FCA Board Approves Final Rule on Use of Unincorporated Business Entities

McLEAN, Va., May 9, 2013 — At its monthly meeting today, the Farm Credit Administration Board approved a final rule that would create a regulatory framework for Farm Credit System (System) institutions that want to use unincorporated business entities organized or chartered under state law. The entities may be used for the following limited business purposes:

- To hold and manage unusual and complex collateral associated with certain acquired properties
- To provide limited services that are integral to the daily internal operations of a System institution
- To provide collaboratively certain functions and services that are necessary or expedient to the business of the System institutions owning the unincorporated business entity (except that a System institution may not engage in direct lending through an unincorporated business entity)
- To invest in rural business investment companies (RBICs)

Although the rule applies to System institutions that organize unincorporated business entities for the express purpose of investing in RBICs, it does not apply to unincorporated businesses that are created to serve as RBICs.

The rule was proposed on Sept. 13, 2012, and we received nine comment letters during the 60-day comment period. The final rule reflects concerns expressed in these letters. For more information about the final rule, see the related rulemaking fact sheet.

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.

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Reports

In other business, the Board received an update from the Director of FCA’s Equal Employment Opportunity and Diversity program. According to the report, minority representation has increased to 22.2 percent in FCA’s workforce, which is a 17-year high, and FCA will continue to work toward increasing its workforce diversity. The report also shared specific initiatives that System institutions are taking to increase the diversity of their workforce and customer base.

During the closed session of the meeting, the Board received a quarterly report from the Office of Secondary Market Oversight.

Notational Votes

Since the April 11 FCA Board meeting, five notational votes have occurred. Notational votes are actions the FCA Board takes between Board meetings.

- On April 29, the FCA Board voted to reopen for 30 days the comment period on the proposed rule governing liquidity management at Farmer Mac.
- On April 26, the Board approved FCA’s 2013 compensation program.
- On April 16, the Board cleared the disclosure materials that Farm Credit West prepared for its issuance of up to $500 million in Class H cumulative preferred stock.
- On April 16, the Board did not object to the disclosure materials that AgriBank, FCB, prepared for its issuance of up to $400 million of Series A noncumulative perpetual preferred stock.
- On April 15, the Board did not object to the disclosure materials that CoBank, ACB, prepared for its issuance of up to $350 million of Series G noncumulative fixed-rate perpetual preferred stock.

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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.