

Statement
Jill Long Thompson, Board Chair
Farm Credit Administration Board Meeting
May 8, 2014

I am very proud of the work of FCA staff, and also the commitment of my fellow Board Members, that have led to this Proposed Capital Rule we are considering today. Growing up on a family farm, I remember learning at an early age the importance of having “at least two ways to pay for something.” It was much later as a business student in college that I began to understand the meaning and importance of capital.

Capital is important to both lenders and borrowers. In a cooperative network of borrower-owned lending institutions, the capital structure necessary to achieve safety and soundness has its own unique characteristics.

We have revised our capital regulations over time to reflect changing statutes, business conditions, and widely accepted conventions. These proposed regulations are designed to improve the quality of System capital and to make our capital regulations comparable with those of the regulators of other financial institutions. We have adapted the Basel III framework to the System’s unique characteristics, its cooperative structure and GSE mission. Cooperative principles require current borrowers to provide the capital for the safe operation of the System. This proposed rule adapts the Basel III framework for use with the System. We invite comments on all aspects of our proposal, but particularly on those adaptations we have made to accommodate the unique features of the System.