



FEDERAL HOME LOAN BANK OF INDIANAPOLIS

Building Partnerships. Serving Communities.

*via Federal eRulemaking Portal
and electronic mail to: RegComments@fhfa.gov*

November 29, 2010

Alfred M. Pollard
General Counsel
Attention: Comments/RIN 2590-AA35
Federal Housing Finance Agency
Fourth Floor, 1700 G Street, NW
Washington, D.C. 20552

Re: Notice of Proposed Rulemaking and Request for Comments – Information Sharing Among Federal Home Loan Banks (RIN 2590-AA35)

Dear Mr. Pollard:

The Federal Home Loan Bank of Indianapolis (“FHLBI”) has reviewed the Proposed Rule issued by the Federal Housing Finance Agency (“Finance Agency”) on September 30, 2010. We appreciate the Finance Agency’s efforts to enhance the information available to the FHLBanks regarding the financial condition of the other FHLBanks in a clear and orderly fashion. We appreciate this opportunity to comment on the Proposed Rule and are generally supportive of the Proposed Rule. We offer the following comments:

A. Scope of Shared Information Should Be Further Limited to Financial Condition and Performance Sections of the Report of Examination

The FHLBI supports the terms of the Proposed Rule limiting the disclosure of Finance Agency examination and supervisory information to: (1) the final Report of Examination (“ROE”) presented to an FHLBank’s Board of Directors and (2) any other final Finance Agency supervisory reports issued to an FHLBank’s Board of Directors. The FHLBI agrees that documents such as findings and conclusions memoranda and work programs should not be included among the distributed materials. The FHLBI also agrees that it is not necessary to distribute the ROEs for the Office of Finance (“OF”) for the reasons cited in the Proposed Rule. However, we ask the Finance Agency to provide clarification that FHLBank Presidents, who receive the OF ROEs in their capacity as members of the OF Board of Directors, are permitted to share such ROEs with their boards of directors and senior staffs.

B. The Final Regulation Should Be Enhanced to Better Protect Certain Confidential and Proprietary Information

Each FHLBank is a separate legal entity, maintains separate management, and may pursue different business strategies within the parameters of applicable law and regulations. Consequently, providing an FHLBank with access to sensitive strategic, operational, regulatory, and proprietary information of another FHLBank that may be contained in the other FHLBank's ROE may not be appropriate. Additionally, depending on the source or nature of the information, the disclosure of such information to third parties such as other FHLBanks may be subject to legal limitations, such as confidentiality agreements or confidentiality provisions of license or other similar agreements. Finally, the ROEs may contain information that is not strictly proprietary but is highly sensitive, such as identification of personnel or personnel matters. Therefore, we request that any final Finance Agency regulation include an explicit recognition that such information shall not be included in the disclosure of an FHLBank's ROE by the Finance Agency to the other FHLBanks.

C. Timing of Routine Disclosures; Objections

The FHLBI supports the sharing of limited information by the Finance Agency as a matter of course, rather than making information available only upon the request of an individual FHLBank, for the reasons cited in the Proposed Rule.

Further, we support Sections 1260.3(b) and (c) of the Proposed Rule under which an FHLBank will be given ten business days to object to the disclosure of its confidential and proprietary information. We believe, however, that this provision should be enhanced in the following ways:

- When an FHLBank has objected to the disclosure of certain confidential or proprietary information in the ROE and the Finance Agency determines not to accept the FHLBank's requested redactions in full or in part, the Finance Agency shall notify the FHLBank in writing regarding which information will not be redacted. This notice should be provided before the Finance Agency distributes the ROE so that the FHLBank may, if necessary, make appropriate SEC or contractual disclosures in a timely fashion.
- With respect to the distribution of each FHLBank's most recent ROE contemplated in the transition provision section of proposed Section 1260.3(e), the FHLBanks request that the transition provision provide for fifteen business days for each FHLBank to submit an objection to the Finance Agency. Under existing regulations and the Advisory Bulletin 2006-AB-03, the FHLBanks cannot share their ROEs even on a voluntary basis with each other; thus, under the transition provision of the Proposed Rule, each FHLBank will be reviewing its ROE for potential information sharing concerns for the first time.

D. Each FHLBank Must Ensure that Its Directors, Officers, and Employees with Access to Supervisory Information Regarding Another FHLBank Maintain the Confidentiality of that Information

In the cooperative structure of an FHLBank, where member directors are officers or directors of members in the FHLBank's district, access to ROE information of another FHLBank by such directors raises unique issues. Specifically, such member directors' receipt of the information is provided in the context of its FHLBank's assessment of its joint and several liability obligations.

Consequently, all FHLBanks should be required under the terms of the final regulation to maintain safeguards (for example, Code of Conduct terms; confidentiality agreements; blackout periods, etc.) to help ensure that the confidentiality of the ROE information of another FHLBank is maintained by the directors and employees of the recipient FHLBank who are given access to the ROE information.

E. The FHLBanks' Disclosure Obligations and the Existing System Disclosure Regime Should Be Recognized in Any Final Finance Agency Information Sharing Regulation

The FHLBI supports the explicit acknowledgment in proposed Section 1260.3(d) that the release of information by the Finance Agency does not constitute a waiver or release of control over subsequent use and disclosure of any information under 12 CFR 911.1. We believe this provision should be enhanced in the following ways:

- The final regulation should require that, if an FHLBank determines, from information received under the final regulation, that there is a likelihood it will incur a direct liability under 12 U.S.C. 1431(a) for the consolidated obligations of another FHLBank and (based on accounting and legal advice) public disclosure of any part of the information is warranted under generally accepted accounting principles or required under the federal securities laws, such FHLBank may make public disclosure of such information only with prior advance notice to the subject FHLBank. Such a requirement would acknowledge the FHLBanks' potentially conflicting disclosure obligations under the securities laws, consistent with a similar acknowledgement in Section 20A of the Federal Home Loan Bank Act.
- The final regulation should recognize the existing FHLBank System disclosure process followed among the FHLBanks and the OF and state that any information in an ROE that raises any potential System disclosure issue is required to be handled by the FHLBanks in accordance with the OF disclosure regime.
- Finally, the final regulation also should clarify that the release of information by the Finance Agency under the final regulation will not be deemed a waiver by the subject FHLBank of any privilege, or rights to control, with respect to such information.

F. No Additional Rights to Request Information Under Section 20A

The FHLBI requests the Finance Agency clarify that the final regulation is intended to comprise the entirety of an FHLBank's right to receive shared information under Section 20A of the Federal Home Loan Bank Act. In other words, we request clarification that Section 20A does not authorize an FHLBank to unilaterally direct another FHLBank or the Finance Agency to provide information outside the scope of the final rule. We believe this is implied by the structure of the Proposed Rule, but clarity on this issue would be helpful.

G. Specific Requests for Comment in the Proposed Rule

The Finance Agency requested comments on whether the rule should retain the approach whereby the Finance Agency distributes supervisory information directly to each of the FHLBanks. We support this approach because we believe it is the most efficient and effective means for complying with Section 20A of HERA.

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The Finance Agency also requested comments regarding whether the transition provision should require distribution of any ROEs other than the most current ROE as of the effective date of the final rule. We support the transition provision as proposed because we believe that if the most current ROEs are distributed, earlier ROEs would provide little or no additional relevant information.

We appreciate your consideration of our comments.

Respectfully submitted,

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

A handwritten signature in black ink, appearing to read "Milton J. Miller". The signature is written in a cursive style with a large initial "M".

Milton J. Miller
President-CEO