

Farm Credit Administration

§ 652.60

period set forth in paragraph (a)(1) of this section, you must divest of an ineligible non-program investment or security within 6 months unless we approve, in writing, a plan that authorizes you to divest the instrument over a longer period of time. An acceptable plan generally would require you to divest of the ineligible investment or security as quickly as possible without substantial financial loss.

(b) *Reporting requirements.* Until you divest of the ineligible non-program investment or security, you must report at least quarterly to your board of directors and to FCA's Office of Secondary Market Oversight about the status and performance of the ineligible instrument, the reasons why it remains ineligible, and the manager's progress in divesting of the investment.

Subpart B—Risk-Based Capital Requirements

SOURCE: 66 FR 19064, Apr. 12, 2001. Redesignated at 70 FR 40650, July 14, 2005, unless otherwise noted.

§ 652.50 Definitions.

For purposes of this subpart, the following definitions will apply:

(a) *Farmer Mac, Corporation, you, and your* means the Federal Agricultural Mortgage Corporation and its affiliates as defined in subpart A of this part.

(b) *Our, us, or we* means the Farm Credit Administration.

(c) *Regulatory capital* means the sum of the following as determined in accordance with generally accepted accounting principles:

(1) The par value of outstanding common stock;

(2) The par value of outstanding preferred stock;

(3) Paid-in capital, which is the amount of owner investment in Farmer Mac in excess of the par value of stock;

(4) Retained earnings; and

(5) Any allowances for losses on loans and guaranteed securities.

(d) *Risk-based capital* means the amount of regulatory capital sufficient for Farmer Mac to maintain positive capital during a 10-year period of stressful conditions as determined by

the risk-based capital stress test described in § 650.23.

§ 652.55 General.

You must hold risk-based capital in an amount determined in accordance with this subpart.

§ 652.60 Corporation board guidelines.

(a) Your board of directors is responsible for ensuring that you maintain total capital at a level that is sufficient to ensure continued financial viability and provide for growth. In addition, your capital must be sufficient to meet statutory and regulatory requirements.

(b) No later than 65 days after the beginning of Farmer Mac's planning year, your board of directors must adopt an operational and strategic business plan for at least the next 3 years. The plan must include:

(1) A mission statement;

(2) A review of the internal and external factors that are likely to affect you during the planning period;

(3) Measurable goals and objectives;

(4) Forecasted income, expense, and balance sheet statements for each year of the plan; and,

(5) A capital adequacy plan.

(c) The capital adequacy plan must include capital targets necessary to achieve the minimum, critical and risk-based capital standards specified by the Act and this subpart as well as your capital adequacy goals. The plan must address any projected dividends, equity retirements, or other action that may decrease your capital or its components for which minimum amounts are required by this subpart. You must specify in your plan the circumstances in which stock or equities may be retired. In addition to factors that must be considered in meeting the statutory and regulatory capital standards, your board of directors must also consider at least the following factors in developing the capital adequacy plan:

(1) Capability of management;

(2) Strategies and objectives in your business plan;

(3) Quality of operating policies, procedures, and internal controls;

(4) Quality and quantity of earnings;