



April 21, 2003

Ronald K. Wente, Chairman  
Federal Home Loan Bank of Topeka  
P.O. Box 176  
Topeka, KS 66603-0176

RE: Implementation of Federal Home Loan Bank of Topeka Capital Plan (2003-APP-07)

Dear Mr. Wente:

On July 10, 2002, the Board of Directors of the Federal Housing Finance Board (Finance Board) approved the capital plan of the Federal Home Loan Bank of Topeka (Bank) subject to the Bank receiving approvals of its risk assessment procedures and controls and internal market risk model pursuant to 12 C.F.R. § 932.1

We have reviewed the materials that the Bank submitted in support of its request for approval of its market risk model and have held a number of conversations with Bank staff about its risk modeling procedures and assumptions. Given the Bank's current portfolio and modeling capabilities, the Bank models its interest rate and basis risk adequately and takes proper account of the optionality of both its on- and off-balance sheet instruments. Based on the results of our review, pursuant to 12 C.F.R. § 932.1, the Finance Board approves the Bank's market risk model. This approval is based, in part, on an understanding that the Bank will employ, in general, pricing assumptions that reflect the terms, rates, volatilities and spreads found in the market on the "as-of" date for which the market risk capital requirement is being calculated. Additionally, Bank President Andrew Jetter has committed to address any and all resource limitations as may occur to ensure the timely submission of the monthly value at risk estimates for the Bank's portfolio.

This approval is further based on the information, representations and commitments made by the Bank. Any material change in the information, representations or commitments made by the Bank, or in the Bank's business plan or operations, prior to the Bank's conversion to its new capital plan, would be a cause for us to modify, change or rescind our approval.

Before implementing its new capital plan, the Bank must also receive Finance Board approval of its risk assessment procedures and controls. Our review of the Bank's strategic business plan and risk assessment procedures and controls is underway. You can expect to hear from us in the next few weeks regarding that review.

Sincerely,

*/s/ Stephen M. Cross*  
Stephen M. Cross  
Director, Office of Supervision

cc: Andrew J. Jetter