

## PART 4101--SUPPLEMENTAL STANDARDS OF ETHICAL CONDUCT FOR EMPLOYEES OF THE FARM CREDIT ADMINISTRATION

**Authority:** 5 U.S.C. 7301, 7353; 5 U.S.C. App. (Ethics in Government Act of 1978); 12 U.S.C. 2245(c)(2)(C), 2252; E.O. 12674, 3 CFR, 1989 Comp., p. 215, as modified by E.O. 12731, 3 CFR, 1990 Comp., p. 306; 5 CFR 2635.105, 2635.403(a), 2635.502, 2635.702, 2635.802(a), 2635.803.

**Source:** 60 FR 30781, June 12, 1995, unless otherwise noted.

### § 4101.101 General.

In accordance with 5 CFR 2635.105, the regulations in this part apply to Farm Credit Administration (FCA) employees and supplement the Standards of Ethical Conduct for Employees of the executive branch contained in 5 CFR part 2635. Employees are required to comply with 5 CFR part 2635, this part, and Agency guidance and procedures established pursuant to 5 CFR 2635.105.

### § 4101.102 Definitions.

For purposes of this part:

- (a) Covered employee means:
- (1) Examiners; and
  - (2) Any other employee specified by FCA directive whose duties and responsibilities require application of these supplemental regulations to ensure public confidence that the FCA's programs are conducted impartially and objectively. The FCA Designated Agency Ethics Official (DAEO) or his or her designee, in consultation with the Office Directors, will determine which employees are covered for the purpose of this part.
- (b) Related entity means:
- (1) Affiliates defined in section 8.5(e) of the Farm Credit Act of 1971, as amended (Act), 12 U.S.C. 2001 *et seq.*, 12 U.S.C. 2279aa-5;
  - (2) Affiliates defined in section 8.11(e) of the Act, 12 U.S.C. 2279aa-11;
  - (3) Service organizations authorized by section 4.25 of the Act, 12 U.S.C. 2211; and
  - (4) Any other entity owned or controlled by one or more Farm Credit System (System) institution that is not chartered by the FCA.
- (c) System institution refers to:
- (1) All institutions chartered and regulated by the FCA as described in section 1.2 of the Act, 12 U.S.C. 2002;
  - (2) The Federal Farm Credit Banks Funding Corporation, established pursuant to section 4.9 of the Act, 12 U.S.C. 2160; and
  - (3) The Federal Agricultural Mortgage Corporation, established pursuant to section 8.1 of the Act, 12 U.S.C. 2279aa-1.

### § 4101.103 Prohibited financial interests.

- (a) Prohibition . Except as provided in paragraph (c) of this section and § 4101.109, no covered employee, or spouse or minor child of a covered employee, shall own, directly or indirectly, securities issued by a System

institution or related entity.

(b) *Definition of securities* . For purposes of this section, the term "securities" includes all interests in debt or equity instruments. The term includes, without limitation, secured and unsecured bonds, debentures, notes, securitized assets and commercial paper, as well as all types of preferred and common stock. The term encompasses both current and contingent ownership interests, including any beneficial or legal interest derived from a trust. It extends to any right to acquire or dispose of any long and short position in such securities and includes, without limitation, interests convertible into such securities, as well as options, rights, warrants, puts, calls, and straddles relating to such securities.

(c) *Exceptions* . Nothing in this section prohibits a covered employee, or spouse or minor child of a covered employee, from:

(1) Investing in a publicly traded or publicly available investment fund which, in its prospectus, does not indicate the objective or practice of concentrating its investments in the securities of System institutions or related entities, and the employee neither exercises control over nor has the ability to exercise control over the financial interests held in the fund;

(2) Having a legal or beneficial interest in a qualified profit sharing, retirement, or similar plan, provided that the plan does not invest more than 25 percent of its funds in securities of System institutions or related entities, and the employee neither exercises control over nor has the ability to exercise control over the financial interests held in the plan;

(3) Owning securities of System institutions held as a result of pre-existing credit, as specified in § 4101.104(b); or

(4) Owning any security pursuant to a waiver granted under § 4101.109.

#### § 4101.104 Prohibited borrowing.

(a) *Prohibition on employee borrowing* . Except as provided in paragraph (b) of this section, no covered employee, or spouse or minor child of a covered employee, shall seek or obtain any loan or extension of credit from a System institution or from an officer, director, employee, or related entity of a System institution.

(b) *Exception* . This section does not prohibit a covered employee, or spouse or minor child of a covered employee, from retaining a loan from a System institution on its original terms if the loan was obtained prior to appointment to a covered employee position. For loans retained pursuant to this paragraph, a covered employee shall submit to his or her immediate supervisor, the ethics liaison in his or her office, and the DAEO, a written disqualification from examining, auditing, visiting, reviewing, investigating, or otherwise participating in the supervision of the System institution that is providing the retained credit. Written disqualification shall be made within 30 days of appointment to a covered employee position on a form prescribed by the DAEO. Any renewal or renegotiation of a pre-existing loan or extension of credit will be treated as a new loan subject to the prohibition in paragraph (a) of this section.

#### § 4101.105 Purchase of System institution assets.

(a) *Prohibition on purchasing assets owned by a System institution* . No covered employee, or spouse or minor child of a covered employee, shall purchase, directly or indirectly, an

asset (such as real property, vehicles, furniture, or similar items) from a System institution or related entity, unless it is sold at a public auction or by other means which assure that the selling price is the asset's fair market value. A covered employee shall obtain concurrence from the DAEO about whether a proposed purchase of a System institution asset is proper.

**(b) Assets held or managed by the Farm Credit System Insurance Corporation or a receiver or conservator** .

**(1) Prohibition on purchase** . No covered employee, or spouse or minor child of a covered employee, shall purchase, directly or indirectly, an asset (such as real property, vehicles, furniture, or similar items) that is held or managed by a receiver or conservator for a System institution or that is held by the Farm Credit System Insurance Corporation (Corporation) as a result of its provision of open bank assistance to troubled System banks regardless of how the asset is sold.

**(2) Disqualification**. A covered employee who is involved in the disposition of receivership or conservatorship assets, or assets acquired by the Corporation as a result of its provision of open bank assistance to troubled System banks, shall disqualify himself or herself from participation in the disposition of such assets when the employee becomes aware that anyone with whom the employee has a covered relationship, as defined in § 2635.502(b)(1) of the Executive Branch-wide Standards, is or will be attempting to acquire such assets. The employee shall provide written notification of the disqualification to his or her immediate supervisor, the ethics liaison in his or her office, and the DAEO.

#### **§ 4101.106 Restrictions arising from the employment of relatives.**

When the spouse of a covered employee, or other relative who is dependent on or resides with a covered employee, is employed in a position that the employee would be prohibited from occupying by § 4101.108(a), the employee shall file a report of family member employment with his or her immediate supervisor, the ethics liaison in his or her office, and the DAEO on a form prescribed by the DAEO. Notice shall be made as soon as possible after learning about employment already in existence or in advance of known prospective employment. The employee shall be disqualified from participation in any matter involving the employee's spouse or relative, or the employing entity, unless the DAEO authorizes the employee to participate in the matter using the standard in § 2635.502(d) of the Executive Branch-wide Standards.

#### **§ 4101.107 Involvement in System institution board member elections.**

No covered employee who is able to participate in a System institution board election because of System securities owned by virtue of retaining a pre-existing loan or extension of credit from a System institution in accordance with § 4101.104(b) shall take any part, directly or indirectly, in the nomination or election of a board member of a System institution, other than by exercising the right to vote. In addition, a covered employee shall not make any oral or written statement that may be reasonably construed as intending to influence any vote in such nominations or elections.

#### **§ 4101.108 Outside employment and business activity.**

**(a) Prohibition** . No covered employee shall perform services, either on a paid or unpaid basis, for any System institution or related entity, or any officer, director, employee, or person connected with a System institution or related entity. Nothing in this section would prohibit

covered employees from providing any service that is a part of their official duties.

(b) General requirement for prior approval . All employees shall obtain prior written approval before engaging in any outside employment or business activity, with or without compensation, unless the outside activity is exempt from the definition of "employment" as set forth in paragraph (c) of this section. An employee proposing to engage in outside employment and business activities is required, prior to commencement, to send a written notice of the proposed employment or activity to the DAEO on a form prescribed by the DAEO. Approval shall be granted only upon a determination that the employment or activity is not expected to involve conduct prohibited by statute, part 2635 of this title, or paragraph (a) of this section.

(c) Definition . For purposes of this section, "employment" means any form of non-Federal employment, business relationship or activity involving the provision of personal services by the employee, whether or not for compensation. It includes, but is not limited to, personal services as an officer, director, employee, agent, attorney, consultant, contractor, general partner, trustee, teacher, or speaker. It includes writing when done under an arrangement with another person for production or publication of the written product. It does not, however, include participation in the activities of a nonprofit charitable, religious, professional, social, fraternal, educational, recreational, public service, or civic organization for which no compensation is received other than reimbursement for necessary expenses.

#### **§ 4101.109 Waivers.**

The DAEO may grant a written waiver from any provision of this part based on a determination that the waiver is not inconsistent with part 2635 of this title or otherwise prohibited by law and that, under the particular circumstances, application of the provision is not necessary to avoid the appearance of misuse of position or loss of impartiality, or otherwise to ensure confidence in the impartiality and objectivity with which Agency programs are administered. A waiver under this paragraph may impose appropriate conditions, such as requiring execution of a written disqualification.