

News Release

Farm Credit Administration
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For Immediate Release
NR 13-05 (03-14-13)

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FCA Board Adopts Final Rule to Amend Liquidity Reserve Requirement

McLEAN, Va., March 14, 2013 — The Farm Credit Administration Board today adopted a final rule to amend the agency's regulation on liquidity reserve requirements for Farm Credit System (FCS) banks.

The final rule accomplishes the following:

- Strengthens bank board policies on liquidity, enhances internal controls for liquidity portfolios, and strengthens reporting to bank boards.
- Repeals the current regulatory provision that imposes specific credit ratings on investments that FCS banks hold in their liquidity reserves.
- Divides the existing 90-day liquidity reserve requirement into three levels. The first level requires a bank to maintain enough highly liquid assets for it to continue normal operations for 15 days; the assets in the first level must consist of cash and only certain marketable instruments with maturities of three years or less. The second and third levels require each bank to hold enough marketable assets to continue normal operations for a prolonged period (16 to 30 days for the second level and 31 to 90 days for the third).
- Strengthens the provision related to discounts to make them more appropriate to the new regulatory structure.
- Requires FCS banks to hold only unencumbered investments in their liquidity reserves.
- Requires all investments in a bank's liquidity reserve to be marketable, and defines what constitutes marketable.
- Requires each bank to maintain a supplemental liquidity buffer to provide a stable source of funding beyond the 90-day liquidity reserve.
- Amends provisions regarding the banks' contingency funding planning.

A proposed rule on liquidity and funding was published in the Federal Register on Dec. 27, 2011. FCA received comment letters from all FCS banks and the Farm Credit Council, and the final rule takes into account the comments received.

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The final rule will become effective 30 days after publication in the Federal Register during which either body of Congress is in session. Notice of the effective date will be published in the Federal Register.

Report

In other business, the Board received a quarterly report from the ethics staff that reviewed recent accomplishments in the ethics program and addressed the program's strategic priorities for the 2013 fiscal year.

Notational Votes

Since the Feb. 14 FCA Board meeting, one notational vote has occurred. Notational votes are actions the FCA Board takes between Board meetings.

- On March 11, the FCA Board approved by notational vote a direct final rule to amend regulations in parts 615, 621, and 652 to conform certain references regarding U.S. generally accepted accounting principles to the Financial Accounting Standards Board Accounting Standards Codification.

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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 94 banks, associations, service corporations and special-purpose entities of the Farm Credit System. The System makes loans to agricultural producers and their cooperatives nationwide. It 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 Jill Long Thompson, Board Chair and CEO; Kenneth A. Spearman; and Leland A. Strom.

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