

manner. Research records involving raw data shall include the devices or instruments on which they reside. However, if deemed appropriate by the research institution or investigator, research data or records that reside on or in instruments or devices may be copied and removed from those instruments or devices as long as the copies are complete, accurate, and have substantially equivalent evidentiary value as the data or records when the data or records reside on the instruments or devices. Such copies or data or records shall be made by a disinterested, qualified technician and not by the subject of the original allegation or other interested parties. When the relevant data or records have been removed from the devices or instruments, the instruments or devices need not be maintained as evidence.

#### § 3022.12 Remedies for non-compliance.

USDA agencies' implementation procedures identify the administrative actions available to remedy a finding of research misconduct. Such actions may include the recovery of funds, correction of the research record, debarment of the researcher(s) who engaged in the research misconduct, proper attribution, or any other action deemed appropriate to remedy the instance(s) of research misconduct. In determining the appropriate administrative action, the appropriate agency must impose a remedy that is commensurate with the infraction as described in the finding of research misconduct.

#### § 3022.13 Appeals.

(a) If USDA relied on an institution to conduct an inquiry, investigation, and adjudication, the alleged person(s) should first follow the institution's appeal policy and procedures.

(b) USDA agencies' implementation procedures identify the appeal process when a finding of research misconduct is elevated to the agency.

#### § 3022.14 Relationship to other requirements.

Some of the research covered by this part also may be subject to regulations of other governmental agencies (e.g., a university that receives funding from a USDA agency and also under a grant from another Federal agency). Research covered under this part that is also subject to requirements of other agencies or funding sources must be conducted in compliance with all applicable requirements of this part. USDA agencies may include in their implementation procedures a process for deferring to or collaborating with

other agencies when a research institution receives funding or support from multiple sources and therefore would be subject to multiple research agencies' research misconduct procedures. For example, when a research institution or the OIG or a Federal agency other than the relevant USDA agency, has previously initiated its own inquiry and investigation, the relevant USDA agency may wish to defer its own inquiry or investigation until it receives the results of that external inquiry and investigation. If the relevant USDA agency does not receive the results of the external inquiry within what it believes to be a reasonable time, the relevant USDA agency should proceed with its own inquiry and, if warranted, its own investigation.

Dated: November 6, 2008.

Issued at Washington, DC.

Approved.

**Edward T. Schafer,**

*Secretary, U.S. Department of Agriculture.*

[FR Doc. E8-27607 Filed 11-21-08; 8:45 am]

**BILLING CODE 3410-34-P**

## FARM CREDIT ADMINISTRATION

### 12 CFR Parts 619, 620, and 621

#### RIN 3052-AC35

#### Definitions; Disclosure to Shareholders; Accounting and Reporting Requirements; Disclosure and Accounting Requirements

**AGENCY:** Farm Credit Administration.

**ACTION:** Proposed rule.

**SUMMARY:** The Farm Credit Administration (FCA, we, or our) is proposing to amend and/or make revisions and technical changes to our regulations. These amendments are proposed to clarify FCA's regulations related to disclosure and reporting practices of Farm Credit System (System) institutions. In addition, they will ensure that FCA regulations are consistent with System structural changes and are updated to include changes to accounting and reporting standards.

**DATES:** You may send comments on or before January 23, 2009.

**ADDRESSES:** We offer a variety of methods for you to submit your comments. For accuracy and efficiency reasons, commenters are encouraged to submit comments by e-mail or through the FCA's. 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:

- **E-mail:** Send us an e-mail at [reg-comm@fca.gov](mailto:reg-comm@fca.gov).

- **FCA Web site:** <http://www.fca.gov>. Select "Public Commenters," then "Public Comments," and follow the directions for "Submitting a Comment."

- **Federal eRulemaking Portal:** <http://www.regulations.gov>. Follow the instructions for submitting comments.

- **Mail:** Gary K. Van Meter, 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 from our Web site at <http://www.fca.gov>. Once you are in the Web site, select "Public Commenters," then "Public Comments," and follow the directions for "Reading Submitted 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 e-mail addresses to help reduce Internet spam.

#### FOR FURTHER INFORMATION CONTACT:

Thomas R. Risdal, Senior Policy Analyst, Office of Regulatory Policy, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4498, TTY (703) 883-4434, or Robert Taylor, Attorney, Office of General Counsel, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4020, TTY (703) 883-4020.

#### SUPPLEMENTARY INFORMATION:

##### I. Objectives

The objectives of this proposed rule are to:

- Clarify the FCA regulations related to disclosure and reporting practices of System institutions; and

- Ensure that FCA regulations are consistent with System structural changes and updated to include changes to accounting and reporting standards.

##### II. Background

The Farm Credit Amendments Act of 1985 (1985 Amendments)<sup>1</sup> added provisions to the Farm Credit Act of 1971, as amended (Act),<sup>2</sup> requiring FCA to regulate the disclosure and reporting

<sup>1</sup> Pub. L. 99-205, 99 Stat. 1678, Dec. 23, 1985.

<sup>2</sup> Pub. L. 92-181, 85 Stat. 583, Dec. 10, 1971.

practices of System institutions. The Act, as amended by the 1985 Amendments, requires: (1) Each System institution to prepare and publish annual financial reports as prescribed by the FCA; and (2) that the annual reports contain financial statements prepared in accordance with generally accepted accounting principles (GAAP) and be audited by an independent public accountant. To implement these requirements, we issued regulations at part 620 (Disclosure to Shareholders) and part 621 (Accounting and Reporting Requirements). The regulations established the requirements for the preparation of financial reports by Farm Credit banks and associations, including annual reports to shareholders and reports of condition and performance (Call Reports). The regulations also established requirements for categorizing and maintaining information on high-risk loans and a requirement that each System institution have its financial statements audited by a qualified public accountant. When developing the regulations at parts 620 and 621, we considered the Securities and Exchange Commission's (SEC) disclosure and reporting requirements for public companies in effect at the time, as well as the requirements of other financial institution regulators. We adapted these requirements to the cooperative structure of System institutions.

Since our adoption of the regulations at parts 620 and 621, they have been revised several times to address a variety of issues. Most recently, we revised the regulations to incorporate improvements in governance and financial reporting best practices brought about by the Sarbanes-Oxley Act of 2002<sup>3</sup> and the SEC's implementing regulations. While there have been a number of amendments to FCA's regulations over the years, the primary disclosure requirements for shareholder reports, Call Reports and nonperforming loans have not changed significantly since they were adopted in the 1980s. However, System structure has changed as have certain accounting and reporting standards. In order to incorporate these changes into FCA's regulations, as applicable, we propose the following amendments to parts 619, 620, and 621.

### III. Section-by-Section Analysis

#### A. Generally Accepted Auditing Standards [§§ 619.9270(e) and 621.2(d)]

The Public Company Accounting Oversight Board (PCAOB) was created

by the Sarbanes-Oxley Act of 2002 to oversee the auditors of public companies<sup>4</sup> in the preparation of informative, fair, and independent audit reports. As a result of its creation, public institutions are required to follow the auditing standards that are established by the PCAOB, while nonpublic institutions may continue to follow the standards that are established by the American Institute of Certified Public Accountants (AICPA). We propose to revise the definition of generally accepted auditing standards in § 621.2(d) to include reference to the standards and guidelines that are generally accepted in the United States of America and that are adopted by the authoritative body that governs the overall quality of the audit performance. Specifically, we propose to remove the language referring to the AICPA, and insert in its place a reference solely to generally accepted auditing standards. Additionally, to ensure consistency throughout the regulations, we propose to amend § 619.9270(e) to remove the language referring to the AICPA, and insert in its place a reference to the authoritative body governing overall audit quality.

#### B. Signatures on Financial Reports [§ 620.3(b)(3)]

Section 620.3(b) and (c) provide the requirements for signing and certifying the financial accuracy of the reports<sup>5</sup> by the institution's chief executive officer (CEO), chief financial officer (CFO), and a designated board member. Existing § 620.3(b)(3) provides that the designated board member that signs and certifies the reports is the board member that certifies reports of condition and performance. The language "reports of condition and performance" is a direct reference to the Call Report requirements in part 621, Accounting and Reporting Requirements, which is an incorrect reference. Thus, we propose to amend § 620.3(b)(3) to remove the reference to reports of condition and performance.

#### C. Contents of the Annual Report to Shareholders; Incorporation by Reference [§ 620.5(a) Through (e)]

Section 620.5(a) through (e) requires that an institution's annual report contain: (1) A description of its

business; (2) a description of its property; (3) disclosure of certain legal proceedings and enforcement actions to which the institution is a party; (4) a description of its capital structure, and (5) a description of its liabilities. In addition, § 620.5(g) requires an institution's annual report to contain a management's discussion and analysis (MD&A) section that must include information necessary to an understanding of the institution's financial condition, material changes thereto, and results of operations. In certain circumstances, it may be appropriate for the institution to include the disclosures required by § 620.5(a) through (e) in the MD&A section of the annual report. In order to provide institutions flexibility in meeting the above requirements and to avoid the occurrence of duplicate disclosures, we propose to amend § 620.5(a) through (e) to allow the information required by these provisions to be incorporated by reference to the MD&A section, so long as the descriptions and disclosures are appropriately included in the MD&A as required by § 620.5(g).

#### D. Description of Business; Significant Developments [§ 620.5(a)(4)]

Section 620.5(a)(4) requires disclosure of any significant developments within the last 5 years that could have a material impact on earnings or the interest rates to borrowers. We are adding patronage and dividends to the list for which disclosure of significant developments that have material impact is required. Since an institution's patronage and patronage policies and practices ultimately affect the patronage or dividend return to a patron/stockholder, we propose to further amend this section to specifically require that changes to an institution's patronage and dividend policies and practices be disclosed if the changes are considered a significant development in accordance with the requirements of this section.

#### E. Description of Business; the Institution's Interdependent Relationship With Its Funding Bank [§ 620.5(a)(10)]

Section 620.5(a)(10) requires each association to disclose in its annual report the association's financial and supervisory relationship with its funding bank. In order that the section not be interpreted to require only disclosure of the financial and supervisory relationships, but also include all interdependent relationships between banks and associations, we propose to amend this section to remove language, such as "financial" or

<sup>4</sup> A public company is a company that is permitted to offer its registered securities (stock, bonds, etc.) for sale to the general public, typically through a stock exchange, but also may include companies whose stock is traded over the counter (OTC).

<sup>5</sup> Section 620.1(o) defines "report" as the "annual report, quarterly report, notice, or information statement, regardless of form, required by this part unless otherwise specified."

<sup>3</sup> Pub. L. 107-204, 116 Stat. 745, July 30, 2002.

“supervisory,” that may be interpreted to limit the disclosure of the interdependent relationship. While there is a financial and supervisory relationship between associations and funding banks that must be disclosed, we conclude that the disclosure should further include a discussion of all interdependent relationships so shareholders can understand the full extent of the relationship between an association and its funding bank.

*F. Description of Liabilities; Description of Statutory Responsibility for Repayment of Obligations Issued by the Farm Credit System Financial Assistance Corporation [§ 620.5(e)(4)]*

Section 620.5(e)(4) requires disclosure of System institutions' responsibility for repayment of obligations issued by the Farm Credit System Financial Assistance Corporation (FAC). Because the FAC has fulfilled its obligations and discharged its responsibilities under the Act and is no longer a chartered entity, we propose to remove § 620.5(e)(4) in its entirety.

*G. Selected Financial Data; Associations That Are Not Direct Lender Associations [§ 620.5(f)(2)]*

Section 620.5(f)(2) requires disclosure of selected financial data for each of the last 5 fiscal years in the annual reports of associations that are *not* direct lender associations. Due to System structure changes that occurred subsequent to the implementation of this section, all System associations are now direct lenders. Therefore, we propose to remove this section of the regulation in its entirety.

*H. Description of Funding Sources [§ 620.5(g)(3)(i)(A)]*

Section 620.5(g)(3)(i)(A) requires that an institution describe its outstanding consolidated Systemwide debt obligations and other bond obligations used to fund its lending operations. We propose to clarify that the requirement applies to all debt obligations held by each System institution, not just the consolidated Systemwide debt and bond obligations. For example, this section would require that an association describe the general financing agreement with its affiliated bank.

*I. Listing of Directors and Senior Officers and Their Terms of Office [§ 620.5(h)(1)]*

Section 620.5(h)(1) requires the disclosure of the names of all directors and senior officers of the institution, their respective position titles and terms of office. Most senior officers, as employees, do not have agreed-upon

terms of office with the institution. Therefore, in lieu of disclosing a term of office for a senior officer, we propose to amend this section to require disclosure of the date the senior officer commenced employment in his/her current position. The requirement to disclose the term of office for directors would remain unchanged.

*J. Director Compensation [§ 620.5(i)(1)]*

Section 620.5(i)(1) requires System institutions to make disclosures concerning the compensation of directors, including the total cash and noncash compensation paid to all directors as a group during the fiscal year. However, the current regulation does not specify whether the disclosures should include only those directors that are serving as of the date of the annual report, or if it should also include directors that received compensation during the fiscal year, whether or not serving as of the date of the annual report. As a result, disclosure practices vary among System institutions. Additionally, disclosure requirements for System institutions' CEOs at § 620.5(i)(2)(i)(A) specifically require disclosure of compensation paid to each individual CEO that served in his/her capacity as CEO during the fiscal year. In order to clarify the requirements for director compensation and to conform these requirements with the disclosures required for the CEO at § 620.5(i)(2)(i)(A), we propose to amend this section to clarify that the disclosures required by § 620.5(i)(1) apply to all directors that served in that capacity during the fiscal year, including those that resigned from the board or whose terms expired during the fiscal year.

*K. Fees Paid to the Qualified Public Accountant Engaged To Conduct the Financial Statement Audit [§ 620.5(l)(2)]*

Section 620.5(l)(2) requires each institution to disclose in its annual report all fees paid to its qualified public accountant, with the fees segregated into three categories: audit services, non-audit services, and tax services. The types of non-audit services must be individually identified and disclosed, and each institution must state whether the non-audit services were approved by its audit committee. This requirement applies only to the fees paid to the qualified public accountant engaged to conduct the institution's financial statement audit. The requirement is intended to help shareholders assess the independence of the institution's external auditor. It does not apply to fees paid to other qualified public accountants not engaged to

conduct the institution's audit. Thus, we propose to amend § 620.5(l)(2) to make this clarification.

*L. Preparing and Publishing the Quarterly Report [§ 620.10(a)]*

On December 4, 2007, the FCA issued a final rule (72 FR 68060) amending the disclosure and reporting regulations for System institutions. The final rule revised the requirements for submitting part 620 reports to the FCA. Among other things, amended § 620.4 requires that each System institution prepare and send to FCA an electronic copy of its annual report and publish a copy of its annual report on its Web site when it sends FCA the electronic copy. This amendment intended to strike a balance between providing accelerated reporting and improved information flow to shareholders and investors, allowing sufficient time for the issuance of a paper copy of the annual report to shareholders. This amendment, however, did not address publication and filing requirements for quarterly reports to shareholders. To further facilitate timely disclosure of financial information and improved information flow to shareholders and investors, we propose to amend § 620.10(a) to include requirements for filing the quarterly report electronically with the FCA and publishing the report on the institution's Web site when it sends the report electronically to the FCA. The section does not require that the quarterly report be sent to shareholders. However, it must be made available for public inspection at the issuing institution.

Additionally, we propose to amend § 620.10(a) to replace the language “Farm Credit bank and direct lender association” with “institution,” which is defined for purposes of § 620.1(f) to mean “any bank or association chartered by the Act.”

*M. Interim Financial Statements and Pro Forma Presentations Subsequent to Consummation of a Business Combination [§ 620.11(b)(4) and (b)(5)], and Reporting Accounting Changes and Error Corrections [§ 620.11(b)(6) and (b)(7)]*

The Financial Accounting Standards Board (FASB) develops and establishes financial accounting and reporting standards and the hierarchy under which those standards are to be applied (*i.e.*, GAAP). The recent issuance by the FASB of certain standards has necessitated a review of our regulations that are affected by the new standards.

Section 620.11(b)(4) and (b)(5) established the interim financial reporting requirements for System

institutions that consummated a business combination, merger, consolidation, etc. (hereinafter referred to solely as a business combination), using either the pooling or purchase methods of accounting. The interim financial reporting requirements were affected by the FASB's issuance in 2007 of Statement of Financial Accounting Standards (SFAS) 141(R) because:

- FCA regulations require that System institutions prepare financial statements and reports in accordance with GAAP, thus all System institutions are required to adopt SFAS 141(R) and its disclosure requirements;

- SFAS 141(R) requires that the acquisition method of accounting be used to account for all business combinations, including combinations of mutual enterprises, thus the references in § 620.11(b)(4) and (b)(5) to pooling and purchase methods of accounting are no longer relevant; and

- In deliberating the new standard, the FASB agreed that the definition of a mutual enterprise includes cooperative entities, thus the acquisition method of accounting prescribed by SFAS 141(R) is GAAP for System institutions.

SFAS 141(R) is effective for all business combinations that have an acquisition date on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Therefore, as of the effective date, System institutions will be required to apply SFAS 141(R) to business combinations with an acquisition date of January 1, 2009, or thereafter. Accordingly, since § 620.11(b)(4) and (b)(5) will no longer apply to current GAAP, we propose to remove these sections in their entirety.

FCA reporting requirements for accounting changes are found in § 620.11(b)(6) and (b)(7). The FASB issued SFAS 154, Accounting Changes and Error Corrections, which replaced Accounting Principles Bulletin Opinion No. 20 and SFAS 3 and changed the requirements for the accounting for and reporting of a change in accounting principles. SFAS 154 was effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Since SFAS 154 addresses the accounting and reporting requirements covered by existing § 620.11(b)(6) and (b)(7), and since System institution financial statements and reports are required to be prepared in accordance with GAAP, we propose to remove § 620.11(b)(6) and (b)(7) in their entirety.

#### *N. Independent Public Accountant [§ 620.11(e) and § 620.21(f)]*

Section 619.9270 provides FCA's definition of "qualified public accountant or external auditor." In order to ensure that § 620.11(e) and § 620.21(f) are consistent with the definitions established in § 619.9270, we propose to amend § 620.11(e) to replace the references to "independent public accountant" with "qualified public accountant or external auditor." Additionally, we propose to amend § 620.21(f) to replace each reference to "independent public accountant" or "accountant" with "qualified public accountant or external auditor."

#### *O. Accounting for the Allowance for Loan Losses and Chargeoffs [§ 621.5(a)]*

Our existing rule at § 621.5(a) on the allowance for loan losses states that System institutions shall maintain, at all times, an allowance for loan losses that is adequate to absorb all probable and estimable losses that may reasonably be expected to exist in the loan portfolio. This requirement was intended to be consistent with GAAP existing at the time. The accounting for the allowance for loan losses continues to evolve as additional pronouncements and other guidance are issued by the FASB and other standard-setting bodies. Therefore, to ensure that the accounting for the allowance for loan losses remains current with industry standards, we propose to amend this section by revising the language to clarify that a System institution's allowance for loan losses should be determined in accordance with GAAP.

#### *P. Reports of Condition and Performance; Applicability and General Instructions; Filing of Reports [§ 621.12(c)]*

We propose to revise this provision because all Call Reports are currently submitted electronically, and the instructions for the preparation of the Call Reports are available on the Agency's Web site. Additionally, we propose to amend § 621.12 to require that institutions file their Call Reports in accordance with the instructions prescribed by the FCA.

#### *Q. Technical Corrections [§ 620.5]*

In a previous rulemaking, § 620.5 was amended by removing the word "financial" and adding in its place the word "financing." The intent of the change, however, was to remove the word "financial" and add in its place the word "financing" only as it appeared in § 620.5(a)(8), rather than in §§ 620.5(a)(4), 620.5(e)(2), 620.5(f), 620.5(f)(1)(iii), 620.5(g), 620.5(g)(1)(iv),

620.5(g)(2)(ii), 620.5(g)(2)(vi), 620.5(j)(3)(ii), and 620.5(m)(1).

Therefore, we propose to amend § 620.5 to correct instances where the word "financial" was inadvertently replaced with the word "financing."

#### **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 will not have a significant economic impact on a substantial number of small entities. Each of the banks in the Farm Credit System, considered together with its affiliated 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 Parts 619, 620 and 621**

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

For reasons stated in the preamble, parts 619, 620, and 621 of chapter VI, title 12 of the Code of Federal Regulations are proposed to be amended as follows:

#### **PART 619—DEFINITIONS**

1. The authority citation for part 619 continues to read as follows:

**Authority:** Secs. 1.4, 1.7, 2.1, 2.4, 2.11, 3.2, 3.21, 4.9, 5.9, 5.12, 5.17, 5.18, 6.22, 7.0, 7.1, 7.6, 7.8, 7.12 of the Farm Credit Act (12 U.S.C. 2011, 2015, 2072, 2075, 2092, 2123, 2142, 2160, 2243, 2244, 2252, 2253, 2254, 2278b-2, 2279a, 2279a-1, 2279b, 2279b-2, 2279f).

2. Section 619.9270 is amended by revising the second sentence of paragraph (e) to read as follows:

#### **§ 619.9270 Qualified Public Accountant or External Auditor.**

\* \* \* \* \*

(e) \* \* \* For the purposes of this definition, the term "independent" has the same meaning as under the rules and interpretations of the authoritative body governing overall audit performance. \* \* \*

#### **PART 620—DISCLOSURE TO SHAREHOLDERS**

3. The authority citation for part 620 continues to read as follows:

**Authority:** Secs. 4.19, 5.9, 5.17, 5.19, 8.11 of the Farm Credit Act (12 U.S.C. 2207, 2243, 2252, 2254, 2279aa-11); sec. 424 of Pub. L. 100-233, 100 Stat. 1568, 1656.

**Subpart A—General**

4. Section 620.3 is amended by revising paragraph (b)(3) as follows:

**§ 620.3 Accuracy of reports and assessment of internal control over financial reporting.**

\* \* \* \* \*

(b) \* \* \*

(3) A board member formally designated by action of the board to certify reports on behalf of individual board members.

\* \* \* \* \*

**Subpart B—Annual Report to Shareholders**

5. Amend § 620.5 as follows:

a. Remove the word “financing” and add in its place the word “financial” each place it appears in paragraphs (e)(2), (f) introductory text, (f)(1)(iii), (g) introductory text, (g)(1)(iv), (g)(2)(ii), (g)(2)(vi), (j)(3)(ii), and (m)(1);

b. Revise the introductory paragraph, paragraphs (a)(4), (a)(10) introductory text, (g)(3)(i)(A), (h)(1), (i), and the first sentence of paragraph (l)(2);

c. Remove paragraphs (a)(10)(v), (e)(4) and (f)(2); and

d. Redesignate existing paragraphs (f)(3) and (f)(4) as newly designated paragraphs (f)(2) and (f)(3).

**§ 620.5 Contents of the annual report to shareholders.**

The report must contain the following items in substantially the same order, except that information required by paragraphs (a) through (e) of this section may be referenced to information required by paragraph (g) so long as the descriptions and disclosures are appropriately included in paragraph (g) of this section:

(a) \* \* \*

(4) Any significant developments within the last 5 years that had or could have a material impact on earnings, interest rates to borrowers, patronage, or dividends, including, but not limited to, changes in the reporting entity, changes in patronage policies and practices, and financial assistance provided by or to the institution through loss-sharing or capital preservation agreements or from any other source;

\* \* \* \* \*

(10) For associations, in a separate section of the annual report, discuss the interdependent relationship between the association and its funding bank, including, but not limited to, the financial relationship, a service provider relationship, other material operational relationships, and other specific issues or areas that create a material interdependent relationship between

the association and its funding bank. This separate section may reference information from other sections of the annual report. At a minimum, the separate section must include the statement required by § 620.2(h)(2)(i) of this part and the following information required elsewhere in this section, if applicable:

\* \* \* \* \*

(g) \* \* \*

(3) \* \* \*

(i) \* \* \*

(A) Describe the average and yearend amounts, maturities, and interest rates on outstanding consolidated Systemwide debt obligations, bond obligations, or any other obligations used to fund the institution’s lending operations.

\* \* \* \* \*

(h) \* \* \*

(1) List the names of all directors and senior officers of the institution, indicating the position title and term of office of each director, and the position, title, and date each senior officer commenced employment in his or her current position.

\* \* \* \* \*

(i) *Compensation of directors and senior officers.* For the purposes of this paragraph, disclosure of compensation paid to and days served by directors applies to any director who served in that capacity at any time during the reporting period.

\* \* \* \* \*

(l) \* \* \*

(2) Disclose the total fees, by the category of services provided, paid during the reporting period to the qualified public accountant engaged to conduct the institution’s financial statement audit. \* \* \*

\* \* \* \* \*

**Subpart C—Quarterly Report**

6. Amend § 620.10 by revising paragraph (a) to read as follows:

**§ 620.10 Preparing the quarterly report.**

(a) Each institution of the Farm Credit System must:

(1) Prepare and send, to the Farm Credit Administration, an electronic copy of its quarterly report within 40 calendar days after the end of each fiscal quarter, except that no report need be prepared for the fiscal quarter that coincides with the end of the fiscal year of the institution; and

(2) Publish a copy of its quarterly report on its Web site when it sends the report electronically to the Farm Credit Administration.

\* \* \* \* \*

**§ 620.11 [Amended]**

7. Amend § 620.11 as follows:

a. Remove paragraphs (b)(4) through (b)(7);

b. Redesignate existing paragraph (b)(8) as newly designated paragraph (b)(4); and

c. Remove the words “independent public accountant,” “an independent public accountant,” and “the independent public accountant” and add the words “a qualified public accountant or external auditor” in each place they appear in paragraph (e) and its heading.

**Subpart E—Annual Meeting Information Statement**

8. Amend § 620.21 by revising the heading and paragraph (f) to read as follows:

**§ 620.21 Contents of the information statement and other information to be furnished in connection with the annual meeting or director elections.**

\* \* \* \* \*

(f) *Relationship with qualified public accountant or external auditor.* If an institution of the Farm Credit System has had a change or changes in its qualified public accountant or external auditor since the last annual report to shareholders, or if a disagreement with a qualified public accountant or external auditor has occurred, the institution shall disclose the information required by § 621.4(c) and (d) of this chapter.

**PART 621—ACCOUNTING AND REPORTING REQUIREMENTS**

9. The authority citation for part 621 continues to read as follows:

**Authority:** Secs. 5.17, 8.11 of the Farm Credit Act (12 U.S.C. 2252, 2279aa–11); sec. 514 of Pub. L. 102–552.

**Subpart A—Purpose and Definitions**

10. Amend § 621.2 by revising paragraph (d) to read as follows:

**§ 621.2 Definitions.**

\* \* \* \* \*

(d) *Generally accepted auditing standards* means the standards and guidelines that are generally accepted in the United States of America and that are adopted by the authoritative body that governs the overall quality of audit performance.

\* \* \* \* \*

**Subpart B—General Rules**

11. Amend § 621.5 by revising paragraph (a) to read as follows:

**§ 621.5 Accounting for the allowance for loan losses and chargeoffs.**

\* \* \* \* \*

(a) Maintain at all times an allowance for loan losses that is determined according to generally accepted accounting principles.

\* \* \* \* \*

**Subpart D—Report of Condition and Performance**

12. Amend § 621.12 by revising paragraph (c) as follows:

**§ 621.12 Applicability and general instructions.**

\* \* \* \* \*

(c) All reports of condition and performance shall be submitted electronically in accordance with the instructions prescribed by the Farm Credit Administration and located on its Web site.

Dated: November 17, 2008.

**Roland E. Smith,**

*Secretary, Farm Credit Administration Board.*

[FR Doc. E8-27654 Filed 11-21-08; 8:45 am]

BILLING CODE 6705-01-P

**ADDRESSES:** You may mail two copies of your comments to: Federal Aviation Administration, Aircraft Certification Service, Engine and Propeller Directorate, Attn: Robert McCabe, ANE-110 Standards Staff, 12 New England Executive Park, Burlington, Massachusetts 01803-5299, Rules Docket No. NE129. You may deliver two copies to the Engine and Propeller Directorate at the above address. You must mark your comments: Docket No. NE 129. You may send comments via e-mail to [robert.mccabe@faa.gov](mailto:robert.mccabe@faa.gov). You must use the subject "Docket No. NE 129". You can inspect comments in the Rules Docket weekdays, except Federal holidays, between 7:30 a.m. and 4 p.m.

**FOR FURTHER INFORMATION CONTACT:**

Federal Aviation Administration, Aircraft Certification Service, Engine and Propeller Directorate, Attn: Robert McCabe, ANE-1 10 Standards Staff, 12 New England Executive Park, Burlington, Massachusetts 01803-5299; telephone (781) 238-7138; facsimile (781) 238-7199; e-mail [robert.mccabe@faa.gov](mailto:robert.mccabe@faa.gov).

**SUPPLEMENTARY INFORMATION:**

**Comments Invited**

We invite interested people to take part in this rulemaking by sending written comments, data, or views. The most helpful comments reference a specific portion of the special conditions, explain the reason for any recommended change, and include supporting data. We ask that you send us two copies of written comments.

We will file in the docket all comments we receive, as well as a report summarizing each substantive public contact with FAA personnel about these special conditions. You can inspect the docket before and after the comment closing date. If you wish to review the docket in person, go to the address in the **ADDRESSES** section of this preamble between 7:30 a.m. and 4 p.m., Monday through Friday, except Federal holidays.

We will consider all comments we receive on or before the closing date for comments. We will consider comments filed late, if it is possible to do so without incurring expense or delay. We may change these special conditions based on the comments we receive.

If you want us to let you know we received your comments on this proposal, send us a preaddressed, stamped postcard on which the docket number appears. We will stamp the date on the postcard and mail it back to you.

**Background**

On February 28, 2006, the General Electric Company (GE) applied to the FAA to amend the GENx model type certificate to add GENx-2B engine model series. Currently, the GENx type certificate consists of the GENx-1B turbofan engine models GENx-1B54, GENx-1B58, GENx-1B64, GENx-B67, and GENx-1B70. GE is requesting to add the GENx-2B67 and GENx-2B69 engine model series to the type certificate.

The GENx-2B engine model series is a close derivative of the GENx-1B engine models, and will utilize a significant number of common parts and systems. Some GENx-2B engine model components, which differ from those on the GENx-1B engine models, include a smaller diameter fan operating at a slightly higher speed, a lower guide vane count, fewer booster stages, lower bypass ratio, fewer low pressure turbine stages, lighter accessories gearbox, and a modified turbine rear frame. Those components do not introduce any unique materials, design concepts, or manufacturing processes.

The GENx-2B engine models will also incorporate fan blades manufactured using carbon graphite composite material, with a bonded metal tip cap, and metal leading and trailing edge laminates. The design and manufacture of these fan blades are similar to those used on the GE90-76B, -77B, -85B, -90B, -94B baseline engines, the GE90-110B1, -113B, and -115B derivative engine model series, and the GENx-1B engine model series. This novel and unusual design feature results in the fan blades having significant differences in material property characteristics when compared to conventionally designed fan blades using only metallic materials.

GE submitted data and analysis during the GE90 baseline and GE90-115B derivative engine model certification programs, and again during the recent GENx-JB certification program. GE was able to show that the likelihood of these carbon graphite composite fan blades failing below the inner annulus flow path line is highly improbable. GE questioned the appropriateness of the requirement contained in § 33.94(a)(1) to show containment after a failure of the fan blade at the outermost retention feature.

The FAA responded during the GE90 baseline by reviewing the historical basis for the § 33.94(a)(1) test requirements, and determined that they are based on metallic blade characteristics and service history, and therefore were not appropriate for the unusual design features of the composite fan blade design planned for

**DEPARTMENT OF TRANSPORTATION**

**Federal Aviation Administration**

**14 CFR Part 33**

[Docket No. NE129; Notice No. 33-08-01-SCI]

**Special Conditions: General Electric Company GENx-2B Model Turbofan Engines**

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice of proposed special conditions.

**SUMMARY:** This notice proposes special conditions for General Electric Company (GE) GENx-2B67 and GENx-2B69 model turbofan engines. The fan blades of these engines will have novel or unusual design features when compared to the state of technology envisioned in the part 33 airworthiness standards. The applicable airworthiness regulations do not contain adequate or appropriate safety standards for these design features. These special conditions contain the added safety standards the Administrator considers necessary to establish a level of safety equivalent to that established by the existing airworthiness standards of 14 CFR part 33.

**DATES:** We must receive your comments on or before December 24, 2008.