

Fixed Income  
North America

Interest Rate Products

Structured Securities

15 Year Non-Call 6 Month

6 Month USD LIBOR Linked Range Accrual Notes

New York +1 212 761 1964  
London +44 20 7677 7797  
Hong Kong +852 2848 5096

Term Sheet

### Final Terms as of February 4, 2010

**Summary:** As long as the Notes are outstanding, interest will accrue at the applicable Interest Rate per annum for each calendar day that 6-Month USD LIBOR sets at greater than 0.0% and less than or equal to the related Topside Barrier. If on any calendar day, 6-Month USD LIBOR sets at less than or equal to 0.0% or above the related Topside Barrier, interest will accrue at a rate of 0.0% for that day.

The Notes are callable quarterly beginning six months from the Issue Date

**Issuer:** Federal Home Loan Banks

**The Notes:** 15nc6mo 6-Month USD LIBOR Linked Range Accrual Notes

**Principal Amount:** USD 10,000,000

**Pricing Date:** February 4, 2010

**Issue Date:** February 26, 2010

**Maturity Date:** February 26, 2025

**Reference Rate:** 6-Month USD LIBOR-BBA, as taken from Reuters Page LIBOR01 as of 11:00 a.m. London time.

**Issue Price:** Par (100%)

**Re-offer Price:** Variable

---

**This material has been prepared for information purposes to support the promotion or marketing of the transaction or matters addressed herein. It is not a solicitation of any offer to buy or sell any security or other financial instrument or to participate in any trading strategy. This is not a research report and was not prepared by the Morgan Stanley research department. It was prepared by Morgan Stanley sales, trading, banking or other non-research personnel. This material was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. federal tax laws. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor. Past performance is not necessarily a guide to future performance. Please see additional important information and qualifications at the end of this material.**

---

## Interest Rate Products

|  |  |
|--|--|
| Interest Rate:                                 | <p>Interest will be paid quarterly on each Interest Payment Date, in arrears, at the rate set forth below. The Interest Rate for each Interest Accrual Period will be calculated on an Act/Act day-count basis, with no adjustment to Period End Dates and using the Following Business Day payment convention.</p> <p><b>Interest Rate =</b></p> <p><b><u>Years 1-15: 7.00% * (N/M)</u></b></p> <p><b>where, “N” is the total number of calendar days in the applicable Interest Accrual Period that the Reference Rate sets greater than 0.00% and less than or equal to the applicable Topside Barrier.</b></p> <p><b>and “M” is the total number of calendar days in the applicable Interest Accrual Period.</b></p> <p>For the purpose of calculating the value of “N”, for each calendar day in an Interest Accrual Period that is not a London Banking Day, the Reference Rate will revert to the setting on the previous London Banking Day.</p> |
| Interest Payment Dates:                        | Each February 26, May 26, August 26, and November 26, commencing May 26, 2010 and ending on the Maturity Date.   |
| Day Count Convention:                          | Accrued interest on the Bonds will be calculated by multiplying the principal amount of a Bond by an accrued interest factor. This accrued interest factor (rounded to nine decimal places) will be computed by adding the interest rate for each day in the period for which accrued interest is being calculated (on an actual/actual basis) and dividing the resulting total (the Cumulative Interest Rate) by the number of days in the year in which the applicable payment date occurs, i.e., 365 or 366. For accrued interest calculations, the accrued interest factor and the interest rate are not expressed on a percentage basis. For example, if the Cumulative Interest Rate is 25.25%, then the accrued interest factor would be equal to .2525 divided by the number of days in the year in which the applicable payment date occurs, i.e., 365 or 366.  |
| Interest Accrual Period:                       | The quarterly period from and including the Issue Date (in the case of the first Interest Payment Date) or previous Interest Payment Date, as applicable, to but excluding the next Interest Payment Date.   |
| Rate Cut-Off:                                  | For each Interest Accrual Period and the period from and including the 7th New York Banking Day prior to the related Interest Payment Date to but excluding that Interest Payment Date (the “Rate-Cut-Off Period”), the Reference Rate for purposes of determining the Interest Rate payable for each day during the Rate Cut-Off Period will be the rate applicable to such 7 <sup>th</sup> New York Banking Day, and will remain in effect until the related Interest Payment Date.  |
| Call Feature:                                  | Callable by the Issuer, in whole or in part, at Par, on August 26, 2010 and on each Interest Payment Date thereafter with five Business Days notice.   |
| Topside Barrier:                               | <b><u>Years 1-15: 6.00%</u></b>  |
| Principal Redemption at Maturity or Call Date: | 100%   |
| Business Days:                                 | New York   |
| Listing:                                       | Not listed   |

## Interest Rate Products

---

Minimum Coupon: 0%

CUSIP: 3133XWYY9

Minimum Denomination: USD 500,000 initially, USD 5,000 increments thereafter

---

## Interest Rate Products

---

### Risk Factors

#### **Issuer Credit Risk**

Investors are subject to the credit risk of the Issuer. The credit ratings assigned to the Issuer represent the Rating Agencies' opinion regarding its credit quality and are not a guarantee of quality. Rating Agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value. Therefore, the ratings assigned to the Issuer may not fully reflect the true risks of an investment in the Notes.

#### **Market Risk**

There are various factors that affect the market value of the Notes. These include, but are not limited to, the general level of interest rates, shape of the yield curve and level of implied interest rate volatility. Accordingly, the secondary market price of the Notes will depend primarily on all of the above factors, perceptions of issuer credit quality and remaining time to maturity.

#### **Call Risk**

The Issuer retains the option to call the Notes after the stated period of time, with the stated frequency and prior to the defined notice date(s). It is more likely that the Issuer will redeem the Notes prior to their stated Maturity Date to the extent that the Reference Rate moves lower and/or results in an amount of interest greater than instruments of a comparable maturity and credit rating trading in the market. If the Notes are called prior to their stated Maturity Date, investors may have to re-invest proceeds in a lower rate environment.

#### **Interest Income Risk**

The return on the Notes is linked to the future path of the Reference Rate. If on any given day during the term of the Notes the Reference Rate is not within the range specified in the Notes, interest will accrue at a rate of 0.0% for that day. As a result the interest payable on an Interest Payment Date could, under certain circumstances, equal zero.

#### **Liquidity Risk**

Neither Morgan Stanley nor the Issuer is obligated to make a secondary market in these Notes. Where Morgan Stanley or the Issuer does purchase Notes, the bid/offer spread in most cases may be wider than plain-vanilla corporate and agency bonds.

Due to the above factors, 100% of the principal amount is only protected at maturity. There is a risk that the investor may receive substantially less than 100% should they wish to sell their Notes prior to maturity.

#### **Conflicts of Interest**

Morgan Stanley, the Issuer or one or more of their respective affiliates may, at present or in the future, publish research reports with respect to movements in interest rates generally or the Reference Rate specifically. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Notes. Any of these activities may affect the market value of the Notes.

| <b>The Americas</b>  | <b>Europe</b>  | <b>Japan</b>  | <b>Asia Pacific</b>  |
|--|--|---|--|
| 1585 Broadway<br>New York, New York<br>10036-8293<br>Tel: (212) 761-4000 | 25 Cabot Square, Canary Wharf<br>London E14 4QA, England<br>Tel: (44 20) 7425-8000 | 20-3, Ebisu 4-chome, Shibuya-ku<br>Tokyo 150-6008, Japan<br>Tel: (81 3) 5424-5000 | Three Exchange Square<br>Hong Kong<br>Tel: (852) 2848-5200 |

This material was prepared by sales, trading, banking or other non-research personnel of one of the following: Morgan Stanley & Co. Incorporated, Morgan Stanley & Co. International Limited, Morgan Stanley Japan Limited and/or Morgan Stanley Dean Witter Asia Limited (together with their affiliates, hereinafter "Morgan Stanley"). This material was not produced by a Morgan Stanley research analyst, although it may refer to a Morgan Stanley research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Morgan Stanley fixed income or equity research department or others in the firm.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any prospectus, prospectus supplement, offering circular or memorandum describing such security or instrument. That information would supersede this material and contain information not contained herein and to which prospective participants are referred. If this material is being distributed in connection with or in advance of the issuance of asset backed securities, information herein regarding any assets backing any such securities supersedes all prior information regarding such assets. We have no obligation to tell you when information herein is stale or may change. We make no representation or warranty with respect to the accuracy or completeness of this material, nor are we obligated to provide updated information on the securities/instruments mentioned herein.

This material may have been prepared by or in conjunction with Morgan Stanley trading desks that may deal as principal in or own or act as market maker or liquidity provider for the securities/instruments (or related derivatives) mentioned herein. The trading desk may have accumulated a position in the subject securities/instruments based on the information contained herein. Trading desk materials are not independent of the proprietary interests of Morgan Stanley, which may conflict with your interests. Morgan Stanley may also perform or seek to perform investment banking services for the issuers of the securities and instruments mentioned herein.

Any securities referred to in this material may not have been registered under the U.S. Securities Act of 1933, as amended, and, if not, may not be offered or sold absent an exemption therefrom. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors. This material has been prepared and issued by Morgan Stanley for distribution to market professionals and institutional investor clients only. Other recipients should seek independent investment advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

Options are not for everyone. Before purchasing or writing options, investors should understand the nature and extent of their rights and obligations and be aware of the risks involved, including the risks pertaining to the business and financial condition of the issuer and the security/instrument. A secondary market may not exist for these securities. For Morgan Stanley customers who are purchasing or writing exchange-traded options, please review the publication 'Characteristics and Risks of Standardized Options,' which is available from your account representative.

The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Morgan Stanley does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. Some of the information contained in this document may be aggregated data of transactions in securities or other financial instruments executed by Morgan Stanley that has been compiled so as not to identify the underlying transactions of any particular customer.

Notwithstanding anything herein to the contrary, Morgan Stanley and each recipient hereof agree that they (and their employees, representatives, and other agents) may disclose to any and all persons, without limitation of any kind from the commencement of discussions, the U.S. federal and state income tax treatment and tax structure of the transaction and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to the tax treatment and tax structure. For this purpose, "tax structure" is limited to facts relevant to the U.S. federal and state income tax treatment of the transaction and does not include information relating to the identity of the parties, their affiliates, agents or advisors.

In the UK, this communication is directed in the UK to those persons who are market counterparties or intermediate customers (as defined in the UK Financial Services Authority's rules). In Japan, this communication is directed to the sophisticated institutional investors as defined under the Foreign Broker Dealer Law of Japan and the ordinances thereunder. For additional information, research reports and important disclosures see <https://secure.ms.com/servlet/cls>. The trademarks and service marks contained herein are the property of their respective owners. Third-party data providers make no warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

This material may not be sold or redistributed without the prior written consent of Morgan Stanley.