

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas P. Tonsager, Board Member
Jeffery S. Hall, Board Member



**MINUTES OF THE REGULAR MEETING
OF THE
FARM CREDIT ADMINISTRATION BOARD
November 12, 2015**

These minutes reflect the business transacted at the November 12, 2015, Regular Meeting of the Farm Credit Administration Board (FCA Board) pursuant to the Government in the Sunshine Act (Act), 5 U.S.C. § 552b, and the regulations of the Farm Credit Administration (FCA) adopted thereunder.

Before starting the meeting FCA Board Chairman Spearman welcomed **Jerry Golley**, the Director of the new Office of Information Technology.

The FCA Board meeting was held at the FCA office in McLean, Virginia, beginning at 9:00 a.m. and concluding at 10:01 a.m. Members of the Board present were:

Kenneth A. Spearman, Board Chairman and Chief Executive Officer
Dallas P. Tonsager, Member
Jeffery S. Hall, Member

The above named constitute the full Board.

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

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

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

Mr. Tonsager moved to adopt the Agenda as presented.

Mr. Hall seconded the motion.

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

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

Mr. Hall noted that the Agenda did include 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 meeting be closed at that point.

Mr. Tonsager seconded the motion.

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

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

OPEN SESSION

Approval of Minutes

Minutes for October 8, 2015 (BM-12-NOV-15-01)

Mr. Tonsager moved to approve the minutes for October 8, 2015, regular board meeting.

Mr. Hall seconded the motion.

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

The **Secretary** polled the Board Members and the motion carried unanimously. **(BM-12-NOV-15-01)**

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

REPORTS

Summary: Final Rule - Margin and Capital Requirements for Covered Swap Entities; Interim Final Rule - Implementing Title III of the Terrorism Risk Insurance Program Reauthorization Act of 2015

Jeremy Edelstein of Office of Regulatory Policy and **Richard Katz** of the Office of General Counsel presented Summary: Final Rule - Margin and Capital Requirements for Covered Swap Entities; Interim Final Rule - Implementing Title III of the Terrorism Risk Insurance Program Reauthorization Act of 2015.

Board Chairman Spearman asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

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

CLOSED SESSION

The **Board Chairman** convened the closed session of the meeting at 9:26 a.m. and instructed the **Secretary** to activate the electronic recording device so the proceedings of the Closed Session could be properly recorded, as required by the Government in the Sunshine Act.

The **Board Chairman** then instructed the **General Counsel** to furnish the **Secretary** with a certification, pursuant to 5 U.S.C. § 552b(f), that the portions of the meeting held in closed session may be properly closed to the public.

(A copy of the Certification is attached hereto as Exhibit E.)

Members of the Board present were:

Kenneth A. Spearman, Board Chairman and Chief Executive Officer

Dallas P. Tonsager, Member

Jeffery S. Hall, Member

The above named constitute a quorum of the Board.

Others present included Dale Aultman, Secretary to the Board; Charles Rawls, General Counsel; Russell Middleton, Executive Assistant to Board Chairman Spearman; Wendy Laguarda, Executive Assistant to the Board Member Tonsager; and Kevin Kramp, Executive Assistant to Board Member Hall. (A list of staff attendees is attached hereto as Exhibit A).

Office of Secondary Market Oversight Quarterly Report

Joe Connor of the Office of Secondary Market Oversight presented OSMO Quarterly Report.

Board Chairman Spearman asked if there were any questions or further discussion from the Board.

There were no further questions or discussion.

ADJOURNMENT

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

Mr. Hall moved that the meeting be adjourned.

Mr. Tonsager seconded the motion.

**STAFF PRESENT AT THE
FCA REGULAR BOARD MEETING
November 12, 2015**

KENNETH A. SPEARMAN, Board Chairman and Chief Executive Officer
DALLAS P. TONSAGER, Board Member
JEFFERY S. HALL, Board Member

OFFICE	OPEN SESSION	CLOSED SESSION
Office of the Board		
Aultman, Dale	X	X
Middleton, Russell	X	X
Corey, Kathryn	X	
Kramp, Kevin	X	X
Laguarda, Wendy	X	X
Calhoun, Gaye	X	
Buccolo, Deb	X	
COO		
Hoffman, William	X	X
Ibelli, Heyam	X	
OCPA		
Stokke, Mike	X	X
Meaux, Willy	X	X
OSMO		
Rea, Laurie	X	X
Connor, Joe	X	X
Hudson, Bruce	X	X
Del Moral, Jeremy	X	X
OGC		
Rawls, Charles	X	X
Strickland, Joy	X	X
Donner, Mary Alice	X	X
Katz, Richard	X	

OFFICE	OPEN SESSION	CLOSED SESSION
OE		
Coleman, Robert	X	X
OIG		
Dean, Elizabeth	X	X
ORP		
Van Meter, Gary	X	X
Shields, Dennis	X	X
Edelstein, Jeremy	X	
OMS		
Smith, Stephen	X	X
OIT		
Golley, Jerald	X	X
FCSIC		
Rubin, Howard	X	X
GENERAL PUBLIC	2	

**PUBLIC ANNOUNCEMENT OF
 MEETING SUBJECT TO THE GOVERNMENT IN THE SUNSHINE ACT
 Farm Credit Administration Board
 Regular Meeting
 November 12, 2015**

Summary: Notice is hereby given, pursuant to the Government in the Sunshine Act (5 U.S.C. Sec. 552b(e) (1)), of the forthcoming regular meeting of the Farm Credit Administration Board.

Date and Time: The regular meeting of the Board will be held November 12, 2015. The meeting is scheduled to be held at the office of the Farm Credit Administration in McLean, Virginia, from 9:00 a.m. until such time as the Board may conclude its business.

Address: Farm Credit Administration, 1501 Farm Credit Drive, McLean, Virginia 22102-5090. Submit attendance requests via e-mail to VisitorRequest@FCA.gov. See SUPPLEMENTARY INFORMATION for further information about attendance requests.

For Further Information Contact: Dale L. Aultman, Secretary to the Farm Credit Administration Board (703) 883-4009. TTY is (703) 883-4056.

Supplementary Information: Parts of this meeting of the Board will be open to the public (limited space available), and parts will be closed to the public. Please send an e-mail to VisitorRequest@FCA.gov at least 24 hours before the meeting. In your e-mail include: name, postal address, entity you are representing (if applicable), and telephone number. You will receive an e-mail confirmation from us. Please be prepared to show a photo identification when you arrive. If you need assistance for accessibility reasons, or if you have any questions, contact Dale L. Aultman, Secretary to the Farm Credit Administration Board, at (703) 883-4009. The matters to be considered at the meeting are:

OPEN SESSION

- 1 **Approval of Minutes**
 October 8, 2015

- 2 **Reports**
 Summary: Final Rule-Margin and Capital Requirements for Covered Swap Entities; Interim Final Rule - Implementing Title III of the Terrorism Risk Insurance Program Reauthorization Act of 2015.

CLOSED SESSION

- 3 Office of Secondary Market Oversight Quarterly Report¹

 October 30, 2015
 Date

 /s/
 Dale L. Aultman
 Secretary to the Board

¹Session Closed-Exempt pursuant to 5 U.S.C. Section 552b(c)(8) and (9).

Farm Credit Administration

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

BOARD ACTION ITEM



FCA BOARD ACTION ON

Minutes for October 8, 2015 Regular Board Meeting

BM-12-NOV-15-01

Effective Date: November 12, 2015

Effect on Previous Action: None

THE FCA BOARD HEREBY:

Approves the minutes for October 8, 2015, Regular Board Meeting as submitted.

DATED THIS 12th DAY OF NOVEMBER 2015

BY ORDER OF THE BOARD

_____/s/_____
Dale L. Aultman
Secretary to the Board



Margin and Capital Requirements for Covered Swap Entities

(Final Rule and Interim-Final-Rule)



Jeremy Edelstein - ORP

Richard Katz - OGC

Exhibit D



Presentation Agenda

- Background
- Covered Swap Entities
- Terrorism Risk Insurance Program Reauthorization Act
- Counterparty Types
- Margin Requirements
- Collateral
- Other Provisions
- Compliance Dates
- Summary Table



Background

- Implements sections 731 and 764 of the Dodd-Frank Act
- Joint rule with the FRB, FDIC, OCC, and FHFA – in consultation with the CFTC and SEC
- First proposal → May 2011
- Re-proposal → September 2014
- Final rule → October 2015
- Interim final rule → October 2015
 - ❖ Comment period ends 1-31-2016



Covered Swap Entities (CSE)

- Dodd Frank Act requires certain swap dealers or major swap participants to register with the CFTC or SEC
- Swap entities regulated by one of the Prudential Regulators is a CSE
- Final rule applies to non-cleared swaps of CSEs
 - Non-cleared swaps are swaps not cleared through a clearinghouse – traded OTC
- **No FCS institution is a CSE**



Terrorism Risk Insurance Program Reauthorization Act of 2015 (TRIPRA)

- Triggered by exemptions or exceptions to mandatory clearing
- Small institution exception
- Cooperative exemption
- Exempts vast-majority of FCS bank and association non-cleared swaps from margin
- Implemented by interim final rule



Counterparty Types

- Swap entities
- Financial end users (FEU) with a material swaps exposure
- FEU without a material swaps exposure
- Other counterparties
- Counterparties that are affiliates of a CSE



Margin Requirements

- Initial Margin (IM) → protects against counterparty credit default
- Material Swaps Exposure → \$8 billion notional
- IM Threshold → \$50 million
- Variation Margin (VM) → protects against day-to-day changes in market value
- Minimum Transfer Amount → \$500,000



Collateral

- Limited to high quality liquid collateral
 - ❖ IM → full list of eligible collateral
 - ❖ Includes GSE debt securities
 - ❖ VM → cash collateral only for transactions between swap entities
 - ❖ VM → full list of eligible collateral if one of the counterparties is a FEU
- IM collateral must be segregated with a third-party custodian
 - Restrictions on rehypothecation may apply



Other Provisions

- Special requirements for non-cleared swap transactions between a CSE and its affiliates
 - ❖ Reduced liquidity burden for these parties
- Internal margin model
 - ❖ Calculation of IM requirements
- Substituted compliance
 - ❖ Foreign regulators margin rules may apply in select transactions





Compliance Dates

Compliance Date for IM	Covered Swap Amount between CSE and Counterparty
September 1, 2016	Notional amount exceeds \$3 trillion
September 1, 2017	Notional amount exceeds \$2.25 trillion
September 1, 2018	Notional amount exceeds \$1.5 trillion
September 1, 2019	Notional amount exceeds \$0.75 trillion
September 1, 2020	All other CSEs

Compliance Date for VM	Covered Swap Amount between CSE and Counterparty
September 1, 2016	Notional amount exceeds \$3 trillion
March 1, 2017	All other CSEs



Summary Table

Counterparty of a Covered Swap Entity (CSE)	Initial Margin	Variation Margin
Swap Entity	Always Exchange <u>Threshold</u> : \$50 million <u>Frequency</u> : daily	Always Exchange <u>Threshold</u> : zero <u>Frequency</u> : daily
Financial End User with Material Swaps Exposure	Always Exchange <u>Threshold</u> : \$50 million <u>Frequency</u> : daily	Always Exchange <u>Threshold</u> : zero <u>Frequency</u> : daily
Financial End User Without Material Swaps Exposure	At the discretion of the CSE	Always Exchange <u>Threshold</u> : zero <u>Frequency</u> : daily
Other Counterparties	At the discretion of the CSE	At the discretion of the CSE
FEU Affiliate Counterparties	Collect Only <u>Threshold</u> : \$20 million <u>Frequency</u> : daily	Always Exchange <u>Threshold</u> : zero <u>Frequency</u> : daily



Thank You



