



**Joseph C. Joyce
Gainesville, Florida**

September 12, 2018

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

**RE: Proposed Rule - Standards of Conduct and Referral of Known or Suspected
Criminal Violations; Standards of Conduct (12 CFR Part 612)
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 Rule"). As a member of the Farm Credit of Florida (the "Association") Board of Directors I whole-heartedly support the principle that Farm Credit System ("System") Institutions' directors must maintain high standards of honesty, integrity, impartiality, and ethical conduct. However, I am concerned that many of the requirements set forth in the Proposed Rule are too broad, administratively burdensome, and will adversely affect the recruitment and service of directors. My comments below focus on the impact of the Proposed Rule on System directors. I also support the comments submitted by the Association, the AgFirst Farm Credit Bank ("AgFirst") and the Farm Credit Council regarding other important concerns not addressed in this letter.

As you know, most of the System institutions' directors are System borrowers and business leaders in their agricultural/rural communities. As a result of the cooperative structure, System institutions' directors may have business relationships with others that transact business with System institutions. I, like other System institutions' directors, am strongly committed to a culture of high ethical conduct and the avoidance of conflicts of interest. However, certain provisions of the Proposed Rule, as set forth below, impose undue burdens on reporting obligations and ordinary course of business relationships.

Definitions (§ 612.2130)

Agents -

The Association endeavors to engage quality agents with high ethical standards. Proposed § 612.2130 seeks to substantially expand the definition of "agent." Directors have very little to no involvement in the selection and management of the Association's agents, however directors

are expected to report conflicts of interest and financial interest with agents. Because of the proposed expansion of the definition of agents to include cyber security and information technology vendors, I am concerned that directors will be subjected to excessive and burdensome requirements. Regarding third party vendor management, FCA has adopted the Federal Financial Institutions Examination Council (FFIEC) examination guidance, including compliance with the Essential Practices for Information Technology Examination Manual (IT Section) which details requirements of institutions for third party vendor management. These reasonable requirements are sufficient and a financial industry standard. Accordingly, it is not necessary to expand the definition of agent in the proposed regulations to include third party vendors to accomplish FCA's stated objectives. Also, as the current rule § 612.2260 already provides, it is the institution's responsibility to continue to use safe and sound business practices in retaining agents. Therefore, similar to the current requirements in existing § 612.2260 (b) and (c), the Proposed Rule should be modified to allow institutions to adopt reasonable policies to address the oversight of agents in light of the circumstances of the related engagement. Following the current process, these policies will be approved by the board of directors and reviewed by the FCA as a part of its examination process.

Family -

The proposed addition of the term "significant others" to the definition of family is broad and vague. The term "significant other" is open to interpretation, and additional clarity is needed to understand FCA's intent. It is unreasonable to expect directors to make the determination as to the seriousness of another individual's relationship status. It would be more appropriate to address legally recognized relationship statuses such as "civil union partners" as specified in the Introductory Information.

Additionally, I am concerned over the suggestion of including "cousins" in the definition of family that is suggested in the Proposed Rule's Introductory Information. This additional reporting could be potentially burdensome based upon the number of cousins for this undefined term. The current definition of "family" is very broad and covers many family members. Therefore, I am requesting that the definition not be expanded to include cousins. However, if the expectation would be for cousins to be included in the definition, the term should be added to the regulation rather than simply referenced in Introductory Information. Should cousins be added to the regulations, I also ask that FCA consider limiting any accompanying reporting requirements to first cousins only, and only those that the director has direct knowledge of business relationships with the institution or a supervised institution.

§ 612.2137 Elements of a Standards of Conduct Program

Proposed § 612.2137(d)(6) mandates the Board of Directors for a System institution to establish policies and procedures for prohibiting gifts. The proposed rule allows directors to set a *de minimis* for gifts, however the proposed rule does not provide an exception for gifts received in a traditional gift giving occasion such as during the holiday season, retirement, or anniversary. It also fails to address the acceptance of gifts given between friends and family. For clarity, I suggest FCA provide exceptions for gifts in these limited situations.

An additional source of decreased efficiency arises under the proposed § 612.2137(d)(1)(iii), which would require that directors and employees complete annual and interim reporting of the names of family members. The language of the proposed provision

seems to require reporting of the names of all family members, regardless of whether or not they conduct business with the institution. This is overbroad and would be tremendously burdensome to the SOCO who would be required to review submissions of lengthy lists of names. I propose that the regulation be modified so that there is an affirmative obligation to report family members only upon knowledge of their transacting business with the institution. As discussed above, the inclusion of the phrase "significant others" in the proposed definition of "family" (§ 612.2130) serves to make the reporting obligation unduly burdensome and the definition more subjective as the term does not specify the required level of or legal status of the relationship. Accordingly, the definition of family should be amended to remove the reference to the term "significant others" or to replace the term with civil union partners. In order to further reduce the burden of compliance with this provision, the reporting requirement should be limited to those family members listed in the definition (§ 612.2130) and not other examples noted in the Introductory Information, including cousins.

§ 612.2138 Conflicts of Interest, Reporting of Financial Interests

Proposed 612.2138(c)(2) would require directors and employees to report "the names of your family members who have transacted or are currently transacting business with the System institution." As a director, I would like to express concern over the inclusion of "have transacted" in this proposed reporting requirement. Essentially, the proposal will require the identification of any transactions that have ever occurred. It would be virtually impossible to identify all past transactions, especially given that there is no specified timeframe for past transactions. I support the Association's and AgFirst's suggestion that the reporting be limited to current and new transactions.

Furthermore, proposed § 612.2138(c)(3) requires directors and employees to report potential conflicts of interest regarding all material financial interests with any director, employee, agent, borrower, or business affiliate of a System institution, or supervised or supervising institution. This proposed requirement is overly broad and sweeping, and it will be difficult and unduly burdensome to follow should it become final. I suggest adding language to clarify that reporting is required if the director or employee has knowledge of financial interests with any director, employee, agent, or borrower. The proposed broadening of the definition of "agent" could potentially result in a lengthy agent list requiring constant updates, which will make this reporting requirement unduly burdensome.

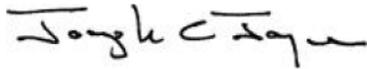
Additionally, proposed § 612.2138(c)(5) would require directors and employees to report the "names of entities that are reportable business entities to you." This reporting requirement is overly broad. Instead, reporting should be limited to entities conducting business with the System institution or any institution supervised by the System institution. Farm Credit directors are a diverse group of businessmen and businesswomen, with numerous non-farm related ventures. If a director has an interest in a non-farm business with no borrowing relationship with Farm Credit, it is difficult to understand the value in this additional reporting.

Finally, this proposed regulation requires directors and employees to report conflicts of interest regarding all material financial interests with "business affiliates." The Proposed Rule fails to fully define what a business affiliate entails. Without additional guidance or explanation, the term "business affiliates" is broad and could be misinterpreted. This may lead to inconsistent reporting among board members. I suggest specifying the type of ownership interest that would define the term "business affiliate" for accurate reporting.

Conclusion

Thank you for the opportunity to comment on the Proposed Rule. It is imperative that all System institutions' directors adhere to high standards of conduct and avoid conflicts of interest. However, portions of the Proposed Rule are too broad or unclear and impose undue administrative burdens which may potentially limit the pool of qualified candidates with diverse farm, agricultural, and specialized business experience willing to run for open seats on System institution boards. As currently written, the Proposed Rule may have the unintended consequence of thwarting the cooperative structure. I respectfully request that FCA consider my comments, as well as comments from other System institutions' directors, to revise the Proposed Rule to reduce unnecessary administrative burdens and clarify responsibilities. Both FCA and the System should make every effort to support the common goal of advancing the mission of the Farm Credit System to provide financing to our rural and agricultural communities.

Sincerely,

A handwritten signature in black ink that reads "Joseph C. Joyce". The signature is written in a cursive style with a horizontal line above the first name.

Joseph C. Joyce, Director