

Farm Credit Administration

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INFORMATIONAL MEMORANDUM



September 19, 2002

To: The Chief Executive Officer
All Farm Credit System Institutions

From: Roland E. Smith, Director
Office of Examination

Subject: Guidance for Weblinking Relationships

The purpose of this Informational Memorandum is to provide risk management guidance on Farm Credit System (System) institutions' weblinking relationships with third parties. A weblinking relationship is a direct connection via the Internet between two or more Web sites. A hyperlink provides access between the Web sites through an electronic pathway that may be displayed as highlighted text, graphics, or a button. When the Web sites are more than informational in nature and involve the marketing of products and services, the weblinking relationship is likely to be contractual and may involve compensation.

Customers and visitors to System Web sites may be provided access by a hyperlink to third party Web sites (typically merchant and other service vendors) to obtain a variety of products and services. Although these weblinking relationships may be useful marketing tools for a System institution, they may result in risk.

Board and management must effectively plan, implement, and supervise weblinking arrangements to manage an institution's risk exposure. Customers and visitors to the Web site may become confused about the institution's relationship with the third party and its products. An institution's disclosures to customers and visitors to the Web site, including the institution's privacy policy, must be clear and concise to avoid confusion. The disclosures must also ensure that customers and visitors to the Web site understand that the institution does not endorse or guarantee a third party's products or services. To avoid potential legal risks, an institution must define the rights and responsibilities of a weblinked third party in formal contracts or agreements.

An institution should review a third party's products, services, and information displayed on the institution's Web site, including the third party's privacy and security policies. This due diligence should help to minimize strategic and reputation risk.

The following three documents can assist in addressing weblinking risks. They provide further explanation and guidance on the risks of weblinking:

- Farm Credit Administration’s January 16, 2001, Informational Memorandum “Outsourcing of Technology-Related Products and Services.”
<http://www.fca.gov/apps/infomemo.nsf>
- Office of the Comptroller of the Currency’s July 3, 2001, Bulletin “Message to Bankers and Examiners.” <http://www.occ.treas.gov/issue.htm>.
- National Credit Union Administration’s March 2002 Letter Number 02-FCU-04 “Weblinking Relationships.” <http://www.ncua.gov/ref/letters/02-FCU-04.html>.

The FCA will review an institution’s weblinking during the course of our examinations. Our review will include looking at the institution’s Web site, privacy policy, and the disclosure to customers and visitors to the Web site.

If you have any questions about this Informational Memorandum, please call Tom Glenn, Special Examination and Supervision Division, Office of Examination, at (703) 883-4412, or correspond with him on the Internet at e-mail address glennt@fca.gov.