

Glen R. Smith, Chairman and Chief Executive Officer
Jeffery S. Hall, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
July 8, 2021**

These minutes reflect the business transacted at the July 8, 2021, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act, 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

The meeting began at 9:00 a.m. and concluded at 10:14 a.m.

Chairman Smith welcomed new Deputy General Counsel **Ward Griffin** to FCA.

Members of the Board present were:

Glen R. Smith, Chairman and Chief Executive Officer
Jeffery S. Hall, Member

Others present included **Clark Ogilvie** General Counsel; **Dale Aultman**, Secretary to the Board; staff of the FCA and the Farm Credit System Insurance Corporation; and 16 members of the general public. (A list of staff attendees is attached as Exhibit A.)

Chairman Smith announced that this meeting of the Board is a hybrid physical / virtual meeting with some personnel in the Board room, and most personnel teleworking due to the COVID 19 pandemic.

Chairman Smith asked everyone to say the Pledge of Allegiance with him as the Flag was displayed on the presentation screen.

Chairman Smith asked the Secretary to the Board to conduct a roll call and to address a few technical and protocol items.

The **Secretary** conducted a roll call and addressed technical and protocol items.

The **Secretary** read a statement that announced the meeting would be conducted according to the requirements of the Government in the Sunshine Act.

Chairman Smith reviewed the published Agenda. (A copy of the Public Announcement publishing the Agenda for the meeting is attached as Exhibit B.)

Mr. Hall moved to adopt the Agenda as published.

Chairman Smith seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

Mr. Hall noted that the Agenda *did not* include any portions of the meeting that should be closed to the public as permitted by the Government in the Sunshine Act and therefore moved that the entire meeting remain open.

Chairman Smith seconded the motion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

OPEN SESSION

Approval of Minutes

Minutes for June 10, 2021 Regular Board Meeting (BM-8-JUL-21-01)

Mr. Hall moved to approve the minutes for the June 10, 2021, FCA Regular Board Meeting.

Chairman Smith seconded the motion.

There being no further discussion **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-JUL-21-01)**

(A copy of the official "Board Action Item" is attached as Exhibit C.)

Reports

Data Improvement and FCA Data Priorities

Jeremy D'Antoni of the **Office of Data Analytics and Economics** presented the Data Improvement and FCA Data Priorities report.

Chairman Smith opened the discussion for questions and comments by the Board.

Cybersecurity – Recent Issues, Risk to FCA and FCS, and Mitigations

Jeannie Shaffer and **Doug Gray** of the **Office of Information and Technology**, and **Michael Anderson** of the **Office of Examination** presented the Cybersecurity – Recent Issues, Risk to FCA and FCS, and Mitigations report.

Chairman Smith opened the discussion for questions and comments by the Board.

(A copy of the PowerPoint presentation is attached as Exhibit F.)

Climate Risk Task Force – Scope and Objective

Ryan Kuhns of the **Office of Data Analytics and Economics**, **Ryan Leist** of the **Office of Regulatory Policy**, and **Greg Smith** of the **of the Farm Credit System Insurance Corporation** presented the Climate Risk Task Force – Scope and Objective report.

Chairman Smith opened the discussion for questions and comments by the Board.

Mr. Hall partially read his statement on the Climate Change and asked that the entire statement be part of the minutes. (That statement is attached as Exhibit D.)

New Business

Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule (BM-8-JUL-21-02)

Ryan Leist of the **Office of Regulatory Policy**, and **Jennifer Cohn** of the **Office of General Counsel** presented the Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule.

Chairman Smith open the discussion for questions by the Board.

Chairman Smith asked if there was any further discussion and asked staff to provide their recommendation. Staff provided their recommendation.

Chairman Smith called for a motion on the staff's recommendation.

Mr. Hall moved to approve the Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule as recommended by staff.

Chairman Smith seconded the motion.

Chairman Smith asked if there was any further discussion.

There being no further discussion, **Chairman Smith** called the question.

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-8-JUL-21-02)**

(A copy of the official "Board Action Item" is attached as Exhibit E.)

ADJOURNMENT

There being no further business to come before the Board, **Chairman Smith** indicated he would entertain a motion to adjourn the meeting.

Mr. Hall moved that the meeting be adjourned.

Chairman Smith seconded the motion.

Chairman Smith called the question.

The **Secretary** polled the Board Members and the motion carried unanimously.

The meeting adjourned at 10:14 a.m.

NOTATIONAL VOTE ACTIONS

There were two notational vote actions approved by the FCA Board from June 11, 2021, through July 7, 2021 as follows:

Item Number	Action Date	Voting Results	Subject
NV 21-17	06/17/2021	Approved	CoBank, ACB's request to divest itself of an investment made in connection with collection of a loan in a bankruptcy proceeding; the agency determined that the investment was ineligible under FCA regulations.
NV 21-18	06/17/2021	Approved	CoBank, ACB's request to invest up to \$17 million in bonds for a health and support services provider in rural North Dakota.

The undersigned hereby certify that the foregoing minutes are the official minutes of the Regular Meeting of the Farm Credit Administration Board held on July 8, 2021.

/s/
Glen R. Smith
Board Chairman and Chief Executive Officer

/s/
Dale Aultman
Secretary to the Board

Approved: August 12, 2021

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
July 8, 2021**

Glen R. Smith, Board Chairman / CEO
Jeffery S. Hall, Board Member

OFFICE	OPEN SESSION
Office of the Board	
Smith, Glen	X
Hall, Jeff	X
Morris, James	X
Donner, Mary Alice	X
Roque-Brehm, Awilda	X
Johnson, Miranda	X
Calhoun, Gaye	X
Aultman, Dale	X
COO	
Coleman, Robert	X
OIT	
Golley, Jerry	X
Shaffer, Jeannie	X
Gray, Doug	X
Johnson, Mike	X
Salahuddin, Rezwan	X
Versace, Jerry	X
OCPA	
Stokke, Michael	X
Middleton, Russell	X
OGC	
Ogilvie, Clark	X
Cohn, Jennifer	X
Isawi, Hazem	X
Griffin, Ward	X
OE	
Paulsen, Roger	X
Waldron, Ashley	X
Anderson, Michael	X
ODAE	
D'Antoni, Jeremy	X
Kuhns, Ryan	X
Shields, Dennis	X
OIG	
Laguarda, Wendy	X
Miller, Kevin	X
Kaufman, Tori	X

OFFICE	OPEN SESSION
OSMO	
Rea, Laurie	X
Connor, Joe	X
ORP	
Kramp, Kevin	X
Leist, Ryan	X
Edelstein, Jeremy	X
West, Corbin	X
OCFO	
Smith, Stephen	X
Gandy, Doug	X
OAS	
Clark, Patrina	X
FCSIC	
Rubin, Howard	X
Powalski, Lynn	X
Smith, Greg	X
Grimaldi, Andrew	X
Morgan, Matt	X
GENERAL PUBLIC	16

Farm Credit Administration

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



PUBLIC ANNOUNCEMENT OF MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT

Farm Credit Administration Board Regular Meeting July 8, 2021

SUMMARY: Notice is hereby given, pursuant to the Government in the Sunshine Act, of the forthcoming regular meeting of the Farm Credit Administration Board.

DATE: The regular meeting of the Board will be held July 8, 2021, from 9:00 a.m. until such time as the Board may conclude its business.

ADDRESSES: *Because of the COVID-19 pandemic, we will conduct the board meeting virtually. If you would like to observe the open portion of the virtual meeting, see instructions in SUPPLEMENTARY INFORMATION for board meeting visitors.*

FOR FURTHER INFORMATION CONTACT: Dale Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

SUPPLEMENTARY INFORMATION: Instructions for attending the virtual meeting: This meeting of the Board will be open to the public. If you wish to observe, at least 24 hours before the meeting, go to FCA.gov, select "Newsroom," then "Events." There you will find a description of the meeting and a link to "Instructions for board meeting visitors." If you need assistance for accessibility reasons or if you have any questions, contact Dale Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009.

The matters to be considered at the meeting are as follows:

OPEN SESSION

Approval of Minutes

- 1 June 10, 2021

Reports

- 2 Data Improvement and FCA Data Priorities
- 3 Cybersecurity – Recent Issues, Risk to FCA and FCS, and Mitigations
- 4 Climate Risk Task Force – Scope and Objective

New Business

- 5 Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule

_____/s/
Dale Aultman
Secretary to the Board

June 28, 2021

Date

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for June 10, 2021

BM-8-JUL-21-01

Effective Date: July 8, 2021

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for June 10, 2021.

DATED THIS 8th DAY OF JULY 2021

BY ORDER OF THE BOARD

_____/s/
Dale Aultman
Secretary to the Board

**STATEMENT ON CLIMATE CHANGE
JEFFERY S. HALL, FCA BOARD MEMBER
CHAIRMAN, FCSIC BOARD OF DIRECTORS
FARM CREDIT ADMINISTRATION BOARD MEETING
JULY 8, 2021**

Climate and weather-related risks uniquely impact agriculture and rural America. This nation's farmers and ranchers have been dealing with short and long-term weather risks for decades. As the safety and soundness regulator of the Farm Credit System, we should dedicate more resources to identifying the potential impact on the System's portfolio. Just as important are the implications to the Farm Credit Insurance Fund managed by the Farm Credit System Insurance Corporation.

This is clearly a very complicated and often politically charged topic, and we must have realistic expectations as we formalize a taskforce to continue the work we have already started. When tackling a project like this one, it's important to resist the temptation to try to solve the big problems before we identify and address the simple and important questions.

As financial regulators with a unique mission, FCA and FCSIC must recognize and evaluate any potential risk that climate poses to the Farm Credit System through possible impacts on land values, crop productivity, animal health, and rural economies. That's why we have decided to form a taskforce to take a proactive approach to evaluating any potential risks to the System. The taskforce that we announce today will investigate climate-related financial risks. If necessary, it will propose tools to manage, stress- test, and hedge the risk of climate-related losses on System credit.

This taskforce is chartered with two separate and unique objectives:

- FCA needs to understand the potential safety and soundness risks to the Farm Credit System portfolio.
- FCSIC needs to understand any potential risk to the Farm Credit Insurance Fund.

These are two different but related objectives, and the taskforce must respect the needs of both while keeping the focus narrow to meet these objectives as information is collected.

My expectations for this group are as follows:

1. Collect useful work that has already been completed in this area.
2. Identify reliable data that has already been collected.
3. Identify partnerships where we can collaborate.
4. Allow the process to lead to discovery; don't start with a conclusion.
5. Report regularly back to the board.

Above all, I expect this group to gain a better understanding of any meaningful risk to the Farm Credit System portfolio and the Farm Credit System Insurance Fund through available information. This first step of information gathering must be accomplished before allocating significant personnel and financial resources to further research. I want to thank Ryan Kuhns, Ryan Leist, and Greg Smith for their presentation and the work completed so far. I look forward to working with the taskforce to tackle this long-term challenge.

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Risk-Weighting of High Volatility Commercial Real Estate – Proposed Rule

BM-8-JUL-21-02

Effective Date: July 8, 2021

THE FCA BOARD HEREBY:

- Approves the proposed rule that would amend the Tier 1/Tier 2 Capital Framework to add risk-weight requirements for High Volatility Commercial Real Estate exposures; and
- Authorizes FCA staff to make any technical or grammatical changes to the proposed rule that may be necessary prior to publication in the *Federal Register*.

DATED THIS 8th DAY OF JULY 2021

BY ORDER OF THE BOARD

_____/s/
Dale Aultman
Secretary to the Board

Cybersecurity – Recent Issues, Risks and Mitigations



Jeannie Shaffer, FCA CISO

Doug Gray, FCA OIT-IPD CIRT Supervisor

Michael Anderson, Operations Risk Program Manager

July 8, 2021



Agenda

Cybersecurity

- FCA IT Risks and Mitigations
- Farm Credit System IT Risks and Mitigations



FCA's Approach to Cybersecurity Risk Management

FCA maintains a proactive IT risk-management program.

- FCA must be proactive—not reactive—to threat trends.
- The Office of Information Technology (OIT) spearheads FCA's IT risk-management program.
- OIT continuously assesses open-source intelligence and bulletins to determine the relevance of potential threats to FCA's mission and IT systems.
- OIT develops, analyzes, and reviews risks based on FCA's risk appetite.
- OIT develops mitigation strategies based on competing mission needs and finite resources.
- OIT communicates regularly with senior leadership for situational awareness.
- FCA's Board is proactively involved in ensuring cybersecurity awareness is baked into FCA's culture from the top down.



Top Cyber Threats

Phishing

Ransomware

IT Supply
Chain

- These are not the **only** risks facing FCA.
- OIT tracks 100+ discrete risks and updates the risks it tracks and mitigates **continuously**.
- These three represent the most likely and most dangerous risks, not just to FCA, but to many organizations.



Phishing/Spear-Phishing

Phishing is using deceptive email or other Internet messages to entice a user to download malware or provide sensitive information. Spear-phishing targets a specific individual.

Current Trends

- Remains the primary method of delivering malware and initiating attacks.
- Tactics and techniques target human (i.e., user) behavior and are continuously improving.

Current Events

- Ongoing - Phishing is tailored to current events; current focus is vaccination programs.
- March 2021 - North Korean actors reportedly set up a fake company on the Internet to support phishing campaigns.
- February 2021 - An attacker reportedly impersonated popular mail courier companies to target at least 10,000 Microsoft email users.



Phishing – FCA Mitigation Responses

- FCA Board supports anti-phishing efforts and approved additional remediation efforts in the event of severe cases of continual failure of phishing exercises.
- OIT employs and maintains a robust technical mail security capability that intercepts unsolicited emails, to include phishing and spear phishing (approximately 92% of messages are filtered out).
- OIT performs routine phishing exercises to empower users to spot and properly respond to known phishing techniques.
- OIT has found user engagement is key to identify and mitigate awareness challenges.
- Multi-Factor Authentication greatly decreases a threat actor's ability to leverage successful phishing to perform additional malicious activities.



Ransomware

Ransomware is a form of malware that threatens to publish sensitive data or block access to data or systems until the victim performs an action (usually paying a ransom).

Current Trends

- Ransomware being deployed “as a service”.
- Threat actors are also extorting individual customers of compromised organizations.

Current Events

- April 2021 - Private dossiers of five current and former Washington Metropolitan Police officers published
- May 2021 – many of Ireland Public Health System’s non-emergency servers were disrupted.
- Early 2021 – a Navajo-Nation health care service had to revert to pen and paper. Employee data was published.



Ransomware – Government/FCA Response

- OIT works with the larger federal government to implement best practices
- OIT is actively participating in fulfillment of Executive Order 14208, Improving the Nation's Cybersecurity, with ongoing activities that include:
 - Multi-Factor Authentication
 - Zero-Trust Architecture
- OIT operates a rigorous change-control process which ensures vulnerabilities are not introduced that may facilitate a vulnerability to ransomware.
- OIT rigorously patches and mitigates software vulnerabilities, with increasingly shorter lead times.
- Other federal agencies have implemented initiatives to reduce ransomware vulnerability.
 - FBIIC (in which the FCA Board Chairman participates) holds a facilitated discussion on ransomware.
 - DHS instituted a Cyber Sprint 3/31/2021 to combat ransomware.
 - CISA Reduce the Risk of Ransomware Campaign initiated 1/2021.



IT Supply Chain Attacks

A supply-chain attack is where a threat actor compromises software or equipment prior to installation or compromises services (e.g., cloud services) on which an organization relies.

Current Trends

Threat actors are willing to cause large-scale impacts without fear of retribution or consequences.

Current Events

- May 2021 - U.S. Agency for International Development's (USAID) Constant Contact email marketing account breached to target 3,000 individuals.
- April 2021 – A threat actor group reportedly stole Apple trade secrets from a supply chain vendor.



IT Supply Chain – FCA Response

- OIT 's rigorous change control process ensures that vendors are vetted to the maximum extent possible, leveraging other government sources such as GSA (i.e., regarding cloud services).

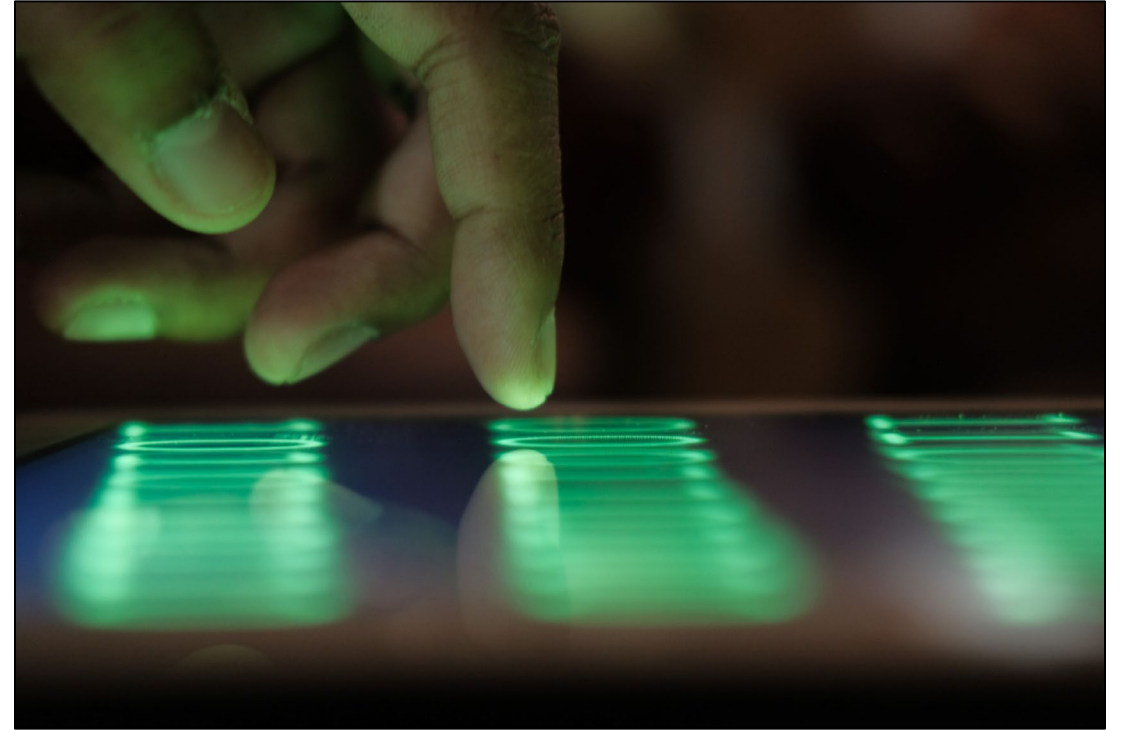
This enables FCA to leverage the resources of the larger federal government.

- OIT works hand-in-hand with agency procurement and personnel security officer in ensuring all contract support personnel are properly vetted.
- With threat-actor emphasis on compromising software and hardware providers, OIT's rigorous vulnerability-management program quickly identifies, patches, and mitigates software and hardware vulnerabilities.
OIT tests this capability during regular penetration tests by private-sector professionals.



FCA Top Threat and Risk Summary

- Current threat-actor abilities are considerable and improving.
- Threat actors have the advantage of initiative, so OIT understands it ***must*** be proactive in identifying and responding these threat trends.





FCS Risks and Mitigations

Michael Anderson



Recent Mitigation Guidance - Ransomware

White House Memo – 5 Best Practices to Protect Against Ransomware

Backup your data, system images, and configurations, regularly test them, and keep the backups offline

Update and patch systems promptly

Test your incident response plan

Penetration Testing

Segment networks



Recent Mitigation Guidance - Ransomware (cont.)

Cybersecurity and Infrastructure Security Agency (CISA) Fact Sheet – Rising Ransomware Threat To Operational Tech Assets

- Mitigations to defend against potential future threats and prevent severe functional degradation:
 - Practice good cyber hygiene. The significant majority of ransomware attacks exploit known vulnerabilities and common security weaknesses.
 - Implement and ensure robust network segmentation between IT and OT networks.
 - Implement a continuous and vigilant system monitoring program.



OE's Cybersecurity Focus

- Informational Memorandum (IM) - Cybersecurity Framework and Other Recent Guidance – December 16, 2014
- IM – Cybersecurity Assessment and Expectations for System Institutions – August 5, 2015
- IM – National Oversight Plan for FY 2016 – September 24, 2015
- IM – National Oversight Plan for FY 2020 - October 23, 2019
- IM – Increase in Ransomware Attacks and How to Protect Critical Data – June 24, 2021

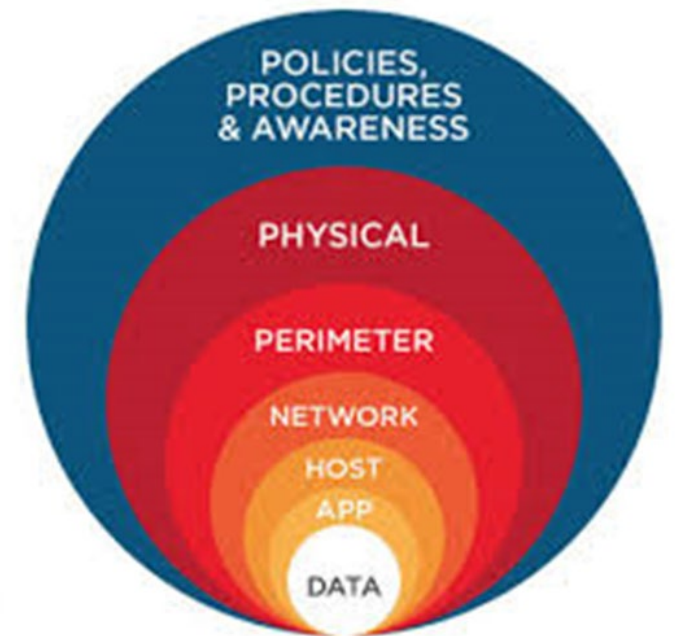


What Are Examiners Evaluating?

Defense in Depth

Cybersecurity risks are managed through layered security

- Least privilege, system hardening
- Anti-malware at server, endpoint, network
- Web content filtering, data loss prevention
- Web application firewall
- Inbound/outbound firewall filtering
- Intrusion detection and prevention



FCS Institution Mitigation Efforts

The System maintains a Cybersecurity Workgroup that meets quarterly with the purpose of:

- Information sharing and education
- Consistent interpretation of regulations and IMs
- Professionalizing security function (i.e., identifying career path for security team, defining skills sets needed)



FCS Institution Mitigation Efforts (cont.)

Examples of Mitigation Efforts by System Institutions

- Security Awareness Programs (Phishing Campaigns)
- IT Asset Inventories (hardware, software)
- Patching processes
- Regular Robust Penetration Testing
- Managed Security Service Providers
- Business Continuity Programs (includes Backups)
- Identity Access Management
- Incident Response Programs
- Network Access Control (network end-point control and visibility)
- Multi-Factor Authentication (MFA)



Summary

- Cybersecurity threats and risks are becoming increasingly complex and require constant vigilance
- We have been informing the System of cybersecurity risks and how to mitigate it for several years
- Our examination activities continue to focus on sound business practices for confronting emerging cybersecurity risks



Questions?

