believe that the requirements of 820-10-50-2(c), to include separate disclosure of the total gains or losses recognized in earnings and comprehensive income (including the specific line item for each), as well as, purchase, sale, issuance and settlement activity of recurring fair value measurements categorized within Level 3 of the fair value hierarchy, should be removed. Consistent with the Board members referenced in paragraph BC25 that, “noted that a reasonably informed user would understand that items are affected by purchases, sales, transfers and changes in fair value measurements, which would mean that an analysis of the opening and closing balances of Level 3 assets and liabilities is not indicated by the concepts in the proposed Concepts Statement,” we believe that causes of the changes in a Level 3 asset or liability are easily understood.

Paragraph BC 25 also states, “However, most users stated that the Level 3 rollforward allows them to gain insight into management’s decisions, especially across different economic cycles.” Therefore, the Board decided to retain the disclosure. We do not believe that this statement by users is strong enough to support retention of this disclosure requirement and to undermine the application of the concepts in the proposed Concepts Statement. For public entities, Regulation S-K requires disclosure of material changes and/or trends be included in Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A). A user should be able to gain insight into management’s decisions by reading MD&A. Accordingly, we believe the disclosure required by 820-10-50-2(c) provides no incremental value to users. Furthermore, we believe the Board should seize this opportunity to demonstrate how the concepts of the proposed Concepts Statement could be applied.

**Question 9: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by nonpublic business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.**

The FHLBanks would need at least a year to implement the proposed amendments. Given the proposed exemptions for nonpublic business entities, discussed in questions 4A and 4B, we believe that the time provided to implement the proposed amendments should be the same for all entities. The FHLBanks are not opposed to early adoption.
We thank the Board for its consideration of our views and welcome the opportunity to discuss this matter with the Board and its staff. Please do not hesitate to contact me at (404) 888-8142.

Sincerely,

William Shaw
First Vice President and Controller
Federal Home Loan Bank of Atlanta
(On behalf of the Federal Home Loan Banks as Chair of the Controllers’ Committee)