



Bonnie V. Hancock, Outside Director
Wake Forest, North Carolina

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:

I am writing to offer my comments on proposed amendments to the regulations on Standards of Conduct (“SOC”) and Referral of Known or Suspected Criminal Violations (“Proposed Regulations”). As an outside director on the AgFirst Farm Credit Bank Board, I strongly agree that all directors must maintain high standards of honesty, integrity, impartiality and ethical conduct. Many of the Proposed Regulations, however, may be too broad and administratively burdensome, and could have a chilling effect on the recruitment and service of directors. While I support the comments submitted by AgFirst and the Farm Credit Council, I wanted to also comment on the following two areas:

Reporting

I believe that the reporting requirements should be revised to provide greater certainty of compliance. The Proposed Regulations (§612.2140(b)(1)) would require each director to report all “material” financial interests with other directors, employees, agents or borrowers of the applicable institution. Each System institution must develop policies and procedures for what constitutes “material” financial interest, and may develop policies and procedures for a “de minimis” value that would not be considered material for reporting requirements. While I appreciate the Agency’s attempt to provide flexibility by allowing institutions to establish exceptions for ongoing and ordinary course of business, this flexibility is essentially negated by §612.2165(e), which allows the Farm Credit Administration examiners to overturn such exceptions, creating uncertainty for directors and their institutions who have made good faith efforts to comply.

The Proposed Regulations (§612.2140(b)(2)) also requires each System institution director to disclose the name(s) of any relative/member of the family or other person residing in the director’s household and any entity controlled by the director if the director knows or has reason to know that such individual or entity transacts business with the supervised or supervisory institution. Unfortunately, the definition of “family” includes the ambiguous term “equivalent” relationships”. Also, the definition of “controlled entity” or “entity controlled by” includes an ownership threshold of 5%. This

threshold is substantially lower than what reasonably represents “control” of any entity and would be unduly burdensome for director reporting.

Prohibited Conduct

I support the general idea set forth in the Proposed Regulations (§612.2145(a)(7)) which prohibits a director from entering into a lending or borrowing relationship with those who have a financial relationship with the System institution. However, the prohibition is not limited to only situations where a director cannot knowingly become financially obligated with or on behalf of such parties. This would seem to mean that any such transaction which does not receive prior approval by the Standards of Conduct Official (SOCO) would violate the regulation even if the director had no reason to know that the counterparty on the related transaction does business with the System or only finds out such relationship after the transaction was consummated. The Proposed Regulations should make clear that prior SOCO approval is only required for transactions (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 System institution board. Without such a limitation, directors will be subjected to burdensome reporting and approval requirements which may unreasonably delay ordinary course business operations. I would also note that such potential reporting burdens and undue delay are likely to make board service less palatable to many qualified director candidates.

Thank you for the opportunity to comment on the Proposed Regulations. It is imperative that System institutions’ directors adhere to high standards of conduct and avoid conflicts of interest. However, portions of the Proposed Regulations are too broad and impose undue administrative burdens which may potentially limit the pool of qualified candidates willing to serve on System institutions’ boards. I respectfully request that the FCA consider my comments, as well as other System institutions’ directors, to revise the Proposed Regulations to reduce unnecessary administrative burdens and clarify responsibilities so that we may advance the mission of the Farm Credit System to provide financing to our rural and agricultural communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Bonnie V. Hancock", with a long horizontal flourish extending to the right.

Bonnie V. Hancock, Outside Director