

authorities subject to the supervision by their funding bank and regulation by the FCA. Section 615.5170(a) implements these sections of the Act by specifically stating that the ownership of real estate for office quarters of any bank or association "shall be limited to facilities reasonable and necessary to meet the foreseeable requirements of the institution." Furthermore, § 615.5170(a) expressly prohibits any FCS institution from acquiring real property "if it involves, or appears to involve, a bank or association in the real estate or other unrelated business." This restriction also serves a safety and soundness purpose because such extraneous business activities may increase the exposure of System institutions to loss.

D. Deposits of Funds

The FCA is repealing § 615.5190 because sections 1.5(14), 2.2(10), 2.12(18) and 3.1(12) of the Act provide the requisite authority for FCS institutions to deposit current funds in commercial banks that are either members of the Federal Reserve System or are insured by the Federal Deposit Insurance Corporation (FDIC).

The FCA is also repealing § 615.5190(b) because there is no statutory basis for requiring CoBank to make foreign deposits for the other banks for cooperatives (BCs). The FCA originally adopted this provision in 1981 because, at that time, only the former Central Bank for Cooperatives (CBC) had expertise to reduce the safety and soundness risks that derive from currency exchange transactions. See 46 FR 51881 (October 22, 1981). After the CBC and most district BCs merged to form CoBank, the FCA amended § 615.5190(b) to require CoBank to assume the CBC's function. See 56 FR 2671 (January 24, 1991). The rationale for § 615.5190(b) no longer exists because: (1) Individual BCs have acquired greater international lending experience since 1981; and (2) most BCs have consolidated into CoBank. In this context, § 615.5190(b) unnecessarily restricts BCs, other than CoBank, from becoming active in the international arena. The FCA has determined that the safety and soundness risks inherent in currency exchange transactions should not be controlled by a regulation that unduly restricts the business flexibility of BCs and ACBs to offer a full range of high-quality, low-cost international financial and credit services to their customers independently of CoBank. Rather, the FCA will rely upon its examination and enforcement powers to ensure that all BCs and ACBs conduct their currency exchange transactions in a safe and sound manner. Another FCA

regulation, § 614.4900 establishes safety and soundness standards for currency exchange transactions by BCs and ACBs.

Another provision in § 615.5190(b) prohibits FCS banks from holding certificates of deposit that are denominated in foreign currencies as investments under § 615.5140. This provision predates the recent revision of § 615.5140, which now requires System banks to acquire investments that are denominated only in United States dollars. Hence, § 615.5190(b) is unnecessary.

E. Farm Credit Securities as Illustrations

The FCA also repeals § 615.5498, which regulates the illustration of Farm Credit securities that are used for educational or illustrative purposes. The purpose of this regulation is to deter counterfeiting of definitive FCS securities. Since virtually all FCS securities are now issued in book-entry form, § 615.5498 is obsolete. The Federal Farm Credit Banks Funding Corporation and individual System banks can implement adequate safeguards to minimize the risk of counterfeiting of the few securities that are still issued in definitive form.

F. Open Registered Mail and Express Policy

The FCA now repeals subpart P of part 615, which consists of §§ 615.5500, 615.5520, and 615.5530. These three regulations govern the shipment of negotiable securities through the United States Postal Service. The regulations of subpart P of part 615 were designed to eliminate the System's exposure to loss at a time when FCS negotiable securities were routinely shipped by mail between the Bureau of Printing and Engraving and the Federal Reserve Bank of New York. The practice of shipping negotiable securities through the mail was discontinued several years ago. The advent of electronic and computer technology for transferring negotiable securities through the book-entry system has rendered subpart P of part 615 obsolete.

G. Contributions and Membership in Other Organizations

The FCA is repealing § 618.8220, which requires the boards of directors of FCS banks and associations to approve: (1) Charitable contributions; and (2) the payment of membership dues in any voluntary association, club, or society. The regulation further requires boards of directors, during the approval process, to consider the business benefits and tax consequences of such contributions and memberships for the bank or association.

In the FCA's opinion, § 618.8220 unnecessarily interferes in the internal operations of System institutions and imposes a regulatory burden that is not commensurate with the safety and soundness risks posed by System charitable and social activities. The FCA's examination and enforcement powers can adequately deter System institutions from conducting these activities in an unsafe and unsound manner.

List of Subjects

12 CFR Part 614

Agriculture, Banks, banking, Foreign trade, Reporting and recordkeeping requirements, Rural areas.

12 CFR Part 615

Accounting, Agriculture, Banks, banking, Government securities, Investments, Rural areas.

12 CFR Part 618

Agriculture, Archives and records, Banks, banking, Insurance, Reporting and recordkeeping requirements, Rural areas, Technical assistance.

For the reasons stated in the preamble, parts 614, 615, and 618 of chapter VI, title 12 of the Code of Federal Regulations are hereby amended to read as follows:

PART 614—LOAN POLICIES AND OPERATIONS

1. The authority citation for part 614 continues to read as follows:

Authority: Secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 2.0, 2.2, 2.3, 2.4, 2.10, 2.12, 2.13, 2.15, 3.0, 3.1, 3.3, 3.7, 3.8, 3.10, 3.20, 3.28, 4.12, 4.12A, 4.13, 4.13B, 4.14, 4.14A, 4.14C, 4.14D, 4.14E, 4.18, 4.19, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 7.7, 7.8, 7.12, 7.13, 8.0, 8.5, of the Farm Credit Act (12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2096, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2199, 2201, 2202, 2202a, 2202c, 2202d, 2202e, 2206, 2207, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a-2, 2279b, 2279b-1, 2279b-2, 2279f, 2279f-1, 2279aa, 2279aa-5); sec. 413 of Pub. L. 100-233, 101 Stat. 1568, 1639.

Subpart M—Loan Approval Requirements

§ 614.4470 [Amended]

2. Section 614.4470 is amended by removing the words "and approved by the Farm Credit Administration" from paragraphs (b)(1) and (b)(3).