Burden seeking public comment on the appropriateness of requirements that the FCA regulations impose on the FCS. More specifically, the FCA asked the public to identify regulations that either duplicate other governmental requirements, are not effective, or impose a burden that is greater than the benefit derived. The notice of intent was published in the Federal Register (58 FR 34003) on June 23, 1993. After reviewing all responses to the notice of intent, the FCA proposed on January 10, 1995, to delete the following regulatory provisions: §§ 615.5104; 615.5105(c); 615.5170 (b) through (e); 615.5190; 615.5498; 615.5500; 615.5520; 615.5530; and 618.8220. Additionally, the FCA proposed the repeal of the Agency priorapproval requirements in §614.4470 (b)(1) and (b)(3). See 60 FR 2552 (January 10, 1995).

The Farm Credit Council (Council), on behalf of its members, and a production credit association (PCA) submitted comments concerning the proposed deletions. The Council strongly supported the repeal of the above-cited regulations and Agency prior-approval requirements, and encouraged the FCA to adopt the entire proposal as a final rule. Although the PCA lauded the FCA's effort to reduce regulatory burdens on System institutions, it offered no comments about the FCA's proposal to repeal the above-cited regulations and priorapproval requirements. Instead, the PCA petitioned the FCA to address three regulatory burden issues that were not included in the proposed rule.

In response, the FCA emphasizes that its proposal of January 10, 1995, represents the first phase in an ongoing process to reduce regulatory burdens on FCS institutions. As the FCA explained in the preamble to the proposed rule, the FCA is in the process of evaluating all recommendations for reducing regulatory burdens that System commenters submitted to the Agency in response to the notice of intent. The FCA will address all remaining regulatory burden issues, including those raised by the PCA, either in (1) Regulatory projects that the FCA Board identifies in the Unified Agenda of Federal Regulations, which is routinely published in the **Federal Register**, or (2) subsequent phases of this project.

The FCA now adopts its January 10, 1995 proposal as a final rule without amendment. The regulations that the FCA now repeals are not necessary to implement or interpret the Farm Credit Act of 1971, as amended (Act), or to promote the safe and sound operations of FCS institutions. For this reason, the repeal of these regulations and Agency

prior-approval requirements will relieve unnecessary regulatory burdens on the FCS. The following is a brief explanation of the rationale for repealing each of these regulatory requirements.

## II. Analysis of Changes and Comments by Section

## A. Loans Subject to Bank Approval

The FCA now eliminates from both §§ 614.4470 (b)(1) and (b)(3) the requirement that the Agency preapprove certain insider loan transactions at System associations. Section 614.4470(a) requires funding banks to preapprove loans that their affiliated associations make to: (1) Their own directors or employees; (2) directors or employees of a jointly managed association; or (3) bank employees. Until now, §614.4470(b) required FCA approval of loans to any borrower whenever certain institution-affiliated parties: (1) Received proceeds of a loan in excess of an amount established by the funding bank; or (2) endorsed, guaranteed, or co-made a loan in excess of the amount established by the funding bank.

These Agency prior-approval requirements in § 614.4470 (b)(1) and (b)(3) are inconsistent with the FCA's status as an arm's-length regulator. Furthermore, these insider activities can be adequately evaluated and controlled through means other than prior approval by the FCA. Sections 612.2140 and 612.2150 establish adequate safeguards to prevent directors, officers, and employees of System institutions from using their positions for personal gain. In addition, § 620.5 requires System institutions to disclose insider loan transactions in their annual reports to shareholders. The FCA has sufficient examination and enforcement powers to ensure that loans to institution-affiliated parties do not undermine the solvency of any FCS bank or association. Once the repeal of the Agency prior-approval requirements in § 614.4470(b) becomes effective, the FCA shall rely upon its examination authority to determine whether: (1) Bank policy adequately deters insider abuses at System institutions; and (2) associations are complying with bank policy. The FCA is currently reviewing whether other prior-approval requirements that are not mandated by the Act should be retained.

## B. Debt Policy and Consolidated Systemwide Notes

The FCA now repeals §§ 615.5104 and 615.5105(c) because they have been superseded by a new regulation, § 615.5135. Section 615.5104 requires

each bank to adopt a policy for the management of its debt, while § 615.5105(c) requires the debt management policy of each bank to identify the maximum amount of discount notes that can be outstanding at any one time. Each FCS bank is now required by §615.5135 to adopt an asset/liability management policy. Furthermore, § 615.5135 requires the policies of System banks to address the management of both assets and liabilities in a more comprehensive manner than §§ 615.5104 and 615.5105(c). Because § 615.5135 has rendered §§ 615.5104 and 615.5105(c) obsolete, the Agency is deleting these two regulations. In the FCA's opinion, the new investment regulations in subpart E of part 615 enhance the ability of Farm Credit banks to control liquidity and solvency risks in their portfolios.

## C. Real and Personal Property

The FCA now repeals §§ 615.5170 (b) through (e). These regulations are not needed to: (1) Implement or interpret provisions in the Act that govern the acquisition of real or personal property by FCS banks and associations; or (2) promote safety and soundness. In FCA's opinion, these provisions impose burdens on System institutions that are no longer justified by the benefits derived. These regulatory provisions prescribe detailed operational standards, rather than performance criteria, for ensuring the safe and sound operation of System banks and associations. The FCA also believes that § 615.5170 (d) and (e) are no longer necessary because the safety and soundness concerns posed by information system processing technology are now adequately addressed in FCA Information Systems Bulletins. Additionally, Information Systems Bulletin 92–1 addresses information system risks in mergers and acquisitions. The FCA also observes that paragraphs (b), (c), and (d) of § 615.5170 contain obsolete references to the "district boards" that were abolished by section 409(d) of the Agricultural Credit Technical Corrections Act of 1988.1

The FCA will, however, retain § 615.5170(a) because this provision implements sections 1.5(5) and 3.1(5) of the Act. These sections authorize each bank, subject to regulation by the FCA, to acquire, hold, dispose, and otherwise exercise all the usual incidents of ownership of real and personal property necessary or convenient to its business. Sections 2.2(5) and 2.12(5) of the Act provide associations with similar

 $<sup>^{\</sup>rm 1}$  Pub. L. 100–399, section 409(d), 102 Stat. 989, 1003, (August 17, 1988).