[FR Doc. 95–486 Filed 1–9–95; 8:45 am] BILLING CODE 6325–01–M

FARM CREDIT ADMINISTRATION

12 CFR Parts 614, 615, and 618 RIN 3052-AB53

Loan Policies and Operations; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; General Provisions

AGENCY: Farm Credit Administration. **ACTION:** Proposed rule.

SUMMARY: The Farm Credit Administration (FCA), by order of the FCA Board (Board), proposes to repeal several regulations as part of an ongoing effort to reduce unnecessary regulatory burden on Farm Credit System (FCS or System) institutions. Comments that the FCA solicited through a notice of intent regarding regulatory burden identified most of the regulations that the FCA now proposes to delete. The FCA concurs with the commenters that these particular regulations should be repealed because they are outdated or impose a burden that is greater than the benefit derived.

DATES: Written comments must be received on or before February 9, 1995. ADDRESSES: Comments may be mailed or delivered (in triplicate) to Patricia W. DiMuzio, Associate Director, Regulation Development, Office of Examination, 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 Examination, Farm Credit Administration.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

I. Background

On June 10, 1993, the FCA Board approved a Statement on Regulatory Burden seeking public comment on the appropriateness of requirements 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. Although the 90-day comment period expired on September 21, 1993, the FCA considered comments that were received subsequent to that date.

The FCA received a total of 28 responses. The FCA received nine comment letters from individual Farm Credit associations and three letters from groups of associations in particular Farm Credit districts. Seven Farm Credit banks sent 12 comment letters to the FCA. The Farm Credit Council (FCC) sent a comment letter on behalf of its membership. Additionally, three separate work groups of the Farm Credit System Presidents Planning Committee each sent the FCA a position paper containing recommendations to relieve regulatory burdens pertaining to capital, eligibility, and financially related services.

Many of the comments involve regulatory projects that the FCA Board previously identified in the Unified Agenda of Federal Regulations published in the Federal Register on October 25, 1993 (58 FR 57276). The FCA work groups organized to develop revised regulations on these issues will consider the comments as they evaluate various policy options during the course of their regulatory projects. The analysis and appropriate response to comments regarding topics under review by these existing work groups will be included as part of any regulatory action published in the Federal Register.

The remaining comments contained a number of recommendations for eliminating or modifying specific regulations that are perceived as imposing unnecessary regulatory burdens on the FCS. The FCA's review and analysis of these comments was guided, in part, by the FCA Board's Policy Statement on Regulatory Philosophy (Policy Statement). 1

The Policy Statement conveys that "[t]he FCA will work to eliminate outdated regulations and ensure that its regulations implement the purposes of the law without unnecessary burden or cost." According to the Policy Statement, the FCA shall only adopt regulations that: (1) Implement or interpret the law; or (2) are necessary to promote the safe and sound operations of System institutions. The Policy Statement also commits the FCA to

replacing outmoded regulations with new regulations that implement the purposes of the law without imposing unnecessary costs or burdens on FCS institutions. Another provision in the Policy Statement declares that the FCA will strive to ensure that each regulation has a well-defined objective addressing specific problems or risks. In this context, the FCA will seek to establish a regulatory environment that grants FCS institutions the business flexibility to offer a full range of high-quality, lowcost credit services to borrowers. The Policy Statement also states that the FCA, to the extent feasible, will seek to eliminate regulations that prescribe specific operational or managerial practices to System institutions. If appropriate, the FCA will consider the regulatory approaches of other Federal financial institution regulators. Finally, another provision in the Policy Statement pledges that when the need arises, the FCA will draft new regulations so that they are clear, easy to understand, and designed to minimize the potential for ambiguity, uncertainty, and resultant litigation.

The FCA analyzed the commenters' recommendations, and determined that many of the suggestions warranted the immediate repeal of certain FCA regulations. Other suggestions will require additional research and analysis before the FCA determines whether, and to what extent, changes in the existing regulations should be proposed. Once a determination is made, the public will be notified of the FCA Board's decisions regarding the remaining issues in an

appropriate manner.

The FCA is proposing to repeal 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. In addition, the FCA is proposing to repeal the FCA prior approval requirements in \$\\$614.4470(b)(1) and (b)(3). An explanation of the FCA's reasons for proposing the repeal of these regulations follows. The FCA invites public comment on all aspects of the proposed rule.

II. Analysis of Changes and Comments by Section

A. Loans Subject to Bank Approval

A Farm Credit Bank (FCB) and a bank for cooperatives (BC) suggested that the FCA eliminate all agency prior approvals of FCS institution policies, procedures, and transactions that are not required by the Act. The commenters stated that these prior approval requirements are inconsistent

¹⁵⁹ FR 32189, June 22, 1994.