

# Proposed Rules

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This section of the FEDERAL REGISTER contains notices to the public of the proposed issuance of rules and regulations. The purpose of these notices is to give interested persons an opportunity to participate in the rule making prior to the adoption of the final rules.

## FARM CREDIT ADMINISTRATION

### 12 CFR Part 620

RIN 3052-AD37

#### District Financial Reporting

**AGENCY:** Farm Credit Administration.

**ACTION:** Proposed rule.

**SUMMARY:** The Farm Credit Administration (FCA, we, or our) proposes amending the regulation governing how a Farm Credit bank presents information on its related associations when preparing annual bank financial statements on a stand-alone basis. We propose to provide an additional presentation option that would allow the related association financial information to be in a supplement.

**DATES:** You may send us comments on or before March 9, 2020.

**ADDRESSES:** We offer a variety of methods for you to submit comments. For accuracy and efficiency reasons, commenters are encouraged to submit comments by email or through FCA's website. As facsimiles (fax) are difficult for us to process and achieve compliance with section 508 of the Rehabilitation Act, we are no longer accepting comments submitted by fax. Regardless of the method you use, please do not submit your comment multiple times via different methods. You may submit comments by any of the following methods:

- *Email:* Send us an email at [reg-comm@fca.gov](mailto:reg-comm@fca.gov).
  - *FCA website:* <http://www.fca.gov>. Click inside the "I want to . . ." field near the top of the page; select "comment on a pending regulation" from the dropdown menu; and click "Go." This takes you to an electronic public comment form.
  - *Mail:* Barry F. Mardock, Deputy Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090.
- You may review copies of comments we receive at our office in McLean,

Virginia, or on our website at <http://www.fca.gov>. Once you are on the website, click inside the "I want to . . ." field near the top of the page; select "find comments on a pending regulation" from the dropdown menu; and click "Go." This will take you to the Comment Letters page where you can select the regulation for which you would like to read the public comments. We will show your comments as submitted, but for technical reasons we may omit items such as logos and special characters. Identifying information that you provide, such as phone numbers and addresses, will be publicly available. However, we will attempt to remove email addresses to help reduce internet spam.

**FOR FURTHER INFORMATION CONTACT:**

*Technical information:* Joi Neal, Senior Accountant, Office of Regulatory Policy, (703) 883-4223, TTY (703) 883-4056.

*Legal information:* Laura McFarland, Senior Counsel, Office of General Counsel, (703) 883-4020, TTY (703) 883-4056.

**SUPPLEMENTARY INFORMATION:**

#### I. Objective

The objective of the proposed rule is to improve shareholder access to district financial information by providing an additional method of presenting financial information on a bank's related associations to those banks preparing annual financial statements on a stand-alone basis.

#### II. Background

FCA regulation § 620.2(g) currently provides a Farm Credit bank with two alternatives for reporting information on its related associations within the bank's Annual Report to Shareholders. The first alternative, located in § 620.2(g)(1), allows each bank to issue a combined or consolidated report on the Farm Credit bank and its related associations. This presentation requires using a footnote disclosure that summarizes the bank's "stand-alone" balance sheet and income statement. The second alternative, located in § 620.2(g)(2), allows issuance of a bank's annual financial statements on a stand-alone basis, where limited financial information on the bank's related associations is placed in a footnote. This footnoted information may be unaudited but must include a condensed statement of condition and

statement of income for the related associations. The § 620.2(g)(2) alternative was primarily added to the regulation in recognition of the creation of the Agricultural Credit Bank (ACB).<sup>1</sup> There is only one ACB in the System and it has both association stockholders and cooperative entity stockholders, requiring special consideration in reporting presentations to ensure the two groups of stockholders understand the information being disclosed.

When adding the § 620.2(g)(2) alternative in 1997, FCA explained that because both methods of presenting combined bank and related association financial information were consistent with Generally Accepted Accounting Principles (GAAP) provisions at the time, FCA made both alternatives available to all the banks.<sup>2</sup> However, whichever presentation is used, it must both comply with GAAP and provide the most meaningful disclosure to shareholders. Thus, each year Farm Credit banks may select from either reporting presentation when issuing their annual reports as long as it complies with GAAP and serves to provide the most meaningful disclosure to bank shareholders.

In November 2018, all four of the Farm Credit banks jointly requested that FCA amend § 620.2(g)(2) by allowing disclosure of related association financial information in a separate supplement to a bank's Annual Report to Shareholders instead of through use of a footnote within the annual report. We evaluated the merits of the banks' request and concluded permitting use of a supplement instead of a footnote in a bank's Annual Report to Shareholders could be beneficial so initiated this rulemaking. Nothing in this proposed rulemaking affects quarterly reporting requirements.

#### III. Section-by-Section Analysis

FCA has consistently stated that the relationship between a bank and its related associations is an important one that warrants discussion in the financial statements and reports provided by the banks. Further, we believe that a bank's shareholders need financial information not just on the bank but also on the

<sup>1</sup> The ACB structure resulted from the merger of the Title III Banks for Cooperatives and a Farm Credit Bank, resulting in the merged entity known as CoBank, ACB.

<sup>2</sup> See 62 FR 15089, March 31, 1997.

bank's related associations to properly evaluate the operations and financial position of the district which the bank funds.

#### *A. Use of a Supplement When Issuing Bank-Only Annual Financial Statements*

We propose revising § 620.2(g)(2) to allow a Farm Credit bank to use either a footnote or a supplement to provide financial information on its related associations when preparing the bank's annual financial statements on a stand-alone basis. Specifically, we propose adding regulatory language to § 620.2(g)(2) that would allow Farm Credit banks issuing the bank's financial statements on a stand-alone basis within its Annual Report to Shareholders to provide financial information on their related associations either through footnote or a supplement if such a presentation is both allowable under GAAP and serves as the most meaningful disclosure presentation for the bank's shareholders. We believe permitting use of a supplement could facilitate shareholders locating and understanding district information. However, to preserve flexibility in how the annual report of a bank is presented, we are not proposing to remove the existing method of reporting information on a bank's related associations within a footnote.

As proposed, all information provided through use of either a footnote or a supplement would still be considered part of the bank's annual report and therefore subject to the same accuracy, distribution, and internal control requirements of the annual report itself. We are proposing language specifying this to ensure the use of a supplement is not considered a separate, financial report. Further, we are specifically proposing that if a supplement presentation is used, it be distributed along with the bank's annual report. We do not believe allowing separate distribution of the supplement would achieve the stated purpose of facilitating shareholder comprehension of the financial condition of the bank and its district operations, including those of its related associations. All the financial information needs to be available to shareholders at the same time to accomplish that goal. Also, we believe the proposed requirement to have the supplement distributed along with the annual report information that it addresses will have little financial consequence to the bank's annual report distribution costs. A Farm Credit bank using the § 620.2(g)(2) presentation method is allowed under FCA regulation § 620.4(b)(1) to distribute its

annual report exclusively through website postings, absent a significant event posing a material effect on the bank's related associations.<sup>3</sup>

We also propose that if a supplement is used that the supplement be referenced within the body of the bank's annual report. We propose requiring a reference to the supplement within the annual report to ensure shareholders know where the additional information is available. We believe this proposed requirement is in keeping with recognizing the supplement is a part of the annual report and, just as the report would direct the reader to a footnote or appendix, it should direct the reader to the supplement.

#### *B. Reporting District Information When Issuing Bank-Only Annual Financial Statements*

We propose adding language to § 620.2(g)(2) that the summary financial information on associations included as part of the bank's annual report be presented on a combined basis with the bank's information. FCA believes that shareholder and investors use the combined financial information to evaluate the operations and financial position of the district. Proposed changes to § 620.2(g)(2) would facilitate this use by requiring combined financial information of each bank and its related associations. Although the supplemental district information required by § 620.2(g)(2) is not a full set of financial statements, we believe the proposed condensed statements will provide information that is meaningful to stakeholders and investors, without providing the extensive detail captured in the Systemwide audited reports.

We are also proposing language to clarify that the current § 620.2(g)(2) option for banks to issue the related associations' financial information on an unaudited basis extends to all the financial information provided for the related associations, whether in a footnote or the proposed supplement. Currently, some may believe only the condensed statements of income and condition named in the rule text may be unaudited. It is our intent that the proposed language removes any perceived ambiguities in the existing rule text of § 620.2(g)(2) regarding which information may be unaudited. This clarification would not affect the existing requirement that the footnote or the proposed supplement disclose the basis of presentation if different from the presentation of the bank-only annual financial statements.

<sup>3</sup> See 66 FR 14299, dated March 12, 2001.

Additionally, we propose amending the § 620.2(g)(2) regulatory text to emphasize that the financial information provided by a bank on its related associations (when preparing annual bank financial statements on a stand-alone basis) is not limited to the named condensed statements of income and condition. We propose this change because we believe additional information is, and should be, provided as part of the bank's annual report. Examples of district information that we would expect to see in either the footnote or proposed supplement of a bank's annual report include, but are not limited to, the following:

- The nature of business relationships between System entities within the bank's district;
- Summary of District financial information for the preceding three years;
- Summary of district loan portfolio, discussing concentration risks and significant changes in credit quality, nonperforming assets, past due loans, loan loss allowance and reserves, and loan aging analysis within the district as compared to previous years.
- A description of combined association investments;
- Districtwide capital levels and regulatory ratios;
- Summary of key districtwide income statement line items and profitability measures; and
- A description of any qualified and nonqualified districtwide defined pension plan(s), including each plan's current funding status, accrued benefit obligation and projected benefit obligation, and key actuarial assumptions.

We believe the proposed change, along with the above list of items, will provide meaningful transparency on the financial condition of each Farm Credit District.

#### **IV. Regulatory Flexibility Act**

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), FCA hereby certifies that the proposed rule would not have a significant economic impact on a substantial number of small entities. Each of the banks in the System, considered together with its related associations, has assets and annual income in excess of the amounts that would qualify them as small entities. Therefore, System institutions are not "small entities" as defined in the Regulatory Flexibility Act.

**List of Subjects in 12 CFR Part 620**

Accounting, Agriculture, Banks, banking, Reporting and recordkeeping requirements, Rural areas.

For the reasons set forth in the preamble the FCA proposes to amend 12 CFR part 620 as follows:

**PART 620—DISCLOSURE TO SHAREHOLDERS**

■ 1. The authority citation for part 620 is revised to read as follows:

**Authority:** Secs. 4.3, 4.3A, 4.19, 5.9, 5.17, 5.19 of the Farm Credit Act (12 U.S.C. 2154, 2154a, 2207, 2243, 2252, 2254); sec. 424 of Pub. L. 100–233, 101 Stat. 1568; sec. 514 of Pub. L. 102–552, 106 Stat. 4102.

**Subpart A—General**

■ 2. Amend § 620.2 by revising paragraph (g) to read as follows:

**§ 620.2 Preparing and filing reports**

\* \* \* \* \*

(g) Each Farm Credit institution shall present its reports in accordance with generally accepted accounting principles and in a manner that provides the most meaningful disclosure to shareholders.

(1) Any Farm Credit institution that presents its annual and quarterly financial statements on a combined or consolidated basis shall also include in the report the statement of condition and statement of income of the institution on a stand-alone basis. The stand-alone statements may be in summary form and shall disclose the basis of presentation if different from accounting policies of the combined or consolidated statements.

(2) Any Farm Credit bank that prepares its annual financial statements on a stand-alone basis must also provide financial information on its related associations as part of its annual report. The information on the related associations must be presented on a combined basis with the bank's financial information and, at a minimum, include both a condensed statement of condition and a statement of income. The combined bank and association financial information may either be in the footnotes of the bank's annual report or located in a supplement to the report. All combined information provided through either a footnote or a supplement will be considered part of the bank's annual report, subject to the same annual report preparation, distribution, and accuracy requirements of part 620.

(i) The combined bank and association financial information may be unaudited but must disclose the basis

of presentation if different from accounting policies used for the bank-only financial statements.

(ii) If the combined bank and association financial information is presented in the form of a supplement, the supplement must be referenced within the bank's annual report and accompany the annual report when distributed.

\* \* \* \* \*

Dated: December 17, 2019.

**Dale Aultman,**

*Secretary, Farm Credit Administration Board.*

[FR Doc. 2019–27573 Filed 1–6–20; 8:45 am]

**BILLING CODE 6705–01–P**

**FEDERAL COMMUNICATIONS COMMISSION****47 CFR Part 73**

[MB Docket Nos. 19–311, 13–249; FCC 19–123; FRS 16313]

**All-Digital AM Broadcasting, Revitalization of the AM Radio Service**

**AGENCY:** Federal Communications Commission.

**ACTION:** Proposed rule.

**SUMMARY:** The Federal Communication Commission proposes to amend its rules to allow AM broadcasters to use all-digital transmissions. All-digital AM broadcasting has the potential to provide a more reliable and robust radio signal than analog, as well as auxiliary digital services.

**DATES:** Comments may be filed on or before March 9, 2020 and reply comments may be filed on or before April 6, 2020. Written comments on the Paperwork Reduction Act proposed information collection requirements must be submitted by the public, Office of Management and Budget (OMB), and other interested parties on or before March 9, 2020.

**ADDRESSES:** You may submit comments, identified by MB Docket No. 19–311, by any of the following methods:

- *Federal Communications Commission's Website:* <http://apps.fcc.gov/ecfs/>. Follow the instructions for submitting comments.

- *Mail:* Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail (although the Commission continues to experience delays in receiving U.S. Postal Service mail). Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20743. U.S.

Postal Service First Class, Express, and Priority mail must be addressed to 445 12th Street SW, Washington DC 20554. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.

- *People With Disabilities:* Contact the FCC to request reasonable accommodations (accessible format documents, sign language interpreters, CART, etc.) by email: [FCC504@fcc.gov](mailto:FCC504@fcc.gov) or phone: 202–418–0530 or TTY: 888–835–5322.

For detailed instructions for submitting comments and additional information on the rulemaking process, see the **SUPPLEMENTARY INFORMATION** section of this document.

**FOR FURTHER INFORMATION CONTACT:**

James Bradshaw, Deputy Division Chief, Media Bureau, Audio Division (202) 418–2739; Christine Goepf, Attorney Advisor, Media Bureau, Audio Division, (202) 418–7834. For additional information concerning the Paperwork Reduction Act (PRA) information collection requirements contained in this document, contact Cathy Williams at 202–418–2918, or via the internet at [Cathy.Williams@fcc.gov](mailto:Cathy.Williams@fcc.gov).

**SUPPLEMENTARY INFORMATION:** This is a summary of the Commission's Notice of Proposed Rulemaking (NPRM), MB Docket Nos. 19–311, 13–249; FCC 19–123, adopted on November 22, 2019, and released on November 25, 2019. The full text of this document will be available for public inspection and copying via ECFS, and during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street SW, Room CY–A257, Washington, DC 20554. The full text of this document can also be downloaded in Word or Portable Document Format (PDF) at <http://www.fcc.gov/ndbedp>.

**Initial Paperwork Reduction Act of 1995 Analysis**

The NPRM in document FCC 19–123 seeks comment on proposed rule amendments that may result in modified information collection requirements. If the Commission adopts any modified information collection requirements, the Commission will publish another notice in the **Federal Register** inviting the public to comment on the requirements, as required by the Paperwork Reduction Act, Public Law 104–13; 44 U.S.C. 3501–3520. In addition, pursuant to the Small Business Paperwork Relief Act of 2002, the Commission seeks comment on how it might further reduce the information collection burden for small business concerns with fewer than 25 employees.