December 8, 2015

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, Notes to Financial Statements (Topic 235) Assessing Whether Disclosures Are Material (hereinafter referred to as the “proposed Update”). Our responses to the questions asked in the proposed Update are presented below.

Question 1: Would assessing materiality subject to the proposed changes to paragraphs 235-10-50-7 through 50-8 be any easier than under current GAAP? If yes, please explain why.

No. The FHLBanks do not believe that assessing materiality would be easier with the adoption of the proposed new paragraphs 235-10-50-7 through 50-8. The FHLBanks do not believe it is appropriate to simply define materiality as a legal concept as proposed in new paragraph 235-10-50-8. The preparation of financial statements requires preparers to exercise considerable professional judgment. Preparers must make assumptions, create estimates and evaluate significance, all of which impact the financial statements and disclosures. Inherent in these responsibilities is the assessment and application of materiality. Accordingly, the FHLBanks do not believe that materiality is merely a legal concept. While we note the Board’s decision in paragraph BC14(c), that “…no single definition of materiality can be relied on to identify what may be material in every specific circumstance,” we believe that the subjective interpretation of the words substantial likelihood, reasonable and significantly, all used in the summary of the U. S. Supreme Court’s definition in paragraph BC14(b), broadens the scope of the definition such that it may be applied to varying facts and circumstances. We encourage the Board to either delete paragraph 235-10-50-8 or define materiality consistent with the subjective language in paragraph BC14(b).

The FHLBanks do believe that proposed new paragraph 235-10-50-7 provides information that entities may find useful when determining the extent of their financial statement disclosures. However, we do not believe this paragraph will make assessing materiality easier.
**Question 2: Would applying the amendments in this proposed Update significantly increase or reduce costs of preparing the notes to financial statements? Why or why not?**

The FHLBanks believe that the proposed Update would reduce the costs of preparing the notes to financial statements. Under the current disclosure framework, preparers spend considerable time and effort collecting, evaluating and reviewing data to prepare disclosures that may not be required if the proposed Update is adopted. Specifically, the elimination of phrases such as “an entity shall at a minimum provide” may significantly reduce time and costs. For annual financial statements, the FHLBanks agree that less prescriptive language may make it easier for entities to justify omitting immaterial disclosures. For interim financial statements, Article 10 of Regulation S-X (Interim Financial Statements) permits registrants to exclude certain disclosures if account balances have not significantly changed since the end of the most recently completed fiscal year. However, due to the inclusion of phrases like “an entity shall at a minimum provide,” many entities include disclosures in their interim financial statements that would otherwise not be required by Article 10.

**Question 3: Would the amendments in this proposed Update change the information you otherwise would include in the notes to financial statements? Why or why not? If yes, how would that increase, diminish, or otherwise change the notes’ usefulness to investors, creditors, and other financial statement users?**

Yes. The amendments in the proposed Update would potentially change the information otherwise included in the notes to the FHLBanks’ financial statements. As discussed in our response to question 2, the amendments should result in the omission of immaterial disclosures. The omission of this information would improve the usefulness to all users of the financial statements as it would bring focus to pertinent information by removing disclosure that is not meaningful and potentially distracting.

**Question 4: Do you expect regulatory, legal, or audit consequences that would affect your ability to consider materiality when selecting information to be disclosed in notes to financial statements? Please explain.**

Yes. Because the FHLBanks are government sponsored entities and are in a highly regulated industry, the potential for regulatory, legal, and/or audit consequences will always impact our assessment of materiality. At times, it may be more efficient to include an immaterial disclosure than to defend its exclusion. Accordingly, the FHLBanks believe that the elimination of phrases such as “an entity shall at a minimum provide” and the inclusion of “the omission of immaterial disclosures is not an accounting error” will lessen the burden of omitting immaterial information. See our responses to questions 2 and 7 regarding these proposed changes.

**Question 5: How would you disclose information in comparative financial statements if your assessments of materiality differed in different years?**

To determine the extent of disclosures provided in comparative financial statements, an entity should apply the new guidance proposed in paragraphs 235-10-50-7 and 50-9. There should be no “bright-line” requirement to disclose information for a particular period because it is material for
a comparative period. Entities are not prohibited from including additional information that they believe would be meaningful to users. When determining the extent of its disclosures, an entity may wish to consider users’ access to historical financial statements. Additionally, 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). Accordingly, if an entity concludes that the reason a disclosure has become immaterial would be meaningful to a user, then the entity should include a discussion in its MD&A.

**Question 6: Should the Board eliminate from the Accounting Standards Codification phrases like “an entity shall at a minimum provide” and other wording that could appear to limit an entity’s discretion to omit immaterial disclosures? Are there particular Topics or Sections in which those changes should not be made? Are there additional paragraphs within the Accounting Standards Codification in which the wording is particularly restrictive and is not identified in Appendix B of this proposed Update? If so, please identify them.**

The FHLBanks fully support the elimination of phrases like “an entity shall at a minimum provide” and other wording that could appear to limit an entity’s discretion to omit immaterial disclosures. We are not aware of any Topics or Sections in which those changes should not be made. Noticeably absent from the paragraphs identified in Appendix B of the proposed Update is Topic 270 Interim Reporting. As discussed in our response to question 2, Article 10 of Regulation S-X (Interim Financial Statements) permits registrants to exclude certain disclosures if account balances have not significantly changed since the end of the most recently completed fiscal year. Nevertheless, due to the inclusion of phrases such as “an entity shall at a minimum provide,” many entities include disclosures in their interim financial statements that would otherwise not be required by Article 10. We are aware that the Board has a separate project on Interim Reporting. However, we encourage the Board to amend Topic 270 to eliminate the language requiring entities to provide certain data “as a minimum” concurrently with the amendment of Topic 235.

**Question 7: Do you agree with the proposed amendment that would explicitly state that the omission of an immaterial required disclosure is not an accounting error? Why or why not?**

Yes. As discussed in our response to question 4, we believe the inclusion of “the omission of immaterial disclosures is not an accounting error” will lessen the burden of omitting disclosures that an entity believes would not be meaningful to users of its financial statements. While materiality will continue to be a subjective measurement, the inclusion of this phrase should reduce time and resources spent on the preparation of immaterial disclosures and the defense of omitting immaterial information.

**Question 8: Are there considerations other than those discussed in this proposed Update that would apply to not-for-profit entities?**

This question is not applicable to the FHLBanks.

**Question 9: Should the proposed amendments be effective upon issuance?**

Yes. The proposed amendments should be effective upon issuance.
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 (317) 465-0350.

Sincerely,

K. Lowell Short  
Chief Accounting Officer  
Federal Home Loan Bank of Indianapolis  
(On behalf of the Federal Home Loan Banks as Chair of the Controllers’ Committee)