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January 12, 2015

Alfred M. Pollard, General Counsel
Attention: Comments/RIN 2590-AA39
Federal Housing Finance Agency
400 Seventh Street SW
Washington, D.C. 20024

Re: Notice of Proposed Rulemaking and Request for Comments – Members of
Federal Home Loan Banks (RIN 2590-AA39)

Dear Mr. Pollard:

On behalf of the Federal Home Loan Bank of Dallas (the “Dallas Bank”), thank you for the opportunity to provide these comments to the above notice of proposed rulemaking published on September 12, 2014 (the “Proposal”), and for the extension of time that was granted by the Federal Housing Finance Agency (“FHFA”) to comment on the Proposal.

This comment letter responds specifically to the FHFA’s request for comments related to an insurance company’s principal place of business, and outlines several suggested enhancements to the Proposal. In addition, the Dallas Bank is submitting a separate comment letter that focuses on aspects of the Proposal related to the proposed ongoing balance sheet composition requirements for Federal Home Loan Bank members.

In the Proposal, the FHFA expresses concern that the location test in the current membership regulation could allow an insurance company to qualify for membership in a Federal Home Loan Bank based on a legal presence, but no physical presence, in the Bank’s district. In light of the structure of some insurance companies, however, with both executives and operations potentially located in multiple Bank districts, the Proposal leaves several areas of uncertainty. The Dallas Bank, therefore, suggests the following changes be made to the proposed principal place of business provisions.

Default Rule (Revised Home Office Test)

Under the FHFA's existing membership regulation, the term "principal place of business" is defined as the state where an institution "maintains its home office established as such in conformity with the laws under which the institution is organized" (the "home office test") 12 C.F.R. § 1263.18(b). Under the Proposal, the default rule for principal place of business would be revised to be a company's "home office established as such in conformity with the laws under which the institution is organized *and from which the institution conducts business operations.*" (Proposed new text in italics.) In order to avoid potential uncertainty or confusion, the Dallas Bank suggests that the phrase "conducts business operations" be specifically defined to include any of the following:

- (i) the company has a business, operations, or sales office in the domiciliary state;
- (ii) any company officer has his/her place of employment by the company in the domiciliary state; or
- (iii) the company conducts any business in the domiciliary state, including selling policies or providing financial services from the state or in the state.

The addition of this definition would provide the Banks with valuable guidance in applying the proposed "conducts business operations" standard. It would also allow applicants to more easily determine the appropriate Bank to which to submit an application, thus reducing uncertainty and potential administrative burden for the Banks and for prospective members.

Alternative to Default Rule - Company without Its Own Operations

Under the Proposal, for an insurance company that has no physical office or employees of its own, or that has senior officers located in different states, the principal place of business would be the company's state of domicile. The Dallas Bank supports this aspect of the Proposal which is consistent with previous FHFA interpretations.

Three-Part Designation

Under the existing membership regulation, an applicant or member may request (to the Bank in which its home office is located) that its principal place of business be designated in a different state. The requested designation must be approved if three criteria specified in the regulation are satisfied. Changes to the three-part designation were not included in the Proposal. However, the Dallas Bank recommends that the proposed regulation be revised to use the three-factor test described below as the three-part designation test for insurance company applicants.

"Predominant Portion of Business Activities" Test for Insurance Companies

Under the Proposal, if neither the revised home office test nor the three-part designation test applies to a particular insurance company, then its principal place of business will be determined

by applying an alternative “predominant portion of business activities” test. The Proposal, however, does not define “predominant portion” or “business activities.”

In place of the proposed “predominant portion of business activities” test, the Dallas Bank urges the FHFA to adopt a three-factor designation test specific to insurance companies. An insurance company seeking to use this test would certify to the Bank in the district in which the company is domiciled that it meets the specified criteria, and the Bank’s board of directors would then make the requested designation. The insurance company would have to meet two of the following three tests:

- A plurality of the employees of the company have their primary place of employment in the Bank’s district.
- A plurality of the company’s senior officers with titles that include “Chief,” “President,” “Executive Vice President,” “Senior Vice President,” or “General Counsel” have their primary place of employment in the Bank’s district. Officer titles below the level of “Senior Vice President” or “General Counsel” are not included in determining whether this factor is met.
- The location of the largest office (measured by number of employees of the applicant who work in such office) is in the Bank’s district.

These factors would provide clear tests to assess the insurance company’s designated principal place of business. We propose that for insurance companies this test would replace the current three-factor designation test at 12 C.F.R. 1263.19(c). We believe that this proposed test better aligns with the nature and structure of insurance company operations than the existing three-factor test.

In addition, these criteria are consistent with the current membership regulation’s member-focused approach, reducing the burden on the Federal Home Loan Banks and applicants. Similar to the current designation test, an insurance company applicant would work with the relevant Federal Home Loan Banks in designating the correct principal place of business given its business structure. The Dallas Bank, therefore, urges the FHFA to incorporate these suggested revisions in order to remove uncertainty and complication from the insurance company membership location analysis.

Conclusion

The Federal Home Loan Bank System benefits from clear and easy-to-apply membership rules. Therefore, it is important for the FHFA’s membership regulation to provide simple and predictable criteria for determining which Federal Home Loan Bank district is appropriate for prospective members.

Through the requested revisions outlined above, the revised home office test would embrace the central role of the state of domicile while alternative rules would ensure that an insurance company applicant becomes a member in the appropriate district when it has no business ties to

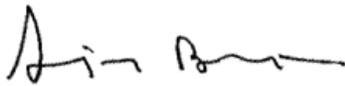
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its state of domicile. The definition of “conducts business operations” proposed above would provide certainty to the Federal Home Loan Banks and insurance company applicants, and a designation test specific to insurance company applicants will provide a straightforward alternative to the general home office rule.

For the reasons discussed above, the Federal Home Loan Bank of Dallas respectfully requests that the FHFA adopt these suggested changes to the proposed revisions to the membership rule.

Thank you again for your time and attention to these important policy issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Sanjay Bhasin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sanjay Bhasin
President and Chief Executive Officer