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| **Title:** | **PROPOSED RULE--Disclosure to Shareholders; Accounting and Reporting Requirements--12 CFR Parts 620 and 621** |
| **Date of Issuance:** | **8/14/1987** |
| **Agency:** | **FCA** |
| **Federal Register Cite:**  | **52 FR 30374** |

FARM CREDIT ADMINISTRATION

12 CFR Parts 620 and 621

Disclosure to Shareholders; Accounting and Reporting Requirements

**AGENCY:** Farm Credit Administration.

**ACTION:** Proposed rule.

**SUMMARY:** The Farm Credit Administration (FCA) publishes for comment proposed amendments to Part 620 relating to disclosure of problem loans to senior officers and directors and their immediate families and affiliated organizations and proposed amendments to Part 621 to delete references to the FCA examining classification "vulnerable" in the definition of "other high risk loans." In addition, certain other minor substantive and technical amendments are proposed. The FCA also invites comment on any other technical problems that may have been encountered in applying the regulations.

**DATES:** Written comments must be received on or before October 13, 1987.

**ADDRESSES:** Submit any comments (in triplicate) in writing to Frederick R. Medero, General Counsel, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090. Copies of all communications received will be available for examination by interested parties in the Office of General Counsel, Farm Credit Administration.

**FOR FURTHER INFORMATION CONTACT:** Dorothy J. Acosta, Office of the General Counsel, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090, (703) 883-4020.

**TEXT:**

**SUPPLEMENTARY INFORMATION:** The FCA adopted Part 620 as a final regulation on March 13, 1986, [51 FR 8644](file://fcahome/DavWWWRoot/readingrm/fedreg/Federal%20Register%20Documents/51%20FR%208644.docx), and amended it on June 12, 1986, [51 FR 21336](file://fcahome/DavWWWRoot/readingrm/fedreg/Federal%20Register%20Documents/51%20FR%2021336.docx), and November 21, 1986, [51 FR 42084](file://fcahome/DavWWWRoot/readingrm/fedreg/Federal%20Register%20Documents/51%20FR%2042084.docx), and corrected it on December 12, 1986, [51 FR 44783](file://fcahome/DavWWWRoot/readingrm/fedreg/Federal%20Register%20Documents/51%20FR%2044783.docx). Farm Credit institutions continued to express a high level of concern over provisions of the regulation relating to disclosure of problem loans to senior officers and directors and their immediate families as institutions prepared their annual reports to shareholders for 1986. Widespread distress in the agricultural community appears to have resulted in a larger number of loans meeting the disclosure criteria than would ordinarily be the case. Consequently, the Farm Credit Administration Board (Board) held a public hearing on April 7, 1987, at which Farm Credit System (System) representatives expressed their continuing concern with these provisions. In addition, representatives of the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC) and the comptroller of the Currency (OCC) testified about shareholder disclosure requirements of their respective agencies.

Representing System institutions were 6 association directors, 2 bank officers, 2 district directors, and a representative of the Farm Credit Corporation of America.

Only one presenter opposed disclosure of directors' problem loans altogether, giving as reasons for his opposition the difficulty in getting qualified directors from small rural communities, perceived differences in disclosure requirements for commercial banks, and the existence of controls designed to prevent conflicts of interest. The concerns of the rest of the presenters centered around two provisions of the regulation. First, the regulation requires disclosure of loans to senior officers and directors, their immediate family members and affiliated organizations if they involved more than a normal risk of collectibility at any time during the reporting period (fiscal year for which the report is filed to the date of the report) even though the director resigns during the year and does not seek reelection. The presenters recommended that senior officers and directors be allowed a period of time during which to resign or correct the deficiency in the loan and thereby avoid disclosure. The presenters believed such a modification appropriate, even though it would establish a less stringent disclosure standard than other Federal regulators, because Farm Credit institution directors must be borrowers from the institution in order to serve as directors. Therefore, they do not have the option of avoiding disclosure by not borrowing from the institution they serve, as commercial bank directors do. Several presenters believed that the FCA should rely more on its examining and enforcement powers to eliminate conflicts of interest and to get directors and officers to correct problem loans and less on disclosure. In addition, one presenter believed that raising the de minimis exemption from $5,000 to $60,000 would eliminate much required disclosure and hence most of the controversy.

The second major concern expressed at the hearing relates to the requirement to disclose problem loans to members of a senior officer or director's immediate family even if the officer or director has no financial stake in the loan or the operation financed by the loan and no business relationship with the family member. The regulation defines "immediate family" to include spouse, parents, siblings, children, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law. The presenters considered the status of loans of a senior officer or director's immediate family members to be irrelevant to an evaluation of the director or officer's performance when he or she has no financial interest therein and believed that adequate controls are in place to assure that directors do not participate in deliberations on these loans. Furthermore, one presenter believed it unfair to imply through disclosure that the director is accountable for a relative's loan. Another presenter pointed out that the FCA's conflict on interest regulations prohibit a director or officer from participating in deliberations that affect a relative's loan and suggested that the FCA use its examining and enforcement powers to enforce the regulation in lieu of requiring disclosure. This presenter argued that disclosure could damage the individual's business relationships and result in lawsuits against the institution. Another presenter argued that innocent persons could be damaged through mistaken identity as a result of: (1) The lack of a requirement that the immediate family members be identified; and (2) the wide distribution of the annual report to shareholders. Consequently, the presenter argued that disclosure of immediate family member loans should be required to be filed with the Farm Credit Administration rather than disseminated to shareholders. Another presenter believed it would be preferable to make disclosures available for shareholders to review in the institution or at the FCA rather than routinely disclose them in the annual report disseminated to shareholders.

In addition to these major concerns, several presenters were concerned that because the regulation defines "greater than normal risk of collectibility" to include all nonperforming loans, as defined in Part 621, some loans that are current as to principal and interests would meet the disclosure criteria merely because of a drop in collateral values or lack of documentation in the loan file. The presenters believe that these loans should not be required to be disclosed since they are being repaid according to their terms.

The concerns expressed at the hearing were echoed in several letters from district banks and association directors.

**A. Part 620 -- Disclosure to Shareholders**

***1. Insider Loan Transactions With Reporting Institution***

After carefully considering the comments, the Board continues to believe that disclosure of loans that involve a greater than normal risk of collectibility to senior officers and directors, their immediate family members and affiliated organizations is relevant and material to an evaluation of directors' and officers' performance of their fiduciary duties and should be available to shareholders. The Board believes that shareholders have a right to know of circumstances that may impair the objectivity and impartiality of individuals who are responsible for making or executing policy for the institution, in order to evaluate whether that has in fact occurred. The Board believes this information is relevant to the evaluation of past conduct, which may be legally actionable, as well as to future evaluations and election decisions. The Board believes that some presenters may have incorrectly perceived the purpose of the regulation to be encourage directors to correct their loan deficiencies or to discourage directors from self-interested conduct. While the regulation may incidentally achieve such a result, this is not the primary purpose of the regulation. Rather, the primary purpose of the requirement is to provide shareholders with relevant and material information so that they can exercise their shareholder rights in a meaningful way.

Nevertheless, the Board recognizes that the fact that directors must be borrowers in order to serve as directors means that they do not have the option of avoiding the potential for conflict and the need for disclosure by borrowing from another institution. As a result, this shrinks the pool of qualified directors by eliminating those individuals who are not willing to undertake the risk that serving as director may expose family members to disclosure of their financial difficulties. The Board has weighed its concern for providing relevant information to shareholders against the need to obtain qualified directors and proposes an amendment to § 620.3(j)(3) of the regulation that attempts to accommodate both concerns.

The proposed amendment would obviate the need for disclosure of a loan involving a greater than normal risk of collectibility to a senior officer or director, his relatives and affiliated organizations if the greater than normal risk of collectibility is removed or the director or officer resigns within 60 days of the determination that the loan involves such a risk, but in no event later than the date of the annual report to shareholders. The proposed exception would apply only to loans required to be disclosed because they involve more than a normal risk of collectibility. The regulation would continue to require loans not made in the ordinary course of business or made on different terms than those available to other borrowers for comparable transactions to be disclosed, even if the director resigned or the terms were changed. The proposed amendment would require any person resigning to avoid disclosure to make the disclosure that would have been required but for the resignation if such person is appointed director, is a candidate for director, or is reemployed within 2 years of the resignation. This proposed provision is designed to prevent circumvention of the regulation by resigning, waiting a year and running for office again and is necessary because the regulation requires disclosure only for the preceding fiscal year to the date of the report. Furthermore, to guard against the potential for a conflict of interest during the period given for correction or resignation, the FCA will closely monitor the actions of any senior officer or director involved in such situations.

The Board disagrees with the argument that the potential for impairment of the objectivity and impartiality of the director or officer is only present when the person has: (1) A financial stake in the operation to which the family member's loan relates; or (2) a business relationship with the family member. Rather, the Board believes that an officer's or director's knowledge of the financial difficulties of close relatives may make it difficult for the individual to adopt policy or take action that would exacerbate those difficulties and therefore that such information is relevant and material to a shareholder's evaluation of the officers' and directors' performance of their fiduciary duties. The FCA's definition of "immediate family" is limited to close relatives -- spouse, children, parents and siblings; children, parents and siblings of the spouse; and the spouses of the foregoing. It does not include uncles, aunts, nephews, nieces, grandparents or cousins. This definition is identical to that employed by the SEC, the OCC, and the Federal Home Loan Bank Board (FHLBB) in connection with similar disclosure requirements. However, the Board agrees that the potential for conflict is greater when the director or officer has a financial stake in the loan or the operation being financed or a business relationship with the relative in question. Furthermore, the Board believes that the potential for conflict may be greater when the loan involved is to a distant relative with whom the officer or director has a business relationship than when the loan involved is to a closer relative with whom there is no business relationship.

The Board therefore proposes to amend § 620.3(j)(3) of the regulation to require: (1) Disclosure of loans that do not meet the criteria of § 620.3(j)(3)(i) to *any* relative with which the officer or director has a business relationship in the annual report disseminated to shareholders; and (2) disclosure of such loans to immediate family members *not* having a business relationship with the director or officer to be included as a supplemental schedule to the annual report filed with the FCA. The supplemental schedule would be available to shareholders upon request from the reporting institution or the FCA and the annual report to shareholders would inform them of its availability. Under the proposal, the definition of "immediate family" would be unchanged. The Board believes, based on the testimony of the presenters, that this modification strikes an appropriate balance between the rights of shareholders and the need to obtain qualified directors.

The Board further proposes an amendment to § 620.3(j)(3)(i) to clarify that Federal Land Bank Associations (FLBAs) must disclose loans from the Federal land bank (FLB) to the FLBA's senior officers and directors that do not meet the conditions of the section. This change will reflect more precisely the fact that the FLBA arranges loans with its FLB, which the contractual or "primary" creditor. The Board believes System institutions have understood this to be the intent of the regulation.

***2. Transactions Other Than Loans With Reporting Institution***

The Board proposes to amend § 620.3(j)(2) to require disclosure of transactions of the reporting institutions other than loans with any relative having a business relationship with a senior officer or director, unless they meet the criteria for nondisclosure contained in that section. This requirement would be in addition to the current requirement to disclose non-loan transactions with immediate family members. The proposed amendment reflects the Board's agreement with System representatives that these transactions may be even more likely to involve conflicts of interest than transactions with family members with whom the senior officer of director has no business relationship.

Further, the Board proposes to amend § 620.3(j)(2) to require disclosure of any such transaction that has occurred since the date of the last annual report to shareholders. The regulation currently requires disclosure of any such transactions occurring since the last annual meeting of shareholders. The amendment is proposed to assure that all such transactions occurring during the year, including those between the date of the annual report to shareholders and the annual meeting, are required to be disclosed.

***3. Business Relationship***

The Board proposes to add to § 620.1 a definition of "business relationship" that would encompass continuing relationships, not necessarily related directly to the loan, as well as a single transaction, series of transactions or joint venture to which the loan relates, that are entered into in anticipation of financial gain or avoidance of loss by either or both of the parties. The definition would include, but not be limited to, transactions that involve the purchase, sale, lease, ownership or management of real or personal property; services as a real estate agent or broker; the sale or placement of insurance; sales barn activities; the borrowing or lending of money or other things of value (including credit); providing or receiving financial professional or other services; and other similar transactions.

***4. Transactions with Other Farm Credit Institutions***

As the Board reconsidered the rationale for the insider loan disclosure in the context of the public hearing testimony, it determined to propose for comment an amendment to § 620.3(j) (2) and (3) of the regulation to require disclosure of transactions of senior officers and directors and their associates with other Farm Credit institutions having a supervisory relationship, inasmuch as a potential for conflict is present when an officer or director of a supervising institution has a loan with a supervised institution or vice versa. The proposed amendment would require disclosure of any loan or other transaction meeting the regulation's disclosure criteria with an institution supervised by or under the supervision of the reporting institution to such person, his or her affiliated organization, immediate family member or relative with which such person has a business relationship in the same manner as loans from the reporting institution.

***5. Other Changes***

The Board proposes to amend the definition of "affiliated organization" in § 620.1(a) by substituting "partner" for the third "director." The proposed change would eliminate from the definition organizations in which the person's only role is to serve as director and would include within the definition organizations in which the person has a partnership interest. This change is proposed because the FCA believe that a person who is a partner has a significant financial stake in an organization, whereas a person may serve as director of many organizations in which he or she has no significant financial interest. However, the Board invites comment on whether the definition should also retain "director" in the definition in order to reach situations in which the potential for conflict may be significant, such as directors of cooperatives serving on the board of the banks for cooperatives that lend to the cooperative.

The Board proposes to make a number of other minor substantive and technical changes and corrections to Part 620. The Board proposes to insert "preceded or" before "accompanied" in § 620.20(c) to clarify that the most recent quarterly report need not be actually sent with the annual information statement if it has already been sent to shareholders. However, persons who have become shareholders since the most recent quarterly report was disseminated should be provided with a copy of it, either at the time they become shareholders or with the annual information statement.

The Board proposes to amend § 620.3(c) to delete the words "or agency" to clarify that the FCA did not intend this regulation to require routine disclosure of pending enforcement proceedings before the FCA.

The Board proposes to make the following technical amendments and corrections:

Section 620.2(k) would be revised by deleting the "s" in "reports" in the first sentence and inserting "also" before "include" in the third sentence.

Section 620.10(a) would be revised by changing "reporting requirements" to "report" in the last sentence.

Section 620.11(b)(2) would be revised by changing "that" to "than" in the first sentence.

Section 620.11(b)(4) would be revised by changing the second "that" in sentence 2 to "and," and inserting "that" between "accounts" and "have" in sentence 3.

Section 620.20(b) would be revised to correct the citation contained therein from 621.21 to 620.21.

**B. Part 621 -- Accounting and Reporting Requirements**

The Board proposes to amend Part 621 to eliminate loans classified "vulnerable" as a result of a periodic credit evaluation from the definition of "other high risk loans." At the time the regulation was promulgated, FCA's examination classification "vulnerable" was defined as "high risk loans still considered collectible but involving probability of loss in the event repayment from available sources does not materialize." Since the regulation was promulgated examination classifications have been revised. As the FCA considered the effect of the revision on the regulation, it began to question the wisdom of substituting a new examination classification for the "vulnerable" classification in definition of "other high risk loans." The FCA believes that most of the loans so classified would meet one or more of the more objective criteria. This change may also address some of the concerns of the presenters at the hearing who believed that including all nonperforming loans, as defined in Part 621, in the definition of "greater than normal risk of collectibility," would result in disclosure of loans that are current as to principal and interest but are classified because of circumstances beyond the borrower's control, such as a drop in collateral values, or because of minor problems in documentation not material to the determination of collectibility. However, the Board notes that a loan that is contractually current may involve more than normal risk of collectibility (especially annual payment loans) inasmuch as the determination is one of ultimate collectibility over the life of the loan. The regulation would continue to require disclosure of such loans, even if the factors causing the problem are outside the borrower's control. The Board reemphasizes that the purposes of the regulation is to make shareholders aware of circumstances that constitute a potential conflict of interest in directing the affairs of the association, not to punish or pressure directors to correct problem loans. The requirement to disclose the reason the loan involves more than a normal risk of collectibility will make it obvious to the shareholder when circumstances beyond the borrower's control have triggered the requirement to disclose. The reporting institution is free to disclose that the loan is current as to principal and interest and the FCA encourages such disclosure.

Therefore, § 621.2(a)(18)(i), which includes "vulnerable" loans in the definition of "other high risk loans," would be deleted and paragraphs 621.2(a)(18) (ii), (iii), (iv), and (v) would be renumbered accordingly. Section 621.2(24), which defines "vulnerable," would be deleted.

The heading of § 621.4 would be revised to correct the spelling of "accrual."

**List of Subjects in 12 CFR Parts 620 and 621**

Disclosure to shareholders, Annual reports, Quarterly reports, Association annual meeting information statements, Accounting and reporting requirements, Report of condition and performance.

As stated in the preamble, Parts 620 and 621 of Chapter VI, Title 12 of the Code of Federal Regulations, is proposed to be amended as follows:

**PART 620-DISCLOSURE TO SHAREHOLDERS**

1. The authority citation for Part 620 continues to read as follows:

**Authority:** Secs. 5.17(a) and (10), Pub. L. 99-205, 99 Stat. 1678, 12 U.S.C. 2252 (9) and (10).

**Subpart A -- Annual Reports to Shareholders**

2. Section 620.1 is revised to read as follows:

**§ 620.1 Definitions.**

(a) "Affiliated organization" means any organization, other than a Farm Credit organization, of which a director, senior officer, or nominee for director of the reporting institution is a partner, officer, or majority shareholder.

(b) "Business relationship" means a continuing relationship, a transaction or series of transactions, or a joint venture between or among persons (or such persons' affiliated organizations(s)) entered into in anticipation of financial gain or avoidance of loss by either or both of the parties.

(c) " Immediate family" means spouse, parents, siblings, children, mothers- and fathers-in-law, brothers- and sisters-in-law, and sons- and daughters-in-laws.

(d) "Institution" means any bank or association chartered by the Act.

(e) "Loan" shall have the same meaning as in Part 621 of this chapter.

(f) "Material." The term "material," when used to qualify a requirement to furnish information as to any subject, limits the information required to those matters to which there is a substantial likelihood that a reasonable person would attach importance in making shareholder decisions or determining the financial condition of the institution.

(g) "Normal risk of collectibility" means the ordinary risk inherent in the lending operation. Any loans properly identifiable as "nonperforming" as defined in § 621.2(a)(17) of this chapter shall be deemed to have more than a normal risk of collectibility.

(h) "Related organization" means any Farm Credit Institution that is a shareholder of the reporting institution or in which the reporting institution has an ownership interest.

(i) "Risk funds" means the allowance for loan losses and all capital accounts exclusive of capital stock, participation certificates, and allocated equities.

(j) "Senior officer" means any person designated by the board of directors as responsible for a major management function.

(k) "Shareholder" means a holder of any equity interest in an institution.

3. Section 620.2 is amended by revising paragraph (k) to read as follows:

**§ 620.2 Preparing, distributing, and filing the report.**

\* \* \* \* \*

(k) For purposes of this part, each annual and quarterly report of a Federal land bank shall present the financial statements of the Federal land bank and its District Federal land bank associations on a combined basis. The annual and quarterly reports of a Federal intermediate credit bank shall present the financial statements of the Federal intermediate credit bank and its district production credit associations on a combined basis. The respective reports shall also include, at a minimum, the statement of condition and statement of income for the bank only. These statements may be in a summary form and shall disclose the basis of presentation if different than the accounting policies of the combined bank and associations statements.

4. Section 620.3 is amended by revising paragraphs (c), (j)(2), and (j)(3) (i) and (ii) introductory text; by adding new paragraphs (iii) and (iv) to paragraph (j)(3); and by adding a new paragraph (j)(4) to read as follows:

**§ 620.3 Contents of the annual report to shareholders.**

\* \* \* \* \*

(c) *Legal proceedings.* Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the institution is a party, of which any of its property is the subject, or which involves claims that the institution may be required, by contract or operation of law, to satisfy. Include the name of the court in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding, and the relief sought.

\* \* \* \* \*

(j) *Transactions with senior officers and directors.* \* \* \*

(2) Transactions other than loans. For each person who served as a senior officer or director on January 1 of the year following the fiscal year of which the report is filed, or at any time during the fiscal year just ended, describe briefly any transaction or series of transactions other than loans that occurred at any time since the date of the last annual report between the reporting institution or any institution having a supervisory relationship with the reporting institution and such person, any immediate family member of such person, any relative with which such person has a business relationship or any organization with which such person is affiliated. State the name of the officer or director who entered into the transaction or whose relative or affiliated organization entered into the transaction, the nature of the person's interest in the transaction, and the terms of the transaction. No information need be given where the purchase price, fees, or charges involved were determined by competitive bidding or where the amount involved in the transaction (including the total of all periodic payments) does not exceed $5,000, or the interest of the person arises solely as a result of his or her status as a stockholder of the institution and the benefit received is not a special or extra benefit not available to all stockholders.

(3) Loans to senior officers and directors.

(i) To the extent applicable, state that the institution has had loans outstanding during the last full fiscal year to date to its senior officers and directors, their immediate family members, other relatives having a business relationship with such persons, and any organizations with which such senior officers or directors are affiliated that:

\* \* \* \* \*

(ii) If the conditions stated in paragraph (j)(3)(i) of this section do not apply to the loan(s) of any person who has served as a senior officer or director since the start of the previous fiscal year, or any relative with which such person has a business relationship, or any organization with which such person is or has been affiliated since the start of the previous fiscal year, state:

\* \* \* \* \*

(iii) If any loan from the reporting institution to any member of any director's or senior officers' immediate family members is made out of the ordinary course of business, is made on different terms than those available at the time for comparable transactions with other persons or involves more than a normal risk of collectibility, the information required by paragraph (j)(3)(ii) shall be filed as a supplemental schedule to the annual report filed with the Farm Credit Administration ("FCA"). The annual report disseminated to shareholders shall state, in a separate paragraph and in a conspicuous place, that the institution or any institution supervised by the reporting institution had loans outstanding to immediate family members of the director or senior officer (who shall be named) that were made out of the ordinary course of business, or were made on different terms than those available at the time for comparable transactions with other persons or involved more than a normal risk of collectibility, as appropriate. The annual report shall further state that information concerning such loans is available upon request from the reporting institution.

(iv) If any institution having a supervisory relationship with the reporting institution has had loans outstanding during the last full fiscal year to date to the reporting institution's senior officers and directors, any relative with which such persons have a business relationship or any organization affiliated with such persons, so state. If any such loans were not made in the ordinary course of business, were made on different terms than those available at the time for comparable transactions with other persons, the information required by paragraphs (j)(3)(ii) shall be disclosed for each such loan. If any institution having a supervisory relationship with the reporting institution has had loans outstanding during the last full fiscal year to date to any member of a senior officer's or director's immediate family not having a business relationship with such person that was not made in the ordinary course of business or was made on different terms than those available at the time for comparable transactions with other persons, the information required by paragraphs (j)(3)(ii) shall be included as a supplemental report in the annual report filed with the FCA and shall be available upon request from the reporting institution. Notice of its availability shall be included in the annual report to shareholders in the same manner as for loans from the reporting institution.

(4) Notwithstanding the foregoing requirements of paragraph (j)(3), no disclosure need be made of a loan that would be required to be disclosed because it involves more than a normal risk of collectibility, if the greater than normal risk of collectibility is removed, or the director or officer with respect to which such disclosure is required resigns, within 60 days of the determination by the institution that the loan involves more than the normal risk of collectibility (but in no case later than the date of the annual report to shareholders); *provided,* that if any person who avoids disclosure under this paragraph by resigning is reemployed or is a candidate for director or is appointed director during the period ending two years from the end of the fiscal year for which disclosure would have been required but for the resignation, such disclosure shall be made in the annual report to shareholders, provided that in the case of a person who is a candidate for director, such disclosure shall be made prior to election.

\* \* \* \* \*

**Subpart B -- Quarterly Report to Shareholders**

5. Section 620.10 is amended by revising paragraph (a) to read as follows:

**§ 620.10 Preparing, distributing, and filing the report.**

(a) Each institution of the Farm Credit System except Federal land bank associations shall prepare a quarterly report for each fiscal quarter beginning with the quarter ending June 30, 1986, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution. The report shall conform to the requirements set forth in § 620.11.

\* \* \* \* \*

6. Section 620.11 is amended by revising paragraphs (b)(2) and (b)(4) to read as follows:

**§ 620.11 Content of quarterly report to shareholders.**

\* \* \* \* \*

(b)\* \* \*

(2) Interim statements of income. When any major income statement caption is less than 15 percent of average net income for the 3 most recent fiscal years and the amount in the caption has not increased or decreased by more than 20 percent since the corresponding interim period of the preceding fiscal year, the caption may be combined with others. In calculating average net income, loss years should be excluded. If losses were incurred in each of the 3 most recent fiscal years, the average loss shall be used for purposes of this test.

\* \* \* \* \*

(4) The interim financial information shall include disclosure either on the face of the financial statements or in accompanying footnotes sufficient to make the interim information presented not misleading. Institutions may presume that users of the interim financial information have read or have access to the audited financial statements for the preceding fiscal year and the adequacy of additional disclosure needed for a fair presentation may be determined in that context. Accordingly, footnote disclosure that would substantially duplicate the disclosure contained in the most recent audited financial statements (such as a statement of significant accounting policies and practices), and details of accounts that have not changed significantly in amount or composition since the end of the most recent completed fiscal year may be omitted. However, disclosure shall be provided of events occurring subsequent to the end of the most recent fiscal year that have a material impact on the institution. Disclosures should encompass, for example, significant changes since the end of the most recently completed fiscal year in such items as accounting principles and practices; estimates inherent in the preparation of financial statements; status of long-term contracts; capitalization, including significant new indebtedness or modification of existing financing agreements; and the reporting entity resulting from business combinations or dispositions.

\* \* \* \* \*

**Subpart C -- Association Annual Meeting Information Statement**

7. Section 620.20 is amended by revising paragraphs (b) and (c) to read as follows:

§ 620.20 Preparing, distributing, and filing the information statement.

\* \* \* \* \*

(b) The statement shall contain, at a minimum, the information specified in § 620.21 and, in addition, such other material information as is necessary to make the required statement, in light of the circumstances under which they are made, not misleading.

(c) The statement shall incorporate by reference the annual report to shareholders required by Subpart A of this part. In addition, if any institution holds its annual meeting of shareholders more than 134 days after the end of its fiscal year, the statement shall be preceded or accompanied by the most recent quarterly statements required by Subpart B of this part.

\* \* \* \* \*

**PART 621 -- ACCOUNTING AND REPORTING REQUIREMENTS**

8. The authority citation for Part 621 continues to read as follows:

**Authority:** Sec. 5.17 (9) and (10), Pub. L. 99-205, 99 Stat. 1678, 12 U.S.C. 2252(a)(9)(10).

**Subpart A -- Accounting Requirements**

9. Section 621.2 is amended by removing paragraph (a)(18)(i) and redesignating paragraphs (a)(18) (ii), (iii), (iv) and (v) as paragraphs (a)(18) (i), (ii), (iii), and (iv); and by removing paragraph (a)(24).

10. Section 621.4 is amended by revising the heading to read as follows:

**§ 621.4 Accrual basis of accounting.**

**William A. Sanders, Jr.,**

Secretary, Farm Credit Administration.

[FR Doc. 87-18510 Filed 8-13-87; 8:45 am]

BILLING CODE 6705-01-M

29 of 63 DOCUMENTS

FARM CREDIT ADMINISTRATION

52 FR 30279

August 13, 1987

**SUMMARY:** Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. 552b(e)(3)), of the forthcoming regular meeting of the Farm Credit Administration Board (Board). The regular meeting of the Board originally scheduled for August 4, 1987 is rescheduled to Tuesday, August 18, 1987.

**MEETING:**

**DATE AND TIME:** The meeting is scheduled to be held at the offices of the Farm Credit Administration in McLean, Virginia, on August 18, 1987, from 10:00 a.m. until such time as the Board may conclude its business.

**FOR FURTHER INFORMATION CONTACT:** William A. Sanders, Jr., Secretary to the Farm Credit Administration Board, 1501 Farm Credit Drive, McLean, Virginia 22102-5090, (703-883-4010).

**ADDRESS:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090.

**TEXT: SUPPLEMENTARY INFORMATION:** Parts of this meeting of the Board will be open to the public (limited space available), and parts of the meeting will be closed to the public. The matters to be considered at the meeting are:

1. Summary Prior Approval Items

2. Policy Directives:

 -- Consideration of the FCA Policy Related to Loan Documentation Requirements of Farm Credit System Institutions.

 -- Consideration of Policy Related to Examination of Federal Land Bank Associations

1 3. Review of Financial Condition of Farm Credit System Institutions and Consideration of Certifying to Treasury that the System is in Need of Financial Assistance

1 4. Examination, Supervision and Enforcement Matters

1 5. Discussion of Legislative Matters

1 Session closed to the public -- exempt pursuant to 5 U.S.C. 552b(c) (4), (8) and (9).

**William A. Sanders, Jr.,**

Secretary, Farm Credit Administration.

[FR Doc. 87-18511 Filed 8-10-87; 5:05 pm]

BILLING CODE 6705-01-M

30 of 63 DOCUMENTS

FARM CREDIT ADMINISTRATION

52 FR 29117

August 5, 1987

**FOR FURTHER INFORMATION CONTACT:** William A. Sanders, Jr., Secretary to the Farm Credit Administration Board, 1501 Farm Credit Drive McLean, Virginia 22102-5090 (703-883-4010).

**ADDRESS:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090.

**Dated:** July 27, 1987.

**TEXT: SUMMARY:** Notice is hereby given pursuant to the Government in the Sunshine Act (5 U.S.C. 552(e)(3)), that the regular meeting of the Farm Credit Administration Board (Board) scheduled for August 4, 1987, has been cancelled. The next meeting of the Board is scheduled for August 18, 1987.

**William A. Sanders, Jr.,**

Secretary, Farm Credit Administration Board.

[FR Doc. 87-17862 Filed 8-3-87; 11:37 am]

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31 of 63 DOCUMENTS

FARM CREDIT ADMINISTRATION

Farm Credit Administration; Correction of Sunshine Act Notice.

52 FR 25518

July 7, 1987

**MEETING:**

**DATE AND TIME:** The meeting is scheduled to be held at the offices of the Farm Credit Administration in McLean, Virginia, on July 1, 1987, from 10:00 a.m. until such time as the Board may conclude its business.

**FOR FURTHER INFORMATION CONTACT:** William A. Sanders, Jr., Secretary of the Farm Credit Administration Board, 1501 Farm Credit Drive, McLean, Virginia 22102-5090, (703) 883-4010.

**ADDRESS:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090.

**TEXT: SUMMARY:** Pursuant to the Government in the Sunshine Act (5 U.S.C. 552b(e)(3)), the Farm Credit Administration gave notice on June 26, 1987 (52 FR 24088) of the forthcoming regular meeting of the Farm Credit Administration Board (Board) originally scheduled to be held on July 7, 1987 being rescheduled for July 1, 1987. This notice is to revise the agenda for Wednesday, July 1, 1987.

**SUPPLEMENTARY INFORMATION:** Parts of this meeting of the Board will be open to the public (limited space available), and parts of the meeting will be closed to the public. The agenda for Wednesday, July 1, is revised to read as follows:

1. Approval of Minutes

2. Summary Prior Approval Items

3. Regulations

Proposed:

Part 620 -- Shareholder Disclosure

Part 621 -- Accounting and Reporting Requirements

4. Policy of FCA with Respect to Approval of System Institutions' Salary Ranges and Compensation of Chief Executive Officers

5. Status of Sacramento Stock Reduction Program

\*6. Consideration of Technical Changes to FCA Statutory Authority

\*\*7. Review of Financial Condition of Farm Credit System Institutions and Consideration of Certifying to Treasury that the System is in Need of Financial Assistance

\*\*8. Examination, Supervision, and Enforcement Matters

**Dated:** June 30, 1987.

**William A. Sanders, Jr.,**

Secretary, Farm Credit Administration.

\*Session closed to the public -- exempt pursuant to 5 U.S.C. 552b(c)(9).

\*\*Session closed to the public -- exempt pursuant to 5 U.S.C. 552b(c) (4), (8) and (9).

[FR Doc. 87-15442 Filed 7-2-87; 11:43 am]

BILLING CODE 6705-01-M

32 of 63 DOCUMENTS

FARM CREDIT ADMINISTRATION

Farm Credit Administration Board; Regular Meeting

52 FR 24088

June 26, 1987

**MEETING:**

**DATE AND TIME:** The meeting is scheduled to be held at the offices of the Farm Credit Administration in McLean, Virginia, on July 1, 1987, from 10:00 a.m. until such time as the Board may conclude its business.

**FOR FURTHER INFORMATION CONTACT:** William A. Sanders, Jr., Secretary to the Farm Credit Administration Board, 1501 Farm Credit Drive, McLean, Virginia 22102-5090 (703-883-4010).

**ADDRESS:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090.

**TEXT: SUMMARY:** Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. 552b(e)(3)), of the forthcoming regular meeting of the Farm Credit Administration Board (Board). The regular meeting of the Board originally scheduled for July 7, 1987 is rescheduled to Wednesday, July 1, 1987.

**SUPPLEMENTARY INFORMATION:** Parts of this meeting of the Board will be open to the public (limited space available), and parts of the meeting will be closed to the public. The matters to be considered at the meeting are:

1. Approval of Minutes

2. Regulations Proposed:

Part 620 -- Shareholder Disclosure

Part 621 -- Accounting and Reporting Requirements

3. Consideration of Loan Documentation Standards

4. Consideration of Technical Changes to FCA Statutory Authority

1 n 5. Review of Financial Condition of Farm Credit System Institutions and Consideration of Certifying to Treasury That the System is in Need of Financial Assistance

n 1 Session closed to the public -- exempt pursuant to 5 U.S.C. 552 (c)(4), (8) and (9).

1 6. Examination, Supervision, and Enforcement Matters

**Dated:** June 23, 1987.

**William A. Sanders, Jr.,**

Secretary, Farm Credit Administration.

[FR Doc. 87-14607 Filed 6-24-87; 9:37 am]

BILLING CODE 6705-01-M

33 of 63 DOCUMENTS

FARM CREDIT ADMINISTRATION

Farm Credit Administration Board; Special Meeting

52 FR 22885

June 16, 1987

**MEETING:**

**DATE AND TIME:** The meeting is scheduled to be held at the offices of the Farm Credit Administration in McLean, Virginia, on June 10, 1987, from 2:30 p.m. until such time as the Board may conclude its business.

**FOR FURTHER INFORMATION CONTACT:** William A. Sanders, Jr., Secretary to the Farm Credit Administration Board, 1501 Farm Credit Drive, McLean, Virginia 22102-5090 (703-883-4010).

**ADDRESS:** Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090.

**TEXT: SUMMARY:** Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. 552b(e)(3)), of the forthcoming special meeting of the Farm Credit Administration Board (Board).

**SUPPLEMENTARY INFORMATION:** This meeting of the Board will be closed to the public. The matter to be considered at the meeting is:

 n1 1. Farm Credit System Collateral Issues

n 1 Session closed to the public-exempt pursuant to 5 U.S.C. 552(c)(4), (8) and (9).

**Dated:** June 11, 1987.

**William A. Sanders, Jr.,**

Secretary, Farm Credit Administration Board.

[FR Doc. 87-13746 Filed 6-12-87; 9:06 am]

BILLING CODE 6705-01-M