



June 20, 2014

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

**RE: Standards of Conduct and Referral of Known or Suspected Criminal
Violations; Standards of Conduct – Proposed Rule
RIN 3052-AC44**

Dear Mr. Mardock:

Southwest Georgia Farm Credit, ACA (SWGA or Association) appreciates the opportunity to submit comments to the Farm Credit Administration (FCA) in response to the proposed amendments to the regulations on Standards of Conduct (SOC) and Referral of Known or Suspected Criminal Violations (Proposed Regulations). SWGA would also like to indicate its general support of the Farm Credit Council's and AgFirst Farm Credit Bank's comments on the Proposed Regulations which addresses many important concerns not addressed in this letter.

Our institution has a vested interest on behalf of its stockholders to maintain high standards of honesty, integrity, impartiality and conduct. However, we are concerned that many of the Proposed Regulations will be administratively burdensome, difficult to enforce and/or implement and ultimately will prove far too costly to our stockholders. A summary of our primary concerns are listed below.

Regulatory Flexibility Act

In the Proposed Rule, FCA notes that "Each of the banks in the Farm Credit System, considered together with its affiliated associations, have assets and annual income in excess of the amounts that would qualify them as small entities." We question the appropriateness of this determination. While there may be some regulatory subjects where such a view may be appropriate, we do not consider it applicable here. Indeed, the Proposed Rule emphasizes the need for each institution to operate its own program independent of either its funding bank or other associations. Each institution will be responsible for the costs it incurs in administering the program.

Agents

While our association always seeks to engage quality “agents” with high ethical standards, it is not reasonable to expect the association will be able to enforce and track the activities of many who may be deemed an agent by the Proposed Regulations. The likely result of the Proposed Regulations will be to limit the entities which will be willing to provide services to System institutions, to the detriment of customer service, portfolio credit quality and overall performance. We believe that the Proposed Regulations should be modified to allow System institutions to adopt reasonable policies to address the oversight of agents in light of the circumstances of the related engagement which are approved by the respective board’s and reviewed by the FCA as a part of its examination process.

In addition, §612.2180(d) is administratively difficult to enforce or track. The Proposed Regulations generally restrict agents from acquiring property that was owned by the related System institution as a result of foreclosure during the agent’s employment for one year. For agents who do sporadic work for the association over a period of years, it is unclear what would constitute the period of employment. Moreover, while it may be possible to track direct sales to certain agents, it is administratively burdensome and often impossible to track subsequent third party sales for a period of one year. The potential administrative burden of tracking all title changes of acquired property even after it has been sold by the association is unreasonable. We believe that the restriction in the Proposed Regulations should be narrowly tailored to cover direct sales between System institutions and agents who are directly involved in such disposition.

Board of Directors

Unlike most publicly traded institutions, the association’s directors are borrowers and leaders in the agricultural and/or rural communities in which they serve. The nature of our cooperatives means that in the ordinary course of business, many directors have relationships with those who may transact business with the association. Any regulations that impose undue burdens on ordinary course business relationships for these directors limit the attractiveness of serving as a director. This has the unfortunate potential of ultimately limiting the effectiveness of our institutions and the cooperative principles upon which we operate. While we understand that all directors owe a fiduciary duty to their respective institution and such duty may from time to time limit the permitted activities of any director during the term of his or her service, the Proposed Regulations impose burdens beyond that which is necessary or advisable, particularly when the potential for actual conflicts of interest are significantly mitigated by the fact that directors on our board do not approve borrower loans.

Moreover, it is not clear how the permitted de minimis and materiality standards adopted by an association with respect to reporting requirements would impact the prohibited activity provisions in §§612.2145 and 612.2155. We believe that the Proposed Regulations should make clear that prior SOCO approval is only required for transactions outside of the ordinary course of business (a) involving parties that the director knows or has reason to know are borrowers or otherwise transact business with the related System institution and (b) are in excess of the de minimis and materiality standards set by the board. Without such a limitation, the directors would be subjected to burdensome reporting and approval requirements which may unreasonably delay ordinary course business operations and ultimately dissuade qualified director candidates from serving on System boards.

Again, we appreciate the opportunity to provide our comments as a means of participating in our shared goals for maintaining ongoing confidence in the ethical standards within the Farm Credit System.

Respectfully submitted,

Southwest Georgia Farm Credit, ACA



Kim Rentz
Chairman of the Board of Directors



Richard Monson
Chief Executive Officer