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FCA board approves bookletter on governance of wholesale funding and related practices

McLEAN, Va., Nov. 19, 2021 — At its monthly meeting yesterday, the Farm Credit Administration board approved a bookletter (PDF) providing guidance to Farm Credit System (FCS) institutions on the sound governance of wholesale funding and related processes.

For FCS banks, the bookletter provides guidance on the following topics:

- Funds transfer pricing
- Bank patronage practices
- Loan product offerings
- Cost allocations in wholesale pricing
- Bank risk assessment
- Bank supervisory responsibilities
- Disclosure responsibilities
- Intra-district coordination
- Board education

For an FCS association contemplating a change in its wholesale funding arrangement with its bank, the guidance advocates thorough analysis of the costs, benefits, advantages, and disadvantages of any such change. It encourages associations to fully consider the needs of all stakeholders.

As a network of wholesale funding banks and affiliated associations, the Farm Credit System has unique governance needs, which this bookletter addresses. It stresses the significance of the relationship between an FCS funding bank and its affiliated associations in meeting the Farm Credit System’s mission. It also emphasizes the need for sound and transparent governance of wholesale funding practices.

The bookletter communicates FCA’s expectation that governance of wholesale funding and related processes should be guided by the cooperative operating philosophy outlined in section 1.1 of the Farm Credit Act and emphasized in FCA Board Policy Statement 80, Cooperative Operating Philosophy – Serving the Members of Farm Credit System Institutions.
**Update on the review of the merger application process**

In other business, the board received an update from staff on its review of the merger application process.

On Oct. 29, the FCA board issued a joint statement to the System expressing interest in enhancing the information required in merger applications and the way the agency reviews those applications. The board recognizes the need to improve the depth of information submitted in merger applications, as well as the agency’s review of these applications.

In the interest of transparency, the board directed staff to present an update on the review of the merger application process at the board meeting yesterday. The board wishes to further identify the changes that may be needed. It is likely the board will issue guidance to change merger application requirements in the future.

**FCS Building Association 2022 budget and assessments**

The FCA board also approved the FCS Building Association’s 2022 operating budget, as well as its budget for capital improvements and major building repairs. In addition, the board approved an assessment of FCS banks to cover Building Association expenses for 2022.

**Notational votes**

Since the Oct. 14 FCA board meeting, five notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On Oct. 18, the board voted to extend the effective date of the final rule amending the standards of conduct regulations to Jan. 1, 2023.

On Oct. 25, the board voted to grant preliminary approval for a merger of Yankee Farm Credit (based in Williston, Vermont) into Farm Credit East (based in Enfield, Connecticut).

On Oct. 28, the board voted to grant preliminary approval for a merger of Farm Credit Services of North Dakota (based in Minot, North Dakota) into AgCountry Farm Credit Services (based in Fargo, North Dakota).

On Nov. 12, the board voted to begin videorecording board meetings and making the recordings available to the public on the agency’s YouTube channel. For more information, see the Nov. 15 news release (PDF).

On Nov. 16, the board voted to approve a request from CoBank to redeem certain preferred stock included in its regulatory capital.

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The Farm Credit Administration is the safety and soundness regulator of the Farm Credit System. The System consists of two government-sponsored enterprises — a nationwide network of cooperative banks and associations established in 1916, and a secondary market entity known as the Federal Agricultural Mortgage Corporation (Farmer Mac), which was established in 1988. The System’s borrower-owned banks and associations provide credit to farmers, ranchers, residents of rural communities, agricultural and rural utility cooperatives, and other eligible and creditworthy borrowers. Farmer Mac provides a secondary market for agricultural real estate loans, rural housing mortgage loans, and certain rural utility loans. FCA news releases are available on the web at www.fca.gov.