

October 23, 2018

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

Sent via e-mail to reg-comm@fca.gov

RE: *Proposed Rule on Eligibility Criteria for Outside Directors Published at 83 Fed. Reg. 42807 (August 24, 2018)*

Dear Mr. Mardock:

Thank you for the opportunity to comment on the Farm Credit Administration's ("FCA" or "Agency") Proposed Rule on Eligibility Criteria for Outside Directors ("**Proposed Rule**"). AgCountry Farm Credit Services ("**AgCountry**") understands that the Farm Credit Council will submit comments on behalf of the Farm Credit System ("**System**") and supports the System's position in this matter. While we agree that an "Outside Director" should not be a director, officer, stockholder, employee or agent of the institution for which the director will be serving, as discussed below, the Proposed Rule places unduly burdensome restrictions on the eligibility of Outside Directors and creates significant practical challenges to our Outside Director recruitment and appointment process.

System Institutions Relationships – 611.220(b)

We strongly object to the exclusion of anyone as a candidate for an Outside Director position who may have relationships with System institutions *other than the System institution for which the director is serving*, including but not limited to potential candidates who have: (i) a controlling interest in an entity that borrows from a System institution or affiliated organization; (ii) an immediate family member who is a director, officer, employee, agent, borrower or stockholder of a System institution; or (iii) an immediate family member that has a controlling interest in an entity that borrows from a System institution or affiliated organization.

As proposed, this rule would presumably prohibit the following candidates from serving as an Outside Director:

- A candidate with a sister, residing across the country, who works for the accounting firm who audits another System institution.
- A candidate with a brother, residing across the country, who signed as a co-obligor on a rural residence loan of another family member.

- A candidate who is an executive officer at an organization that has a loan with another System institution or a loan that is participated to another System institution.
- A candidate with a parent who is an executive or officer at an organization that has a loan with another System institution or a loan that is participated to another System institution.
- A candidate whose child is employed by another System institution.

Such as exclusions go well beyond any reasonable interpretation of the statutory language regarding Outside Director. As a practical matter, it would be difficult for perspective candidates to even know that many such relationships exist. A candidate should not be required to ask immediate family members if they have loans, employment or other prohibited relationships with the System. And they certainly should not be required to tell a relative that they cannot establish a relationship with any institution of the System because of their position as an Outside Director. Potential candidates may not be willing to consider a position where their eligibility may be at risk through actions outside of their control. Adoption of the Proposed Rule will make it significantly more difficult to recruit well-qualified candidates to serve as Outside Directors.

Affiliated Organizations.

The term “affiliated organization” - *an entity that is legally distinct from any Farm Credit System institution, but is organized and operated for the benefit of, and in support of, an institution and conducts activities that advance the mission of an institution* - is unclear and ambiguous. Many organizations exist that “advance the mission” of the System of providing credit and related services to agriculture and rural America. For example, 4-H and Future Farmers of America (FFA) support Young, Beginning and Small Farmers, could be included, because service to those farmers is an important part of the System’s mission.

We further object to the exclusion of Outside Directors’ service on boards of affiliated organizations. As part of any director’s service, board members often serve on outside advisory organizations, incorporated councils and formal committees that may, for example, assist with legislative advocacy for agriculture and the System at a local or national level. The AgCountry board focuses its selection efforts on identifying candidates who provide valuable background, knowledge and expertise that are of value to AgCountry and the System as a whole. Upon appointment, Outside Directors should be allowed to be fully engaged as any other director would be allowed. We see no reason to limit their participation and believe that service by Outside Directors on the boards of other System institutions and affiliated organizations may often be desirable.

Standards of Conduct

There appears to be potential conflict of this Proposed Rule and the pending Standards of Conduct regulations. Until the definitions in the Standards of Conduct rule are finalized, it is difficult to fully analyze their impact on this rule.

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Conclusion

AgCountry believes that the Proposed Rule not only could impact currently serving Outside Directors who may be disqualified, but may also impact the recruitment of potential Outside Directors. AgCountry supports a strong and robust process for identifying and selecting well-qualified, independent candidates for Outside Director positions. However, restricting the potential field of candidates and subsequent participation by Outside Directors beyond the statutory requirements should be avoided.

We sincerely view the restrictions imposed by the Proposed Rule will have a very serious, negative impact on our ability to attract otherwise eligible and excellent candidates for Outside Director positions. We appreciate the opportunity to comment and trust that our comments will assist the Agency. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink that reads "Jessica A. Fyre". The signature is written in a cursive, flowing style.

Jessica A. Fyre
SVP General Counsel

JAF: