FCA Board Issues Proposed Rule Amending Liquidity Management Regulation

McLEAN, Va., November 9, 2011 —The Farm Credit Administration (FCA) Board today approved a proposed rule that would amend FCA regulation at 12 C.F.R. § 615.5134, which addresses the liquidity reserve requirements for Farm Credit System (FCS or System) banks.

The purpose of the proposed rule is to strengthen liquidity risk management at System banks, to improve the quality of assets in the liquidity reserve, and to bolster the ability of System banks to fund their obligations and continue their operations during adverse financial times.

FCA invites public comment on the proposed rule. In particular, it seeks comment on whether the liquidity reserves of System banks should cover unfunded commitments and other contingent obligations.

The agency also invites comment on the best way to measure the creditworthiness of liquid investments purchased by System banks. The Dodd-Frank Wall Street Reform and Consumer Protection Act requires agencies to adopt regulations that use standards of creditworthiness other than credit ratings issued by Nationally Recognized Statistical Rating Organizations.

To provide more information about the proposed rule, the Agency will soon issue a fact sheet. A link to the fact sheet will be available at www.fca.gov on the Rulemaking Fact Sheets page under the News & Events tab.

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.

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Quarterly Report by the Office of Management Services

The Board also heard a quarterly report by the Office of Management Services (OMS). The OMS report discussed the agency’s budget status through September 30, 2011, and the results of the recent financial audit. It also discussed the agency’s examiner commissioning program and the agency’s human capital needs. Finally, the report discussed how FCA’s technology infrastructure supports the agency’s strategic needs.

Closed Session

During the closed session, the Board received a quarterly report by the Office of Secondary Market Oversight, which examines and oversees the Federal Agricultural Mortgage Corporation (Farmer Mac).

Notational Votes

Since the October 13, 2011, FCA Board meeting, three notational votes have occurred. Notational votes are actions the FCA Board takes between Board meetings.

- On October 26, the FCA Board granted preliminary approval to the proposed plan of merger of Farm Credit Services of the Mountain Plains, ACA, and its subsidiaries (Farm Credit Services of the Mountain Plains, FLCA, and Farm Credit Services of the Mountain Plains, PCA) with and into American AgCredit, ACA, and its subsidiaries (American AgCredit, FLCA, and American AgCredit, PCA).
- On October 27, the FCA Board approved a notice to be published in the Federal Register that requests comments on the Draft Second Amended and Restated Market Access Agreement. The Market Access Agreement establishes financial thresholds at which conditions are placed on the activities of FCS banks or at which the banks’ participation in Systemwide and consolidated obligations is limited.
- On November 7, the FCA Board issued FCA Board Policy Statement 81, titled “Ethics, Independence, Arm’s-Length Role, Ex Parte Communications and Open Government.” To read the statement, go to www.fca.gov and click on the Law & Regulations tab on the horizontal menu. From the left menu, select Info Memos, Bookletters & Other Guidance. Then, from the left menu on this page, click on View Board Policy Statements.

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 96 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.