

## POLICY STATEMENT



Effective date: January 30, 2024

Effect on previous action: Originally adopted NV-24-04 (25-JAN-24)

Source of authority: Section 5.9 of the Farm Credit Act of 1971, as amended

THE FARM CREDIT ADMINISTRATION BOARD HEREBY ADOPTS THE FOLLOWING POLICY STATEMENT:

### **Innovation philosophy**

As regulator of the Farm Credit System, the FCA is responsible for ensuring that the System remains safe and sound, credit is available, and System institutions focus on serving all creditworthy borrowers, including those who are underserved. To help us fulfill these responsibilities, we have created this philosophy statement to lay out our position on innovation in the System and the agency.

In a financial marketplace that is changing rapidly with the advent of new technologies, System institutions are innovating. They are adopting new and better financial and digital products, services, and processes (structures and business arrangements) to meet the evolving needs of System borrowers and rural communities.

We recognize that, just as associations differ in size and business strategy, each institution will make different business decisions on how to approach innovation. Institutions should center their decisions on better serving borrowers, sound risk management, support of the System's mission as a government-sponsored enterprise, and consistency with cooperative principles. Institutions must not let the pursuit of efficiency come at the expense of safety and soundness or the quality of service to owner-borrowers.

As a government agency, we too will continue to pursue innovation. We will assess the implications of innovation for System risk, consolidation, access to credit, underserved borrowers, cooperative principles, and small institutions. In addition, we will remain focused on hiring and retaining staff with strong technical skills, and we will invest in their leadership and professional development. We will make sure our employees have the skills — technical and otherwise — to oversee and examine the institutions we regulate.

The framework below outlines the measures we plan to take to promote responsible innovation in the System and the agency.

## **Innovation framework**

### ***Research***

- Gather and review information on financial innovation underway in the System and the broader banking industry.
- Assess implications for System risk and consolidation, access to credit, underserved borrowers, cooperative principles, and small institutions.
- Use research and dialogue with stakeholders to inform FCA policy, supervision, and analysis.

### ***Outreach***

- Establish open and continuous dialogue with System institutions.
- Promote awareness and understanding of relevant FCA policy and expectations.
- Strengthen community with other agencies covered by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

### ***Policy and participation***

- Implement an FCA process to streamline and coordinate innovation-related decisions to ensure transparent and timely responses to inquiries.

### ***Awareness and training***

- Create opportunities for enhanced understanding and education about responsible innovation and emerging trends in financial technology.
- Improve training and develop processes to enhance the skills of examiners and other agency staff and fully leverage the current talents of FCA staff.
- Support internal innovation and enhance the tools and processes by which FCA assesses risk and ensures the System's safety, soundness, and mission compliance.
- Develop training plans for FCA staff, particularly those in the Offices of Examination, Secondary Market Oversight, Regulatory Policy, Information Technology, and Data Analytics and Economics.

### ***Interagency collaboration***

- Work with other regulators to share ideas on innovation efforts to both enhance our capabilities as regulators and ensure the viability and safety of the financial system.