

deposits for the other BCs. The commenters also assert that § 615.5190(b) unnecessarily restricts other BCs from becoming active in the international arena.

Section 615.5190(b) was originally adopted in 1981 (46 FR 51881, October 22, 1981), when there were 12 BCs and the Central Bank for Cooperatives (CBC). After section 304 of the Farm Credit Act Amendments of 1980<sup>4</sup> granted international lending authorities to the BCs, the FCA decided that the CBC should conduct all international banking transactions on behalf of the district BCs. At the time, only the CBC had the expertise to reduce the safety and soundness risks that derive from currency exchange transactions. After the CBC and 10 district BCs merged to form the CoBank, the FCA amended § 615.5190(b) to require CoBank to assume the CBC's function. See 56 FR 2671, January 24, 1991.

After careful reflection on this issue, the FCA has determined that the safety and soundness risks inherent in currency exchange transactions should not be controlled by a regulation which flatly prohibits a BC or an agricultural credit bank (ACB), other than CoBank, from independently exercising its international banking authorities under section 3.7(a) of the Act. The existing regulation unduly restricts the business flexibility of BCs and ACBs, other than CoBank, to offer a full range of high-quality, low-cost international financial and credit services to their customers.

If § 615.5190(b) is repealed, the FCA will rely upon its examination and enforcement powers to ensure that all BCs and ACBs conduct their currency exchange transactions in a safe and sound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. The FCA emphasizes that each BC and ACB is responsible for employing personnel who have the competency and expertise to conduct its international banking operations. In the alternative, a BC or an ACB may contract with commercial banks, other FCS banks operating under title III of the Act, or other qualified institutions for the management of its currency exchange transactions.

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 revisions to § 615.5140, which now requires System banks to acquire investments that are denominated only in United States dollars. The duplicative nature of

§ 615.5190 supports FCA's decision to repeal this regulation.

#### *E. Farm Credit Securities as Illustrations*

The FCA is proposing to repeal § 615.5498, which regulates the illustration of Farm Credit securities that are used for educational or illustrative purposes. The FCA proposes to delete § 615.5498 although it received no comments about this regulation. 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 is proposing to repeal 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*

Two FCBs petitioned the FCA either to delete or amend § 618.8220. This regulation 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.

The commenters contend that § 618.8220 prohibits an institution's board of directors from delegating responsibility for such matters to management. The commenters also assert that board approval often prevents a Farm Credit bank or

association from honoring unforeseen charitable requests in a timely manner. In this context, the commenters expressed concern that an FCS institution's reputation in its community will suffer damage if it does not respond to requests from charities and benevolent societies in a prompt and prudent manner.

The FCA agrees with the commenters that § 618.8220 unnecessarily interferes in the business operations of System institutions. Furthermore, § 618.8220 unnecessarily prescribes management practices to System banks and associations. The FCA observes that § 618.8220 imposes requirements on FCS institutions that are 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. For these reasons, the FCA is proposing to remove § 618.8220 to provide FCS institutions the additional flexibility they are seeking.

#### **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 proposed to be 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,

<sup>4</sup>Pub. L. No. 96-592, Section 304, 94 Stat. 3437, 3444, (December 24, 1980).