June 18, 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 a director of Southern AgCredit, ACA serving rural Mississippi and Louisiana, I am personally committed to maintaining high standards of conduct, and I know our association is as well. As written, this regulation will no doubt discourage active farmers and other individuals involved in rural businesses from running for the board of a Farm Credit System institution.

As a director, I find the transaction disclosure requirements in the Conflicts of Interest section of the proposed rule to be unduly burdensome, unnecessary and inappropriate. I do not have a role in approving individual loans or the terms of individual loans. Southern AgCredit, ACA has strong and growing market penetration in our territory and 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.

It is critical that the regulation recognize "Ordinary Course of Business". The elected directors of the Farm Credit System depend on their livelihood as farmers and ranchers. As such, they need the ability to purchase goods and services from other farmers in their community without the need to obtain prior written approval from the Standards of Conduct Officer. This should be the case even if the price of the good or service is subject to negotiations. Any further restrictions on a director's ability to run his or her business would create a significant disincentive for serving as a director.

I have outlined specific comments below:

- Section 612.2130 (3) provides a definition for "family" that after mentioning specific family members includes "...anyone whose association or relationship with the director or employee is the equivalent of the foregoing." The use of the word equivalent and the entire phrase is confusing, very broad, and should be deleted.

- Section 612.2136 (2) requires disclosures of "appearances" of conflicts of interests. This is very vague, far reaching and unreasonable to achieve and should be deleted.

- Section 612.2136 requires disclosure to the "official" or the Board of all "material" non-privileged information. Again, this is a very vague and broad disclosure requirement because there is no definition of what is considered to be "material" nor is there a definition provided for the term "privileged." Such vagueness will not result in meaningful disclosures. It is also not clear if this requirement applies in a situation where a director has already recused him or herself.

- Section 612.2145 prohibits directors from participating in deliberations and determinations that directly or indirectly affect the financial interest of the director, the director's relatives, and others. An exception for matters of general applicability affecting all shareholders/borrowers in a

nondiscriminatory way has been eliminated. In its place, a new subparagraph 8 (b)(1) has been added to this section which permits director participation in matter otherwise prohibited under this section but only so long as the matter is one of "general applicability affecting all shareholders/borrowers in a nondiscriminatory way, as determined by the Standards of Conduct Official." This prohibition on a director's ability to act upon matters which may come before the Board is unduly burdensome and unworkable. It will require the Standards of Conduct Official to make a determination, on a case-by-case basis, of each item to be considered by the Board. It will also require a director to recuse himself from any discussion or deliberations which affect his or her particular industry (i.e. livestock production) because those discussions will not affect all shareholders equally in a nondiscriminatory way. For example a discussion on the impact of beef exports on prices received by farmers could require a director that is a cattle producer to recuse himself because this subject area does not have the same potential impact on all directors.

I am also concerned that these proposed regulations shift responsibility from individual directors to report their activity and comply with standard of conduct requirements to the association and the Standards of Conduct Official, who must now enforce and ensure compliance. The association should not be responsible for the actions of directors; associations should be responsible for insuring that all necessary steps have been taken to educate and inform directors about standards of conduct issues and requirements, but the association should not be held responsible for directors' violations.

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 role in making individual loan decisions. 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.

I urge the FCA to revise substantially the proposed rule or consider withdrawing it. As drafted it is counterproductive, creating inappropriate, unreasonable standards that are inconsistent with modern farming operations. Thank you for your consideration.

Sincerely,

Emery Skelton

Emery Skelton, Director
Southern AgCredit, ACA