FARM CREDIT
SOUTHEAST MISSOURI

October 23, 2019

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

RE: Outside Directors Eligibility Criteria – RIN 3052-AC97 / Federal Register 83, No. 165 (August 24, 2018)

Dear Mr. Mardock,

Farm Credit Southeast Missouri, ACA, appreciates the opportunity to comment on the Farm Credit Administration's (FCA) proposed rule published in the August 24, 2018 Federal Register (Proposed Rule) addressing eligibility requirements for the outside directors.

FCA's Bookletter 009 (Revised), Farm Credit Bank and Association Appointed Directors, states that:

> "All directors have the same fiduciary responsibilities to each institution's stockholders, regardless of how they are selected. All directors must also have the same voting rights, and related responsibilities and duties, and be subject to the same rules and requirements, including requirements on pledges of confidentiality, disclosures, and conflicts of interest. Therefore, outside directors and other appointed directors have full voting rights on all matters that come before the board of directors."

Based on this we have always understood that FCA intends for outside directors to be full-fledged directors, and therefore, that outside directors have the same rights as elected directors to serve certain other Farm Credit institutions, such as certain Farm Credit 4.25 organizations, University Agriculture Departments, University Extension, 4-H, FFA and numerous other entities with which Farm Credit has affiliations. Under the proposed rule, as we understand it, outside directors will no longer have the same rights, responsibilities and duties as elected directors, contrary to FCA's Bookletter.

Association borrowers are currently ineligible to be appointed as on outside director. We understand that FCA proposes to vastly expand the universe of individuals ineligible to be appointed as outside director, by stating that individuals will be ineligible when they have a *relative* who happens to be a borrower – even relatives who live in different households, and/or borrow from the current and/or other associations, in the same and/or other districts. This would make an onerous, nearly impossible hurdle, to require that all outside director candidates be vetted to insure that they have no such borrowing relatives.

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The whole purpose of appointing outside directors is to provide valued non-farming expertise to the board. FCA's proposed requirement will greatly impair the ability of the association to find as many willing and able candidates, by eliminating many highly valued candidates from consideration, due to their relatives' independent decisions to borrow from Farm Credit. This is totally outside the control of the appointed director candidate. Also, it is a higher hurdle than elected directors, who are eligible to be directors even when they have relatives who borrow from Farm Credit. We do not see what purpose is served by eliminating many highly qualified people from eligibility by the proposed rule.

We have been very pleased with our outside directors, and would like to be able to continue to find high quality directors in the future when needed. We respectfully request that FCA consider the harm that the proposed rule would do to the association's ability to attract highly qualified outside directors, if adopted.

Very truly yours,

Bob Smith

Bob Smith
President / CEO

cc: All Farm Credit Southeast Missouri board members