

News Release

Farm Credit Administration
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FCA Board Issues Proposed Rule on System Audit Committee

McLEAN, Va., January 12, 2012 —The Farm Credit Administration (FCA) Board today approved a proposed rule that would amend the agency's regulations on the authorities of the System Audit Committee (SAC) of the Federal Farm Credit Banks Funding Corporation (Funding Corporation).

The proposed rule would

- remove the provision that a two-thirds vote by the Funding Corporation's board of directors may deny a request for resources by the SAC;
- require that the SAC use Funding Corporation resources in a manner that would not adversely affect the safety and soundness of the Farm Credit System (System) and that the SAC's use of resources complies with law and regulations;
- require a report from the SAC to the Funding Corporation at least quarterly on the committee's use of resources;
- require disclosure in the annual report to investors on the dollar value of resources used and the benefits to the System from the SAC's use of resources;
- clarify that the SAC must obtain agreement from the Funding Corporation's board in appointing, compensating, and retaining external auditors; and
- require annual disclosure of the names, experience, tenure, and compensation of SAC members.

The primary responsibility of the SAC is to oversee the Funding Corporation's preparation of Systemwide reports to investors and to review the System's combined financial reports before they are issued. The purpose of the Funding Corporation, which is owned by the four System banks and acts as an agent on behalf of the banks, is to market the debt securities that the banks sell to raise the funds that System institutions lend to farmers and other borrowers.

Following a 30-day period for congressional review, the proposed rule will be published in the Federal Register for a 60-day comment period. The public may submit comments by

electronic mail to reg-comm@fca.gov, through the Pending Regulations section of FCA's website at www.fca.gov, or through the federal government Web portal at www.regulations.gov.

The public may also submit comments by mail to Gary K. Van Meter, Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090. The public may read submitted comments at the FCA office in McLean, Va., or on FCA's website at www.fca.gov.

Auditor's Report on FCA's Fiscal Year 2011/10 Financial Statements

The Farm Credit Administration (FCA) Board today heard the auditor's report on the audit of FCA's fiscal year 2011/2010 financial statements.

Brown & Company CPAs, PLLC, the independent accounting firm that performed the financial audit, concluded that the agency's principal financial statements presented fairly, in all material respects, the financial position of FCA as of September 30, 2011 and 2010, in conformity with generally accepted accounting principles.

In addition, the firm found no material weaknesses in internal control over financial reporting and noted no reportable instances of statutory or regulatory noncompliance that could have a direct and material effect on the determination of financial statement amounts.

FCA's Inspector General concurred with the reports and stated that Brown & Company's work provided a reasonable basis for its opinion.

Notational Votes

Since the December 8, 2011, FCA Board meeting, two notational votes have occurred. Notational votes are actions the FCA Board takes between Board meetings.

- On December 9, the FCA Board approved a Draft Second Amended and Restated Market Access Agreement to replace an agreement that has been in place since 2003. The Market Access Agreement is an agreement among the System banks and the Funding Corporation. It establishes the financial thresholds at which conditions are placed on the activities of the banks or at which the banks' access to participating in Systemwide and consolidated obligations is limited. For more information, see the [Notice of Approval](#), which was published in the Federal Register on December 15, 2011.
- On December 12, the FCA Board approved a divestiture plan authorizing the Federal Agricultural Mortgage Corporation (Farmer Mac) to retain certain ineligible nonprogram investments until the effective date of FCA's currently pending regulation governing investments and liquidity.

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The Farm Credit Administration is the safety and soundness regulator of the cooperative Farm Credit System and the Federal Agricultural Mortgage Corporation (Farmer Mac). FCA charters, regulates, and examines the 95 banks, associations, service corporations and special-purpose entities of the Farm Credit System, which makes loans to agricultural producers and their cooperatives nationwide. This includes Farmer Mac, which provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. Members of the FCA Board are Leland A. Strom, Chairman and CEO; Kenneth A. Spearman; and Jill Long Thompson.

Note: FCA news releases are available on the Web at www.fca.gov.