



For Immediate Release

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FCA board receives reports on small association workgroup and inspector general activities, and approves booklet on capital framework

McLEAN, Va., Jan. 13, 2022 — At its monthly meeting today, the Farm Credit Administration board received two reports and approved a booklet on the capital framework for the Farm Credit System (System).

Report on small association workgroup

The board received a report on a new, permanent small association workgroup, consisting of employees from the Offices of Regulatory Policy, Examination, and General Counsel. The workgroup will report periodically to FCA senior management and directly to the FCA board. It will focus on issues related to the supervision and regulation of smaller System associations. Its initial efforts will focus on regulatory burden and examination.

Bookletter on tier 1/tier 2 capital framework

The board also approved a [revised booklet \(PDF\)](#) providing guidance on the tier 1/tier 2 capital framework. The revision replaces the original version of the booklet, which was published in December 2016.

FCA issued the December 2016 booklet to provide System institutions with guidance for implementing the tier 1/tier 2 capital framework final rule, which took effect on Jan. 1, 2017 (2017 capital rule). Then, on Oct. 1, 2021, FCA issued amendments to the 2017 capital rule. These amendments, which took effect on Jan. 1, 2022, clarify certain provisions in the 2017 capital rule and codify much of the guidance provided in the December 2016 version of the booklet.

In the revised booklet, FCA retains the guidance from the December 2016 booklet that remains relevant. The revised booklet covers the following topics:

- Calculation of permanent capital
- Offset of member equities against a loan in default
- Definition of regulatory financial statements
- Tier 2 capital instruments
- Definition of a deceased former borrower

- Risk-weighting of funds on deposit with Federal Reserve Banks, with other System institutions, and with depository institutions
- Timing of qualitative disclosures

Report from the Office of Inspector General

In other business, the board received a year-in-review report from the Office of Inspector General (OIG). This report described the audits, evaluations, inspections, and other OIG activities that took place in 2021. It also described some of the OIG's plans for 2022.

The OIG also reported on the audit of FCA's financial statements as of Sept. 30, 2021 and 2020. Through a contract with the OIG, an independent auditing firm (Harper, Rains, Knight & Company, P.A.) performed the financial audit. The result of the audit was an unmodified opinion on the agency's financial statements. The auditor concluded that the financial statements presented fairly, in all material respects, the financial position of FCA as of Sept. 30, 2021 and 2020, in conformity with generally accepted accounting principles.

In addition, the auditor did not identify any deficiencies in internal control over financial reporting considered to be material weaknesses. It also found no instance of noncompliance with selected provisions of applicable laws, regulations, contracts, and grant agreements required to be reported.

FCA's OIG oversaw the auditing firm's performance and found no instances in which the firm did not comply, in all material respects, with auditing standards.

Closed session

During the closed session, the FCA board held an executive meeting with the auditor.

The board also received a report on the fiscal year 2021 Federal Information Security Modernization Act (FISMA) audit. FCA's OIG contracted with the independent accounting firm Williams, Adley and Company to perform the FISMA audit.

Notational votes

Since the Dec. 9 FCA board meeting, two notational votes have occurred. Notational votes are actions the FCA board takes between board meetings.

On Dec. 15, the FCA board voted to approve an advance approval request from CoBank to redeem certain preferred stock included in its regulatory capital.

On Jan. 5, the board voted to increase the maximum civil money penalties that may be imposed under sections 5.32 (a) of the Farm Credit Act of 1971 (12 U.S.C. 2268) and the Flood Disaster Protection Act of 1973 (42 U.S.C. 4012 a (f)). FCA adjusts these penalties annually.

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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.