

Lyons Farms

James A. Lyons
705 Duvall Station Road
Georgetown, Kentucky 40324

June 20, 2014

Mr. Barry F. Mardock
Deputy Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

Dear Mr. Mardock:

Thank you for the opportunity to comment on FCA's recent proposed rule regarding Standards of Conduct. As Chairman of the Board of Directors for Central Kentucky Agricultural Credit Association, I am personally committed to maintaining high standards of conduct, and I know my association is as well. However, I am concerned that many of the Proposed Regulations are too broad, administratively burdensome, and will have a negative effect on the recruitment and service of directors. My comments below focus on the impact of the Proposed Regulations on System directors and small institutions. However, I also support the comments submitted by AgFirst and the Farm Credit Council regarding other important concerns not addressed in this letter.

The proposed disclosure requirements would require me to report and obtain pre-approval of transactions within my farming operation. This is an unrealistic burden to place on directors with no corresponding benefit. As a director, I find the transaction disclosure requirements in the Conflicts of Interest section of the proposed rule to be unduly burdensome and unnecessary. It is unreasonable for me to be put in a position of having to know whether I am doing business with an association customer or not. I routinely have business transactions with a wide variety of individuals, some of whom might be association customers. Even in instances when I know I'm dealing with an association customer, there is no conflict of interest since I have no regular role in making individual loan decisions.

Additionally, the proposed rule on standards of conduct contains following statement:

III. Regulatory Flexibility Act

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 et seq.), the FCA hereby certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit System, ***considered together with its affiliated associations***, has assets and annual income in excess of the amounts that would qualify them as small entities. Therefore, Farm Credit System institutions are not "small entities" as defined in the Regulatory Flexibility Act. (emphasis added)

It occurs to me, as a director of an institution with under \$500 million in assets, that our regulatory compliance is considered independent of our funding farm credit bank and its affiliated associations. We are not permitted to upstream compliance to our funding bank or defer to any "affiliate". So, I am curious as to how the Agency can claim exemption from the key requirement of the Regulatory Flexibility Act ("RFA") - to analyze the impact of their regulatory actions on small entities and, where the regulatory impact is likely to be "significant", affecting a "substantial number" of these small entities, seek less burdensome alternatives for them.

The monitoring and reporting requirements associated with the proposed standards of conduct regulations would seem to be a situation where the impact of regulatory actions could be significant to smaller Farm Credit institutions. Small financial institutions, including Farm Credit institutions, are disappearing each year. Regulatory burden is often cited as one of the reasons for this trend and concern over that very result appears to be the reason the RFA was enacted in the first place.

In summary, I urge the FCA to revise substantially the proposed rule or consider withdrawing it. As drafted it is counterproductive and creates unreasonable standards that are inconsistent with modern farming operations and detrimental to the recruitment and service of directors. Furthermore, I urge reconsideration of the exemption to the RFA as the rationale stated is not consistent with the actual practice.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "James A. Lyons". The signature is written in black ink and is positioned above the printed name.

James A. Lyons