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November 9, 2020

Mr. David P. Grahn
Director
Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, VA 22102-5090

RE: Proposed Rule – Regulatory Capital Framework: Tier 1/Tier 2 Framework –
RIN 3052- AD27/ Federal Register Vol. 85, No. 176 (September 10, 2020)

Dear Mr. Grahn:

CoBank, ACB (CoBank) appreciates the opportunity to comment on the Farm Credit Administration's (FCA) Proposed Rulemaking published in the September 10, 2020 Federal Register (Proposed Rule) addressing requirements for the Tier 1/Tier 2 Regulatory Capital Framework. We worked closely with the System's Capital Workgroup in crafting the letter submitted by the Farm Credit Council (FCC). We have also discussed the FCC's comment letter with our affiliated associations who did not express any concerns. However, it's possible that some associations may separately submit a comment letter on the Proposed Rule.

CoBank endorses the recommendations addressed in the FCC's comment letter. In summary, we support the objectives of the Proposed Rule and FCA's intent to update and codify provisions of the Tier1/Tier 2 capital rule that have been addressed through Bookletter and call report instructions.

As addressed in the FCC's comment letter, certain aspects of this "clean up" regulation warrant additional consideration by FCA. In particular, we believe FCA should take this opportunity to bring more consistency between FCA's capital regulations and the requirements of Basel III, while recognizing the unique qualities of cooperative capitalization. Importantly, adding requirements on the Farm Credit System which are not included in the Basel III framework for commercial banks can lead investors and analysts to conclude that the quality of Farm Credit System capital is in some way subpar—in direct conflict with one of the primary objectives of moving to the Basel III framework--comparability. The Farm Credit System has a long history of supporting cooperative principles in a safe and sound manner through the cooperative capitalization structure.

We thank the FCA for the opportunity to provide comments on the proposed rule and for considering our concerns and related requests.

Sincerely,

Thomas E. Halverson
President and Chief Executive Officer