FCA Board Issues Proposed Rule to Amend Regulations Related to Stockholder Disclosures Regarding Senior Officer Compensation

McLEAN, Va., December 8, 2011 —The Farm Credit Administration (FCA) Board today approved a proposed rule that would amend the agency’s regulations related to disclosures made by Farm Credit System (System) banks and associations to their stockholders and investors.

The purpose of the rule is to provide full, transparent and consistent disclosures to stockholders on issues related to employee compensation. The rule would

- require System banks and associations to disclose the supplemental retirement plans they provide their employees and to include in these disclosures a discussion of the relationship between senior officer compensation and performance,
- require banks and associations to issue timely and transparent reports to shareholders regarding significant events that occur between annual reporting periods,
- clarify the minimum responsibilities a compensation committee must perform, and
- require banks and associations to hold nonbinding advisory votes on senior officer compensation.

For more information about the proposed rule, see the related fact sheet. A link to this fact sheet, as well as to fact sheets related to other rulemaking actions, are available on the Rulemaking Fact Sheets page on the FCA website.

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 req-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.
Quarterly Report on the Condition of the Farm Credit System

In its quarterly report on the condition of the System, the Office of Examination reported that the System continues to be fundamentally safe and sound.

Strong earnings in the third quarter allowed the System to enhance capital levels. Asset quality remains satisfactory; credit quality indicators have gradually improved.

While conditions in the farm economy are generally favorable, significant risks persist. Certain agricultural sectors, poultry especially, are under considerable stress. The Southern Plains continues to be in the grip of a severe drought.

U.S. agriculture could also be adversely affected if the Eurozone sovereign debt crisis leads to a slowdown in global economic growth.

Office of Examination Reports

The Board also received the Semiannual Report on Office of Examination Operations. According to the report, all oversight and examination activities were completed as planned through the fourth quarter of FY 2011. FCA examiners performed onsite activities at 90 percent of all direct-lending System associations and banks.

The Office of Examination also continued to build its examiner workforce during this quarter. The stressed economy, coupled with an expected wave of retirements among FCA staff, presents a human resource challenge for the agency; the Office of Examination is working to ensure it has the human resources to continue to properly examine and oversee institutions.

Also, during the closed session of the meeting, the Office of Examination delivered an update on its supervisory and oversight activities.

Notational Votes

Since the November 9, 2011, FCA Board meeting, three notational votes have occurred. Notational votes are actions the FCA Board takes between Board meetings.

- On November 10, the FCA Board authorized the following six associations, along with their respective subsidiaries, to invest in AgDirect, LLP: Farm Credit System of Illinois, ACA; Frontier Farm Credit, ACA; High Plains Farm Credit, ACA; Farm Credit Services of the Mountain Plains, ACA; American Ag Credit, ACA; and Farm Credit Services of Western Arkansas, ACA. This approval is subject to the compliance of each institution with the terms, conditions and limitations placed on the original System institutions investing in AgDirect, LLP. AgDirect is a limited liability partnership that facilitates point-of-sale agricultural equipment financing originated by equipment dealers or System institutions.

- On November 18, the Board approved the 2012 operating budget of the FCS Building Association, including 2012 capital and major building repairs and the association's 2012 assessment of FCS member banks.
• On December 2, the Board voted to amend the maturity, divestiture and special reporting conditions of approval that apply to the agriculture and rural community bond pilot investment program of associations affiliated with U.S. AgBank, FCB.

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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 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.