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November 21, 2008

By Electronic Mail: regs.comments@federalreserve.gov

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Re: Comments Regarding Docket No. R-1334; Interim Final Rule on Reserve Requirements of Depository Institutions

Dear Ms. Johnson:

The Federal Home Loan Bank of Dallas (“FHLB Dallas”) appreciates the opportunity to comment on the Board of Governors of the Federal Reserve System’s (the “Board”) interim final rule on reserve requirements of depository institutions (the “Interim Rule”), which was published in the Federal Register on October 9, 2008. In the Interim Rule, the Board requested comment on, among other things, whether pass-through correspondents should be required to report to the Federal Reserve the amount or proportion of their excess balances that are held on behalf of respondents, and whether the Board should require, rather than permit, pass-through correspondents to pass back to their respondents the interest payments on balances held on behalf of those respondents. This letter, which does not necessarily reflect the views of the rest of the Federal Home Loan Bank System, addresses those issues.

FHLB Dallas is one of twelve Federal Home Loan Banks (each, individually, an “FHLBank” and collectively, the “FHLBanks”) that Congress created in 1932 with the Federal Home Loan Bank Act (the “FHLB Act”). Each FHLBank is a cooperative and is owned by its member financial institutions. Entities eligible for membership in an FHLBank include federally-insured commercial banks, savings banks, savings and loan associations, and credit unions, as well as insurance companies.

FHLB Dallas provides its members with a variety of correspondent banking services. These services include wire transfer services, reserve pass-through services with the applicable Federal Reserve Bank, and settlement services with the Federal Reserve Banks. FHLB Dallas settles ACH items, direct deposits, treasury, tax and loan charges,

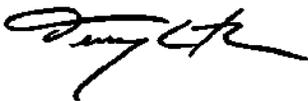
coin and currency, and other transactions conducted with or through any Federal Reserve Bank.

In response to the Board's request for comment on the provision in the Interim Rule that deems all excess balances held in the account of a pass-through correspondent that is not an eligible institution to be held on behalf of that correspondent's respondents, FHLB Dallas encourages the Board to maintain this provision in any applicable final rule. A rule requiring pass-through correspondents to report to the Federal Reserve Banks the proportion of the balances that are held on behalf of respondents could be unnecessarily burdensome on pass-through correspondents. Additionally, as recognized by the Board in the release accompanying the Interim Rule, this provision allows pass-through correspondents and respondents more flexibility in structuring their contractual relationships, including any distribution of earnings attributable to respondent balances. Even if a pass-through correspondent is unable to track the proportion of excess balances that are held on behalf of each of its respondents, the pass-through correspondent can devise its own method of allocating the interest received among its respondents.

For similar reasons, FHLB Dallas suggests that the Board continue to permit, but not require, pass-through correspondents to pass back to their respondents interest paid on reserve balances and excess balances. Requiring pass-through correspondents to pass back interest could interfere with existing contractual relationships and limit the flexibility of pass-through correspondents and respondents in structuring future relationships. As noted above, a pass-through correspondent that is not required to pass back interest can allocate interest among its respondents in a manner determined by the correspondent, even if it cannot determine the specific amount of interest attributable to each respondent's balances.

Thank you for your consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Terry Smith', with a stylized flourish at the end.

Terry Smith
President and CEO