Statement
Dallas P. Tonsager, Board Member
Farm Credit Administration Board Meeting
March 10, 2016

First, I want to thank all the members of the Capital Workgroup, who have worked so hard over the years on this very complex subject. I believe this rule is the most challenging regulation that the Agency has ever promulgated, and staff has done a remarkably skillful job of developing it.

I fully support this capital rule, which will accomplish a number of benefits for the Farm Credit System that will extend to the farmers and ranchers that the System serves.

- First, by conforming our capital requirements to the Basel III guidance, the rule puts FCS capital standards on a par with that of the commercial banks, which in turn makes System capital more understandable and transparent to investors and should enhance the System's ability to issue debt in the capital markets.

- Yet even as this capital rule conforms to Basel III, it makes adjustments where necessary to recognize the cooperative structure of the Farm Credit System and its limited lending authorities to serve agriculture and rural America.

- The rule not only ensures that System capital will remain strong, but serves to enhance the strength of the System's capital through the use of a leverage ratio and buffers and appropriate risk-weighting measures.

- The FCS is well-positioned to adapt to these new capital requirements given the strong capital positions that exist throughout the System. As staff has noted, these new requirements will not lower the strong capital ratios that all four FCS banks and most associations currently enjoy.

There is still much work to be done to train FCA staff, and particularly our examiners, on all aspects of this complex rule. But I am confident that this task will be undertaken with the same skill and success that produced this challenging rule. I also am confident that our staff will work closely with System representatives to help make the transition to these new regulations as smooth as possible for System banks and associations.