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February 11, 2016

VIA ELECTRONIC SUBMISSION

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Instituting Proceedings To Determine Whether To Approve or Disapprove Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Market, as Modified by Partial Amendment No. 1

Secretary Murphy:

On behalf of the eleven Federal Home Loan Banks (the "**FHLBanks**"), we appreciate this opportunity to comment on the proposed amendments to Financial Industry Regulatory Authority ("**FINRA**") Rule 4210, as modified by Partial Amendment No. 1, to require the margining of certain agency mortgage-backed securities (the "**Proposed Rule**").[1] The FHLBanks commend the Securities and Exchange Commission ("**SEC**") and FINRA for their efforts to solicit input from market participants with respect to the Proposed Rule. We also recognize the importance of the SEC and FINRA's efforts to protect and promote the integrity and efficiency of the financial markets.

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[1] For the avoidance of doubt, unless otherwise defined, capitalized terms used in this letter have the meanings afforded to them in the Federal Register releases for the Proposed Rule, 80 Fed. Reg. 63,603 (Oct. 20, 2015) (the "**Proposed Rule Release**"), and for the modified Proposed Rule, 81 Fed. Reg. 3532 (Jan. 21, 2016) (the "**Modified Rule Release**").

The FHLBanks have submitted comments to FINRA[2] and the SEC[3] throughout FINRA's rulemaking process to amend Rule 4210. We believe that FINRA has failed to adequately address two specific comments that the FHLBanks raised previously, namely that the Proposed Rule should be amended to (i) require two-way margining for Covered Agency Transactions[4] and (ii) permit a FINRA member's counterparty to segregate any required margin posted to the FINRA member with an independent third-party custodian.[5]

In response to each of these comments, FINRA responded that it would not be appropriate to adopt such recommendations as part of the Proposed Rule, but it failed to explain its reasoning for such conclusions. On the issue of two-way margining, FINRA responded that it "does not propose to address such a requirement at this time as part of the proposed rule."[6] And on segregation of posted margin, FINRA made a similar response on two-way margining, stating: "FINRA believes th[is] [is] best addressed in separate rulemaking or guidance, as appropriate."[7]

We note that FINRA expressed a willingness to engage in discussion with market participants about two-way margining and the segregation of collateral, which we take as an indication that FINRA may be willing to afford the requested protections at a later date.[8] However, the FHLBanks believe that it is not only appropriate and prudent to address such issues now and as part of this rulemaking, but that delaying such action would be both harmful to the parties involved and contrary to the stated purposes of the Proposed Rule.

According to the Modified Rule Release, the Proposed Rule is intended to codify a recommendation to margin mortgage-backed securities that was issued by the Treasury Market Practices Group ("**TMPG**") of the New York Federal Reserve Bank.[9] The TMPG expressly called for two-way margining, not one-way margining and, further, the TMPG's recommendation is intended to mitigate counterparty risk for the benefit of *all* market

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[2] *See* Letter of the Federal Home Loan Bank of Indianapolis on behalf of the twelve FHLBanks in reference to Proposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market, dated April 4, 2014 ("**FHLBanks Letter 1**"), *available at* https://www.finra.org/sites/default/files/NoticeComment/p479813.pdf. FHLBanks Letter 1 is attached as **Appendix A**.
[3] *See* Letter of the Federal Home Loan Banks in reference to Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Markets, dated November 10, 2015 ("**FHLBanks Letter 2**"), *available at* https://www.sec.gov/comments/sr-finra-2015-036/finra2015036-47.pdf. FHLBanks Letter 2 is attached as **Appendix B**.
[4] *See* FHLBanks Letter 2 at page *4.
[5] *See id*.
[6] *See* Modified Rule Release at page 3540.
[7] *See id.* at page at 3544.
[8] *See* Modified Rule Release at page 3540: "In response, FINRA noted in the original filing that it supported the use of two-way margining as a means of managing risk. However, FINRA does not propose to address such a requirement at this time as part of the proposed rule change. FINRA welcomes further dialogue with industry participants on this issue." (citations omitted). *See also* Modified Rule Release at page 3544: "With respect to third-party custodial arrangements, FINRA believes these are best addressed in separate rulemaking or guidance, as appropriate. FINRA welcomes further discussion of these issues."
[9] *See* Modified Rule Release at page 3533.

participants, *not just dealers*.[10] The FHLBanks' two recommendations are in line with the TMPG's stated purpose and, therefore, in line with FINRA's stated purpose for the Proposed Rule. In our view, FINRA has not provided an adequate explanation of why adopting such recommendations is inappropriate at this time.[11]

Delaying action on these two issues would harm the parties affected by such transactions and expose non-dealer market participants to greater risk. If, on a later date, FINRA determines to require two-way margining and/or afford the right to non-dealers to have their collateral held with a third-party custodian, non-dealer market participants will have been unnecessarily exposed to counterparty credit risk for the period of time between when the Proposed Rule is adopted and FINRA's subsequent action. Moreover, taking a disjointed approach, where the issues of two-way margining and segregation clearly fall within the scope of the Proposed Rule, could lead to additional, unnecessary operational and transactional costs, because market participants would have to prepare to comply with the amended rule and, subsequently, revise their compliance procedures should FINRA deem it appropriate to require two-way margining and/or third-party segregation. Both of these issues run counter to the underlying objectives of the Proposed Rule which, we believe, are to reduce systemic risk.

In light of the foregoing, below the FHLBanks respectfully reiterate their comments, which were raised in FHLBanks Letter 2, in the hopes that FINRA will either adopt the FHLBanks' recommendations or provide an adequate explanation as to why it is inappropriate to address them at this time.

I. The FHLBanks respectfully request that the Proposed Rule be amended to require two-way margining for Covered Agency Transactions.

Two-way margining is already the industry standard for TBA transactions, as reflected by the form of Master Securities Forward Transfer Agreement developed by the Securities Industry and Financial Markets Association ("**SIFMA**"). The rationale for requiring two-way margining is that *both* parties to an agency mortgage-backed securities transaction are exposed to counterparty risk owing to market value changes. Requiring only one-way margin would increase systemic risk—contrary to the Proposed Rule's purpose—because non-FINRA members would be exposed to credit risk with respect to FINRA members. Moreover, such credit risk is independent of the risk of change in value of a Covered Agency Transaction to a greater extent than in a swap transaction. U.S. federal regulators have even determined that two-

[10] *See* pages 5 and 1, respectively, of the TMPG's "Best Practices for Treasury, Agency Debt, and Agency Mortgage-Backed Securities Markets", *available at* https://www.newyorkfed.org/medialibrary/microsites/tmpg/files/TMPG_June%202015_Best%20Practices.

[11] To our knowledge, FINRA has not provided an explanation as to why it is inappropriate to require the segregation of a customer's collateral as a part of the Proposed Rule. We acknowledge FINRA's indication, in the Proposed Rule Release, that requiring two-way margining could "impose substantial additional burdens on members, or otherwise raise issues that are beyond the scope of the proposed rule change" and FINRA's general support of two-way margining (Proposed Rule Release at page 63,620). However, FINRA does not specifically identify the burdens and issues that two-way margining would impose on FINRA-members, nor does it take into account the benefits that two way margining would afford to non-FINRA members and the mortgage-backed securities market generally, namely decreased credit exposure to a FINRA member's default.

way margining is appropriate in other contexts: the U.S. Prudential Regulators—i.e., the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the Federal Housing Finance Agency—recently adopted regulations to require the two-way margining of swaps and security-based swaps.[12]

II. The Proposed Rule should afford a FINRA member's counterparty the right to segregate any required margin posted to the FINRA member with an independent third-party custodian.

The FHLBanks are highly creditworthy GSEs that pose an inherently low credit risk to their trading counterparties. Each of the FHLBanks is individually rated AAA by Moody's and AA+ by S&P. Accordingly, in most instances the FHLBanks have a higher credit rating than that of their FINRA member counterparties. Affording counterparties the right to have the margin they post to a FINRA member segregated will afford heightened protection in the event that the relevant FINRA member becomes insolvent. In addition, such margin should be used only to satisfy the obligations of the counterparties and not the FINRA member's obligations to others.

* * *

[12] *See* Margin and Capital Requirements for Covered Swap Entities Agencies, 80 Fed. Reg. 74,840 (Nov. 30, 2015), *available at* https://www.gpo.gov/fdsys/pkg/FR-2015-11-30/pdf/2015-28671.pdf.

We appreciate the opportunity to comment. Please contact Jamie Cain at [redacted] or [redacted], or Ray Ramirez at [redacted] or [redacted], with any questions you might have.

Respectfully submitted,

James M. Cain
Partner

cc: FHLBank Presidents
FHLBank General Counsel

APPENDIX A

FHLBI

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

April 4, 2014

Marcia E. Asquith
Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Re: Proposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market

Ms. Asquith:

On behalf of the twelve Federal Home Loan Banks (the "FHLBanks"), we are submitting this letter regarding the recently proposed amendments to FINRA Rule 4210 for forward settling transactions of TBAs, specified pools and CMOs. The FHLBanks recognize the importance of maintaining the integrity and efficiency of these markets and support the efforts of FINRA to safeguard them. However, the FHLBanks do not believe the proposed amendments to Rule 4210 to margin agency mortgage-backed security transactions should apply to the FHLBanks due to their status as government-sponsored enterprises ("GSEs") and the inherent low risk the FHLBanks present to their trading counterparties, combined with their relatively low trading volume of agency mortgage-backed securities and their experience and tested practices and procedures for the management of unsecured credit risk.

The twelve FHLBanks, as GSEs, serve the general public interest by providing readily available, competitively priced funds to approximately 7,000 member financial institutions, thereby enhancing the availability of credit for residential mortgages and community development.

While each FHLBank is independently chartered and managed, the FHLBanks issue consolidated debt obligations for which each individual FHLBank is jointly responsible for the payment of principal and interest. The FHLBanks raise funds in the capital markets at narrow spreads to the U.S. Treasury yield curve, and their consolidated obligations receive the same credit rating as the government bond credit rating of the United States, although the consolidated obligations are not obligations of the United States. The FHLBanks' independent federal regulator is the Federal Housing Finance Agency ("Finance Agency"), which was created by the Housing and Economic Recovery Act of 2008. The Finance Agency's stated mission includes ensuring that the FHLBanks operate in a safe and sound manner so they can continue to serve as a reliable source of liquidity and funding for housing finance and community investment. The Director of the

Finance Agency is a member of the Financial Stability Oversight Council, along with the Chairman of the Board of Governors of the Federal Reserve System.

The FHLBanks are each individually rated AAA by Moody's and at least AA by S&P, maintain strong risk management practices, and do not pose a credit risk to their counterparties during the settlement of mortgage-backed securities. Each FHLBank currently manages counterparty risks daily through a variety of risk management policies, procedures, guidelines, and practices. Similarly, each FHLBank manages security-specific market risks and the overall market risk of their balance sheet through a variety of hedging tools. Each FHLBank also uses a variety of funding strategies based on their balance sheet positions at the time of asset purchases, the attributes of the purchased assets, and current and potential future market conditions.

While the FHLBanks are active participants in the agency mortgage-backed securities market, their trading volume is relatively low when compared to the overall agency mortgage-backed securities market. In addition, while the FHLBanks support FINRA's effort to reduce counterparty risk in the agency mortgage-backed securities market, the FHLBanks do not believe that the margining of mortgage-backed securities transactions is comparable to swap transaction margining. In a swap transaction, the FHLBanks and their counterparties enter into long-term relationships and agree to swap a series of cashflows at futures dates. These agreements rely on the counterparties being of sufficient credit quality to be able to support the transactions. Margining assists in this endeavor, as it is tied to the change in value of the long-term contracts that could be monetized at any point by either party. By contrast, mortgage-backed security transactions share more of the qualities of unsecured Federal funds transactions, which are un-margined, short-term agreements. The FHLBanks participate in the unsecured Fed funds market on a daily basis, and have practices and procedures to manage the counterparty risk that are monitored and reviewed by the Finance Agency on an ongoing basis.

In addition, the proposed margin requirements could possibly increase risk to the FHLB system in the case of a failing counterparty combined with an adverse rate movement. In such an environment, the FHLBanks would be required to post additional collateral to a counterparty that is deteriorating in credit quality, thereby putting additional assets at risk. As demonstrated in the Lehman Brothers and MF Global bankruptcies, this additional collateral may become an unsecured exposure to the insolvent entity, and the right to pursue a claim in an insolvency proceeding does not make counterparties whole, as multi-year delays are normal, claims are not paid on a timely basis, and large legal costs are incurred. Current practices and procedures limit trading with counterparties with deteriorating credit quality and thereby limit risk to assets and avoid bankruptcy proceedings.

In summary, while the FHLBanks support the efforts of FINRA to minimize counterparty risk in the agency mortgage-backed securities markets, the FHLBanks believe that the proposed changes to Rule 4210 to margin agency mortgage-backed security transactions should not apply to the FHLBanks due to the low counterparty risk they present as highly rated and creditworthy GSEs, their relatively low trading volumes of mortgage-backed securities, and their continued experience and tested practices and procedures for the management of unsecured credit risk which are regularly monitored and reviewed by the Finance Agency.

Respectfully yours,

Cindy L. Konich, President-Chief Executive Officer
Federal Home Loan Bank of Indianapolis

APPENDIX B

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November 10, 2015

<u>VIA ELECTRONIC SUBMISSION</u>

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Markets

Secretary Murphy:

On behalf of the eleven Federal Home Loan Banks (the "**FHLBanks**"), we appreciate this opportunity to comment on the proposed amendments to Financial Industry Regulatory Authority ("**FINRA**") Rule 4210 to require the margining of certain agency mortgage-backed securities (the "**Proposed Rule**").[1] The FHLBanks recognize the importance of maintaining the integrity and efficiency of the financial markets and generally support FINRA's efforts to do so.

I. The FHLBanks

The FHLBanks are government-sponsored enterprises ("**GSEs**") 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 capital stock of each FHLBank is registered with the Securities and Exchange Commission ("**SEC**") under the Securities Exchange Act of 1934.

[1] For the avoidance of doubt, unless otherwise defined, capitalized terms used in this letter have the meanings afforded to them in the Federal Register release for the Proposed Rule, 80 Fed. Reg. 63,603 (Oct. 20, 2015) (the "**Federal Register Release**").

The FHLBanks serve the general public interest by providing liquidity to approximately 7,000 member financial institutions, including banks, thrifts, credit unions, insurance companies, and community development financial institutions. In doing so, the FHLBanks help increase the availability of credit for residential mortgages, community investments, and other services for housing and community development. Specifically, all of the FHLBanks provide readily available, low-cost sources of funds to their member financial institutions through loans referred to as "advances." Additionally, some FHLBanks also purchase and hold residential mortgage loans from their member financial institutions.

II. Comments

The FHLBanks commend the SEC and FINRA for their efforts to solicit input from market participants with respect to the proposed amendments to FINRA Rule 4210. We note that FINRA previously solicited public comments with respect to a prior version of the Proposed Rule. The FHLBanks submitted comments to FINRA in connection with such prior version.[2]

A. FINRA Members should have discretion to exempt FHLBanks from the margin requirements of the Proposed Rule.

The FHLBanks generally support FINRA's rationale for the Proposed Rule, which is to mitigate and manage the risks posed by unmargined agency mortgage-backed security transactions to individual market participants and the financial system as a whole. However, the FHLBanks strongly believe that FINRA members should have discretion to exempt an FHLBank from the margining requirements that would be imposed by the Proposed Rule.[3]

In the Proposed Rule, FINRA determined it appropriate to afford FINRA members discretion to collect, or not collect, margin from any counterparty that is: (1) a "Federal banking agency," as defined in 12 U.S.C. § 1813(z), which term is defined to mean the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation; or (2) a central bank, multinational central bank, foreign sovereign, multilateral development bank, or the Bank for International Settlements.[4] In their prior comments to FINRA, the FHLBanks requested a blanket exemption from the proposed margining requirements. The basis for this request was that the FHLBanks are highly creditworthy GSEs that present inherently low risk to their trading counterparties, much like the entities listed above. However, although the FHLBanks' letter was cited in the Federal Register

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[2] *See* Letter of the Federal Home Loan Bank of Indianapolis on behalf of the twelve FHLBanks in reference to Proposed Amendments to FINRA Rule 4210 for Transactions in the TBA Market, dated April 4, 2014, *available at* https://www.finra.org/sites/default/files/NoticeComment/p479813.pdf.

[3] The FHLBanks acknowledge that they would be exempt from the maintenance margin requirements of the Proposed Rule because they are "exempt accounts." However, for the reasons discussed below, the FHLBanks believe that they should be treated in the same manner as Federal banking agencies, central banks, foreign sovereigns, multilateral development banks, and the Bank for International Settlements.

[4] *See* pages 63,618-63,319 of the Federal Register Release.

Release in the context of the above discretionary exemption,[5] the Proposed Rule does not afford FINRA members discretion to exempt the FHLBanks from the margin requirements. Accordingly, the FHLBanks wish to reiterate that the Proposed Rule's margining requirements should not apply to the FHLBanks for the following reasons and the FHLBanks therefore respectfully request that FINRA revise the Proposed Rule to afford FINRA members discretion to exempt FHLBanks from the margining requirements of the Proposed Rule.

- The FHLBanks are highly creditworthy financial entities that pose an inherently low credit risk to their trading counterparties: each of the FHLBanks is individually rated AAA by Moody's and AA+ by S&P. Historically, the FHLBanks have experienced few, if any, failures by their counterparties to deliver securities, and the FHLBanks have never failed to make payments, or fulfill their obligations, to their counterparties.

- The FHLBanks are regulated by the Federal Housing Finance Agency ("**Finance Agency**"), an independent federal regulator that was created by the Housing and Economic Recovery Act of 2008. (Prior to this, the FHLBanks were regulated by the Federal Housing Finance Board.) The Finance Agency is considered a "Prudential Regulator" for purposes of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and the Director of the Finance Agency is a member of the Financial Stability Oversight Council, along with the Chairman of the Board of Governors of the Federal Reserve System.

- The Finance Agency's stated mission includes ensuring that the FHLBanks operate in a safe and sound manner so that they can continue to serve as a reliable source of liquidity and funding for housing finance and community investment. In order to comply with requirements imposed by the Finance Agency to ensure their safety and soundness, the FHLBanks maintain strong risk management practices. Any risks that unmargined agency mortgage-backed securities pose are already monitored and managed by the FHLBanks in accordance with such practices. The FHLBanks manage such risks daily through a variety of risk management policies, procedures, guidelines, and practices, which are consistently monitored and reviewed by the Finance Agency. Similarly, each FHLBank manages security-specific market risks and the overall market risk of its balance sheet through a variety of hedging tools.

- The FHLBanks have significant experience with transactions that are considered "Covered Agency Transactions" under the Proposed Rule, but their trading volume of such transactions is relatively low when compared to the overall agency mortgage-backed securities market. The FHLBanks' Covered Agency Transactions are conducted on a delivery versus payment ("**DVP**") basis.

- The market for certain long-dated forward-settling Specified Pool Transactions and Collateralized Mortgage Obligation transactions is less liquid, so determining prices for such transactions entails added operational burden and costs. Given the high credit

[5] *See* page 63,618 of the Federal Register Release.

quality of the FHLBanks, the slight additional safety provided to a FINRA member by the proposed margin requirements does not justify the difficult and burdensome efforts and costs an FHLBank and the relevant FINRA member would incur to determine a market value for such transactions.

B. The Proposed Rule should be amended and clarified in certain respects.

The FHLBanks respectfully request that FINRA amend and/or clarify the following aspects of the Proposed Rule to better serve the Proposed Rule's purposes.

First, the FHLBanks typically use TBA transactions to hedge interest-rate risks. For the FHLBanks and other similarly situated end-users, heightened counterparty risk from collateral delivery obligations may undermine some of the benefits of the interest-rate hedge, particularly if margining is provided only one-way. Accordingly, should the Proposed Rule, when enacted, not provide FINRA members with discretion to exempt FHLBanks from the proposed margin requirements, then the FHLBanks respectfully request that the Proposed Rule be amended to give FINRA members discretion to exempt counterparties from the margin requirements when a Covered Agency Transaction is entered into by the counterparty for the purpose of hedging risk.

Second, the FHLBanks request that the Proposed Rule be amended to require two-way margining for Covered Agency Transactions. Two-way margining is already the industry standard for TBA transactions, as reflected by the form of Master Securities Forward Transfer Agreement developed by the Securities Industry and Financial Markets Association ("**SIFMA**"). The rationale for requiring two-way margining is that both parties to an agency mortgage-backed securities transaction are exposed to counterparty risk owing to market value changes. Requiring only one-way margin delivery to FINRA members could substantially increase the aggregate risk exposure of non-FINRA counterparties in the event of a FINRA member failure, with possible systemic implications. U.S. federal regulators have determined that two-way margining is appropriate in other contexts: the U.S. Prudential Regulators, which include the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Farm Credit Administration, and the Finance Agency, recently adopted regulations to require the two-way margining of swaps and security-based swaps.[6]

Third, the Proposed Rule should afford a FINRA member's counterparty the right to segregate any required margin posted to the FINRA member with an independent third-party custodian. As discussed above, the FHLBanks are highly creditworthy GSEs. Accordingly, in most instances, the FHLBanks have a higher credit rating than that of their FINRA member counterparties. Affording counterparties the right to have their margin segregated will afford heightened protection in the event that the relevant FINRA member becomes insolvent, particularly since, if a FINRA member becomes insolvent, its counterparties would be treated as

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[6] *See* Margin and Capital Requirements for Covered Swap Entities Agencies, dated October 20, 2015, *available at* http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20151030b1.pdf.

general creditors of the FINRA member. Such protection is particularly necessary under the current version of the Proposed Rule, which provides for one-way margining.

Fourth, the Proposed Rule should permit FINRA members to negotiate with their counterparties thresholds or minimum transfer amounts in excess of $250,000, to the extent that they determine it to be appropriate and consistent with the counterparty risk limits that FINRA members would be required to establish for each of their counterparties under the Proposed Rule. Having the flexibility to establish higher thresholds or minimum transfer amounts would eliminate the unnecessary burden and expense associated with margining Covered Agency Transactions for highly rated creditworthy counterparties that present low counterparty risk. Moreover, this would decrease the risks that result from posting collateral when the FINRA member receiving such collateral deteriorates in credit quality. We note that this recommendation was made by other entities during FINRA's initial public comment period for the Proposed Rule, including by SIFMA.[7] However, the recommendation received only a conclusory comment from FINRA in the Federal Register Release.[8] The FHLBanks believe that this recommendation should be seriously considered and adopted in the final version of the Proposed Rule.

Finally, the FHLBanks respectfully request that FINRA clarify whether the Proposed Rule would permit netting and cross-margining to other trading relationships between a FINRA member and its counterparty including, for example, repurchase agreements, securities lending, or other transactions.

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[7] *See* 80 Fed. Reg. 63617 ("Some commenters said that members should be permitted to set their own thresholds or to negotiate the de minimis transfer amounts with the counterparties with which they deal." (citing AII, Baird, BDA, FIF, Shearman, and SIFMA)).

[8] *See id.* ("However, FINRA believes it is necessary to set a parameter for limiting excessive risk and as such is retaining the proposed $250,000 amount.").

We appreciate the opportunity to comment. Please contact Jamie Cain at (202) 383-0133 or james.cain@sutherland.com, or Ray Ramirez at (202) 383-0868 or ray.ramirez@sutherland.com, with any questions you may have.

Respectfully submitted,

James M. Cain

James M. Cain
Partner

cc: FHLBank Presidents
FHLBank General Counsel