

Statement on the Merger Applications Review
Glen R. Smith
FCA Board Chairman and CEO
Farm Credit Administration Board Meeting
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I thank the staff for the presentation.

As mentioned, Board Member Hall and I issued a joint board statement on October 29, 2021, soon after reviewing and approving the disclosure statements of two different mergers. We both agreed that improvement is needed in the depth of information submitted in a merger application, as well as to the agency's review of merger applications. It is our intent to issue more formal guidance, but we thought it necessary to indicate to possible merger applicants, in the interest of transparency, that change is on the horizon.

Board Member Hall and I agree that the strength of the Farm Credit System is its cooperative structure. A principle of cooperative structure is local control. FCA has the obligation to ensure merger applicant shareholders have the best information possible to make informed decisions concerning the future of their institution.

To fulfill that obligation, the agency will require improved, nonbiased information, specific to the affected institutions to be submitted in the merger disclosure packages. That information needs to be presented to the voting shareholders in an easy-to-read, plainly written, easily identified format.

The agency will use this improved information to raise the standard by which it assesses the adequacy of the application.

It's appropriate for the agency to review its processes to make sure information requested from the System is necessary and relevant. All means to improve submission, review, and — most importantly — timely disclosure are on the table. All ideas for improvement will be considered.

One current requirement that will remain, however, is the list of disadvantages. As staff noted, this list is required by statute. Of particular note, the agency will be paying more attention to the list of disadvantages submitted in merger disclosures and urges the applicants to include more fulsome and clear information for shareholders to consider when voting on institution mergers.

The board looks forward to hearing staff's further recommendations.

Thank you.