

**Statement of FCA Board Member Jill Long Thompson  
Regarding the U.S. AgBank-CoBank Proposed Merger  
at the Special Meeting of the FCA Board  
June 22, 2011**

The decision before the Farm Credit Administration Board today, granting preliminary approval for the proposed merger, may likely be the most significant decision we make individually and collectively in the course of our service here. Although mergers are not uncommon in the Farm Credit System, this proposed merger will create a bank of almost \$100 billion in assets. While I believe the resulting merged institution will strengthen the System, its size and scope will demand more vigorous oversight by the FCA and we must ensure that we are prepared to do such.

The FCA staff has worked diligently since December of last year when CoBank and U.S. AgBank executed their letter of intent to merge. I have a great deal of confidence in our professional staff and am very appreciative of their analysis and counsel on this proposed merger.

Of particular significance are the increased diversification of the lending portfolio and the improved capitalization that will result from this proposed merger. The combined result adds to the safety and soundness of the Farm Credit System. Nonetheless, because the new institution will hold almost \$100 billion in assets, concerns regarding the risks associated with size concentration in the System have been raised. I commend FCA staff, as well as the leadership at the Farm Credit System Insurance Corporation, for raising this issue and am pleased with the addition of the supervisory conditions that will address these concerns. I believe, however, there must be a follow-up by the FCA Board to study and potentially adopt additional policies or regulations to address size concentration. In doing so, it will be important to look at similar work of other prudential regulators in the United States, as well as recommendations of Basel III.

Equally important to safety and soundness is the System's mission, as established by the United States Congress. I thank fellow Board Member Spearman for his leadership on this particular matter. It is my belief that the language developed by staff to be included in the preliminary approval letter will adequately address this concern for the short-term. But, it will be important for the Farm Credit Administration Board to further study and address this issue as a system-wide matter of concern.

As I have stated previously, this merger will strengthen the Farm Credit System. At the same time, the creation of a bank of the resulting size will place increased oversight demands on the Farm Credit Administration and we must work expeditiously to put in place the appropriate regulations or policies to address the unique challenges of size concentration on safety and soundness, as well as on mission.