

## Farm Credit Administration

1501 Farm Credit Drive  
McLean, Virginia 22102-5090  
(703) 883-4000

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November 13, 2008



The CEO of each Farm Credit System Bank  
The CEO of the Federal Farm Credit Banks Funding Corporation

### Market Emergency Standby Resolution

The Farm Credit Administration (FCA) Board has adopted the attached standby resolution. Please review the resolution and incorporate its requirements into your contingency planning. A market emergency may require issuance of discount notes that would result in one or more banks violating the liquidity standard set forth in §615.5134 of our regulations. Section 615.5136 anticipates this possibility, but the recent market turmoil has demonstrated that events may not allow for the deliberation contemplated in the regulation.

The FCA Board encourages you to review carefully your contingent funding plans to ensure that you have liquidity reserves that are sufficient to withstand extended and significant market volatility that could prevent use of normal funding strategies.

Should you have any questions, please contact Andrew D. Jacob, CFA, Director, Office of Regulatory Policy at (703) 883-4356 ([jacoba@fca.gov](mailto:jacoba@fca.gov)) or Laurie Rea, Associate Director, at (703) 883-4232 ([real@fca.gov](mailto:real@fca.gov)).

Sincerely,

A handwritten signature in black ink that reads 'Roland E. Smith'. The signature is written in a cursive style with a large initial 'R'.

Roland E. Smith  
Secretary to the Board

Enclosure

## Market Emergency Standby Resolution

Whereas, the Farm Credit Administration (FCA) Board has determined that it is prudent to anticipate the possible effect on the regulatory standard for Farm Credit System (FCS) bank days-of-liquidity (DOL) of an emergency that disrupts normal access to the credit markets, and short-term debt is the only reasonable and available funding source.

Whereas, §615.5136 of FCA's regulations anticipates such an emergency and the potential need to rely on short-term debt or liquidity investments to meet funding requirements and authorizes the FCA Board to waive compliance with the regulatory standard for FCS bank DOL.

Whereas, the FCA Board is concerned that emergency circumstances may not permit sufficient time to adequately consider and take action under 615.5136 before either a funding default or non-compliance with the regulatory standard for FCS bank DOL occurs.

Whereas, the FCA Board has duly considered the need to provide a waiver of the FCS bank DOL regulatory requirement in a manner that allows an immediate Agency response to potential market emergencies.

Therefore, the FCA Board hereby adopts this Standby Resolution that goes into effect immediately after:

- (1) FCA's Chairman and Chief Executive Officer determines that a market emergency exists under § 615.5136, or
- (2) All of the following three conditions occur: a) the President of the Federal Farm Credit Banks Funding Corporation (Funding Corporation) asserts that the Funding Corporation is unable to access the term market and that issuance of Discount Notes (DN) is the only feasible alternative to default; and b) issuance of DN would result in a violation of § 615.5134 by one or more FCS banks; and c) the President of the Funding Corporation has been unable to discuss market conditions with the FCA pursuant to § 615.5136.

When this Standby Resolution goes into effect, the FCA Board:

- 1) Waives the 90-day liquidity reserve requirement of § 615.5134 for the duration of the market emergency or fourteen (14) calendar days after the effective date of this Standby Resolution, whichever period ends first; and
- 2) Requires the President of the Funding Corporation to provide the FCA with daily reports showing the volume of DN outstanding for each FCS bank and the associated DOL for each FCS bank; and
- 3) Requires the Chief Executive Officer of each FCS bank with DOL less than 90 days, to provide the FCA within 10 calendar days of falling below the 90 DOL a plan for restoring the bank's DOL to 90 days or more; and
- 4) Requires the Director of the Office of Regulatory Policy to provide advance written approval before the Funding Corporation is authorized to issue DN on

behalf of any bank if, because of the issuance, the DOL for the bank would be less than 30 days.

This Standby Resolution terminates at the earliest to occur of the following events: (1) it is revoked or replaced by the FCA Board; (2) the market emergency that caused the resolution to become effective ends; or (3) fourteen (14) calendar days elapsed since the resolution became effective.

This Standby Resolution requires the FCA Chairman and Chief Executive Officer to notify the Secretary to the FCA Board as soon as possible after this Standby Resolution becomes effective. The Secretary to the FCA Board, in turn, shall promptly notify the other members of the FCA Board and the Chief Operating Officer of the Farm Credit System Insurance Corporation.

Adopted by the Farm Credit Administration Board this 13<sup>th</sup> day of November 2008.

A handwritten signature in cursive script, reading "Roland E. Smith".

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Roland E. Smith, Secretary  
Farm Credit Administration Board