

regulatory and informational impacts of this action on small businesses.

In accordance with the Paperwork Reduction Act of 1995, (44 U.S.C. Chapter 35), the order's information collection requirements have been previously approved by the Office of Management and Budget (OMB) and assigned OMB No. 0581-0178 (Generic Vegetable and Specialty Crops). No changes in those requirements as a result of this action are necessary. Should any changes become necessary, they would be submitted to OMB for approval.

This proposed rule would impose no additional reporting or recordkeeping requirements on either small or large Idaho-Eastern Oregon potato handlers. As with all Federal marketing order programs, reports and forms are periodically reviewed to reduce information requirements and duplication by industry and public sector agencies.

AMS is committed to complying with the E-Government Act, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

USDA has not identified any relevant Federal rules that duplicate, overlap, or conflict with this action.

A small business guide on complying with fruit, vegetable, and specialty crop marketing agreements and orders may be viewed at: <http://www.ams.usda.gov/MarketingOrdersSmallBusinessGuide>. Any questions about the compliance guide should be sent to Jeffrey Smutny at the previously mentioned address in the **FOR FURTHER INFORMATION CONTACT** section.

A 30-day comment period is provided to allow interested persons to respond to this proposed rule. Thirty days is deemed appropriate because: (1) The 2014-2015 fiscal period begins on August 1, 2014, and the marketing order requires that the rate of assessment for each fiscal period apply to all assessable potatoes handled during such fiscal period; (2) the proposed rule would decrease the assessment rate for assessable potatoes beginning with the 2014-2015 fiscal period; and (3) handlers are aware of this action which was unanimously recommended by the Committee at a public meeting and is similar to other assessment rate actions issued in past years.

#### List of Subjects in 7 CFR Part 945

Marketing agreements, Potatoes, Reporting and recordkeeping requirements.

For the reasons set forth in the preamble, 7 CFR part 945 is proposed to be amended as follows:

#### **PART 945—IRISH POTATOES GROWN IN CERTAIN DESIGNATED COUNTIES IN IDAHO, AND MALHEUR COUNTY, OREGON**

■ 1. The authority citation for 7 CFR part 945 continues to read as follows:

**Authority:** 7 U.S.C. 601-674.

■ 2. Section 945.249 is revised to read as follows:

#### **§ 945.249 Assessment rate.**

On and after August 1, 2014, an assessment rate of \$0.0025 per hundredweight is established for Idaho-Eastern Oregon potatoes.

Dated: February 18, 2014.

**Rex A. Barnes,**

*Associate Administrator, Agricultural Marketing Service.*

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**BILLING CODE 3410-02-P**

#### **FARM CREDIT ADMINISTRATION**

#### **12 CFR Part 651**

**RIN 3052-AC89**

#### **Federal Agricultural Mortgage Corporation Governance; Farmer Mac Corporate Governance and Standards of Conduct**

**AGENCY:** Farm Credit Administration.

**ACTION:** Advance notice of proposed rulemaking.

**SUMMARY:** The Farm Credit Administration (FCA, we, or our) is considering issuing new regulations, or clarifying and enhancing existing regulations, related to the Federal Agricultural Mortgage Corporation (Farmer Mac) board governance and standards of conduct, including director election procedures, conflicts of interest and risk governance. We are requesting comments on ways to address these issues. In keeping with today's financial and economic environment, we believe it prudent and timely to undertake a review of our regulatory guidance on the identified areas. We intend to use the information and suggestions we receive in response to this Advance Notice of Proposed Rulemaking (ANPRM) for the development of guidance on Farmer Mac board governance and standards of conduct.

**DATES:** You may send comments on or before April 28, 2014.

**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 email or through the FCA's Web site. 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 comments 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 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:** Laurie A. Rea, Director, Office of Secondary Market Oversight, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090.

You may review copies of all comments we receive at our office in McLean, Virginia, or on 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, including any supporting data provided, 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:** Joe Connor, Associate Director for Policy and Analysis, Office of Secondary Market Oversight, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4364, TTY (703) 883-4056, or Laura McFarland, Senior Counsel, Office of General Counsel, Farm Credit Administration, McLean, VA 22102-5090, (703) 883-4020, TTY (703) 883-4056.

#### **SUPPLEMENTARY INFORMATION:**

##### **I. Objective**

The purpose of this ANPRM is to gather public input on how FCA might:

- Enhance risk governance at Farmer Mac to further its long-term safety and soundness and mission achievement;

- Clarify the roles of the board and voting stockholders in the Farmer Mac director nomination and election process;

- Enhance the usefulness, transparency, and consistency of conflicts of interest reporting;
- Clarify conflicts of interest prohibitions; and
- Avoid repetitious disclosure and reporting requirements given the dual reporting responsibilities of Farmer Mac to the FCA and the Securities and Exchange Commission (SEC), while maintaining effective and efficient FCA oversight of Farmer Mac.

## II. Background

### A. Structure and Operation of Farmer Mac

Farmer Mac is a stockholder-owned, federally chartered instrumentality that is an institution of the Farm Credit System and a Government-sponsored enterprise (GSE). Farmer Mac was established and chartered by the Agricultural Credit Act of 1987 (1987 Act), which was enacted on January 6, 1988, to create a secondary market for agricultural real estate mortgage loans, rural housing mortgage loans, and rural utilities loans.<sup>1</sup> Farmer Mac also facilitates the capital markets funding for USDA-guaranteed farm program and rural development loans. Title VIII of the Farm Credit Act of 1971, as amended, (Act) governs Farmer Mac.

As a GSE, Farmer Mac has a public policy purpose embedded in its corporate mission. One aspect of this public policy mission includes financial services to customer-stakeholders (institutions that lend to farmers, ranchers, rural homeowners, and rural utility cooperatives) and the resulting flow-through benefits to rural borrowers. Another key aspect is the protection of taxpayer-stakeholders because the risk that Farmer Mac accepts in the course of business exposes both investors (debt and equity purchasers) as well as taxpayers to potential loss. The taxpayer's exposure arises in part from Farmer Mac's authority to issue debt to the Department of the Treasury to cover guarantee losses under certain adverse circumstances.<sup>2</sup> Thus, an appropriately comprehensive approach to Board-level risk governance would acknowledge and consider all stakeholder groups.

Farmer Mac has two classes of voting common stock: Class A and Class B. Class A voting common stock is owned by banks, insurance companies, and

other financial institutions. Class B voting common stock is owned by Farm Credit System (System) institutions. In addition, Farmer Mac has nonvoting common stock (Class C), the ownership of which is not restricted and is a means for Farmer Mac to raise capital. Farmer Mac may also issue nonvoting preferred stock.

As a GSE, the structure of Farmer Mac's board of directors was established by Congress. The Farmer Mac board is, by statute, composed of 15 directors representing three segments: Class A stockholders, Class B stockholders, and the general public.<sup>3</sup> Each segment has five directors on the board. The Class A and B segments each elect their representatives (elected directors)—that is, only Class A stockholders elect Class A directors, and only Class B stockholders elect Class B directors. The directors representing the general public are appointed by the President of the United States (appointed directors). The Act limits the terms of elected directors to 1 year, while appointed directors serve for an unlimited duration “at the pleasure of the President” of the United States of America.<sup>4</sup>

Although the Farmer Mac board is representative in nature, Congress chose a corporate structure to govern the operations of Farmer Mac. Common law corporate principles affirm the fiduciary duty of directors to act in the best interests of Farmer Mac and all of its stockholders. However, this fiduciary duty to stockholders must be understood in the context of the duty of the directors to further the statutory purpose and public mission of Farmer Mac.<sup>5</sup>

### B. FCA Oversight and Rulemaking

Farmer Mac is regulated by FCA through the FCA Office of Secondary Market Oversight (OSMO). Section 8.11 of the Act specifies that FCA provides oversight, regulation, examination, and enforcement authority over Farmer Mac to ensure it operates in a safe and sound manner. In addition, the Act requires

<sup>3</sup> Section 8.2(b) of the Act (12 U.S.C. 2279aa–2(b)).

<sup>4</sup> Section 8.2(b)(6) of the Act (12 U.S.C. 2279aa–2(b)(6)).

<sup>5</sup> Farmer Mac was created to provide a secondary market in agricultural real estate and rural home loans originated by System institutions and other lenders. Its statutory purpose is to: increase the availability of long-term credit to farmers and ranchers at stable interest rates; provide greater liquidity and lending capacity for lenders extending credit to farmers and ranchers; facilitate capital market investments in providing long-term agricultural funding, including funds at fixed rates of interest; and to enhance the ability of individuals in small rural communities to obtain financing for moderate-priced homes. See section 701 of the 1987 Act.

Farmer Mac to register its equities with the SEC and be subject to SEC disclosure regulations under section 14 of the Securities and Exchange Act of 1934.<sup>6</sup> Also, Farmer Mac's Class A and Class C stocks are publicly traded on the New York Stock Exchange (NYSE). Thus, Farmer Mac must comply with both FCA and SEC disclosure and reporting requirements. Notwithstanding the shared regulation of Farmer Mac's reports and disclosures to stockholders, FCA, acting through OSMO, is the safety and soundness and mission regulator of Farmer Mac. As such, FCA has the authority to regulate how Farmer Mac performs its powers, functions, and duties in furtherance of its public policy purposes.

When issuing regulations for Farmer Mac, the Act requires FCA to consider:

- The purpose of Farmer Mac's mission;
- If Farmer Mac's activities and practices are appropriate for an agricultural secondary market; and
- The reduced levels of risks associated with appropriately structured secondary market transactions.<sup>7</sup>

We last issued regulations on Farmer Mac board governance and standards of conduct on March 1, 1994 (59 FR 9622). In that rulemaking, we implemented the requirements of section 514 of the Farm Credit Banks and Associations Safety and Soundness Act of 1992 (1992 Act)<sup>8</sup> by requiring Farmer Mac to adopt a conflict-of-interest policy that defines the types of relationships, transactions, or activities that might reasonably be expected to give rise to potential conflicts of interest.

## III. Areas of Consideration

Corporate governance can be defined as the set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. Corporate governance is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that fosters good corporate performance. The essence of corporate governance is to ensure good performance by the entity, provide proper accountability to all stakeholders, and mitigate conflicts of interest. As part of this, it is essential that corporations practice strong risk management.

Risk management is the identification, assessment and prioritization of risks in

<sup>6</sup> See section 8.12 of the Act (12 U.S.C. 2279aa–12).

<sup>7</sup> Section 8.11(a)(1) and (2) of the Act (12 U.S.C. 2279aa–11).

<sup>8</sup> Public Law 102–552, 106 Stat. 4131.

<sup>1</sup> See Agricultural Credit Act of 1987 (Pub. L. 100–233).

<sup>2</sup> According to the 1987 Act, Farmer Mac, in certain circumstances, may borrow up to \$1.5 billion from the U.S. Treasury to guarantee timely payment of any guarantee obligations of the corporation. Public Law 100–233.

an effort to minimize the impact of unfortunate events while maximizing opportunities. In financial institutions, risk can be categorized into three categories: credit risk, market risk, and operational risk. Usually, it is the board of directors who approve the overall risk-appetite of the company and monitor internal controls by ensuring necessary actions are taken. A strong board uses both risk management and corporate governance to steer the corporation towards policies supporting long-term sustainable growth in shareholder value, but not in a manner that promotes excessive risk-taking, particularly for short-term increases in stock price performance.<sup>9</sup>

Congress charged us to issue regulations to ensure mission compliance and the safety and soundness of Farmer Mac. With the recent events in the financial industry, increased sophistication in financial markets, and on-going scrutiny of public and agency financial activities and related reporting practices, we believe it is prudent to review our current regulatory standards related to Farmer Mac's board governance and standards of conduct reporting and disclosures, contained in part 651 of our rules, to ensure the continuing mission compliance and safety and soundness of Farmer Mac. We also believe using an ANPRM to solicit opinions and suggestions from investors, stockholders, and other interested parties will facilitate the planned rulemaking in this area.<sup>10</sup>

We have identified the following areas to address in this ANPRM:

- Conflicts of interest for directors, officers and employees;
- Director nominations and elections;
- Director representational and fiduciary duties;
- Board responsibilities in setting appropriate risk tolerance levels and overseeing risk management; and
- General board governance.

We encourage comments and suggestions on how to enhance regulations in the above-identified areas, emphasizing how those programs affect the safety and soundness of Farmer Mac, as well as comments on how to further facilitate transparent and comprehensive disclosure of Farmer Mac's standards of conduct policies and practices.

In particular, we are interested in what ways Farmer Mac's risk

governance oversight at the board committee level can be enhanced. We are also seeking suggestions on how we might amend our regulations to address the director nomination and election process to ensure compliance with the plain meaning of the Act as well as whether we should address director removal and prohibited conduct in the planned rulemaking. Suggestions on how we might amend our regulations to address the interaction of representational duties, conflicts of interest, and corporate director fiduciary duties to ensure compliance with the Act are also sought.

#### IV. Request for Comments

We request and encourage any interested person(s) to submit comments on the following questions and ask that you support any comments you submit with relevant data and/or examples. We remind commenters that comments, and data submitted in support of a comment, are available to the public through our rulemaking files. We also invite comments and suggestions on any of the identified areas under consideration, regardless of whether specific questions have been asked.

##### *Conflicts of Interests for Directors, Officers and Employees:*

- (1) What, if any, recusal process should FCA require when there is an actual or potential conflict of interest?
- (2) Should FCA regulations authorize bylaw provisions for the automatic removal of an elected director found to have violated conflicts of interest prohibitions? If so, what types of prohibited actions related to conflicts of interest should warrant removal?
- (3) Should bylaw provisions addressing disciplinary actions for prohibited actions related to conflicts of interest be regulated, such as reduced pay, loss of committee memberships, etc.? If so, please explain why and to what extent.

##### *Director Nominations and Elections:*

- (4) How should the Farmer Mac nominating committee be structured and what duties should it have?
- (5) To what extent, if any, should appointed directors be involved in the elected director nomination process? Please provide the reason(s) supporting your response.
- (6) What, if any, additional process besides the nominating committee should there be for shareholders to add director-candidates to the ballot (e.g. floor nominations, petition)?
- (7) What other director nomination guidelines should be considered to preserve the representational election of Class A and B directors on the Farmer Mac board?

##### *Director Representational and Fiduciary Duties:*

(8) Should the FCA amend its regulations to identify certain fiduciary responsibilities associated with serving as a director of a GSE? If so, how?

(9) How might FCA clarify existing Farmer Mac board responsibilities and authorities to improve the board's ability to carry out its fiduciary and oversight responsibilities?

(10) How might FCA facilitate maintaining a transparent representational relationship between elected directors and Class A and B stockholders while ensuring the protection of Farmer Mac's proprietary business information?

##### *Board Responsibilities in Risk Governance:*

(11) To what extent should Farmer Mac's risk tolerance consider its public policy purpose? How might that be measured?

(12) How might the FCA ensure that the Farmer Mac board establishes an effective risk governance framework, including risk measurements (e.g. data collection), risk controls and reporting, and clearly articulated statements of risk tolerance?

(13) If FCA requires the Farmer Mac board to have a risk committee, what guidelines should FCA provide regarding the formation and duties of the committee? What qualifications should risk committee members possess? What resources should be available to the committee? Should the committee have direct access to all members of the Farmer Mac management team?

##### *General Farmer Mac Board Governance:*

(14) To what extent should FCA issue regulations to address difficulties Farmer Mac may have as a GSE in complying with modern governance standards because of statutory and regulatory requirements regarding the structure, selection, and composition of its board?

(15) How should FCA regulations require Farmer Mac to foster diversity in the selection of directors, officers and employees?

(16) What other Farmer Mac board governance and standards of conduct issues should FCA consider addressing through regulation?

With the benefit of information gained through this ANPRM and our internal analysis, we will consider changes to the regulations to enhance their fundamental objective—to ensure the safety and soundness of Farmer Mac's operations and the furtherance of Farmer Mac's mission.

<sup>9</sup> See "Incorporating Risk Management into Corporate Governance," Enterprise Risk Management Initiative Staff (Sept. 23, 2010).

<sup>10</sup> See [www.reginfo.gov](http://www.reginfo.gov), FCA Spring 2013 Unified Agenda, "Farmer Mac—Corporate Governance and Standards of Conduct", dated April 24, 2013.

Date: February 19, 2014.

**Dale L. Aultman,**

Secretary, Farm Credit Administration Board.

[FR Doc. 2014-04057 Filed 2-24-14; 8:45 am]

BILLING CODE 6705-01-P

## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### 14 CFR Part 39

[Docket No. FAA-2014-0057; Directorate Identifier 2013-NM-210-AD]

RIN 2120-AA64

#### Airworthiness Directives; The Boeing Company Airplanes

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

**ACTION:** Notice of proposed rulemaking (NPRM).

**SUMMARY:** We propose to adopt a new airworthiness directive (AD) for certain The Boeing Company Model 737-100, -200, -200C, -300, -400, and -500 series airplanes. This proposed AD was prompted by reports from multiple operators that have found fatigue cracking in the corners of the forward galley service doorway. This proposed AD would require repetitive inspections for any cracking of the skin and bear strap doublers in the corners of the forward galley service doorway, and corrective action if necessary. This proposed AD would also provide optional terminating actions for certain repetitive inspections. We are proposing this AD to detect and correct fatigue cracking, which could result in rapid loss of cabin pressure.

**DATES:** We must receive comments on this proposed AD by April 11, 2014.

**ADDRESSES:** You may send comments, using the procedures found in 14 CFR 11.43 and 11.45, by any of the following methods:

- *Federal eRulemaking Portal:* Go to <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Fax:* 202-493-2251.
- *Mail:* U.S. Department of Transportation, Docket Operations, M-30, West Building Ground Floor, Room W12-140, 1200 New Jersey Avenue SE., Washington, DC 20590.
- *Hand Delivery:* Deliver to Mail address above between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

For service information identified in this proposed AD, contact Boeing Commercial Airplanes, Attention: Data & Services Management, P.O. Box 3707, MC 2H-65, Seattle, WA 98124-2207;

telephone 206-544-5000, extension 1; fax 206-766-5680; Internet <https://www.myboeingfleet.com>. You may view this referenced service information at the FAA, Transport Airplane Directorate, 1601 Lind Avenue SW., Renton, WA. For information on the availability of this material at the FAA, call 425-227-1221.

#### Examining the AD Docket

You may examine the AD docket on the Internet at <http://www.regulations.gov> by searching for and locating Docket No. FAA-2014-0057; or in person at the Docket Management Facility between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. The AD docket contains this proposed AD, the regulatory evaluation, any comments received, and other information. The street address for the Docket Office (phone: 800-647-5527) is in the **ADDRESSES** section. Comments will be available in the AD docket shortly after receipt.

#### FOR FURTHER INFORMATION CONTACT:

Alan Pohl, Aerospace Engineer, Airframe Branch, ANM-120S, FAA, Seattle Aircraft Certification Office, 1601 Lind Avenue SW., Renton, WA 98057-3356; phone: (425) 917-6450; fax: (425) 917-6590; email: [alan.pohl@faa.gov](mailto:alan.pohl@faa.gov).

#### SUPPLEMENTARY INFORMATION:

##### Comments Invited

We invite you to send any written relevant data, views, or arguments about this proposal. Send your comments to an address listed under the **ADDRESSES** section. Include "Docket No. FAA-2014-0057; Directorate Identifier 2013-NM-210-AD" at the beginning of your comments. We specifically invite comments on the overall regulatory, economic, environmental, and energy aspects of this proposed AD. We will consider all comments received by the closing date and may amend this proposed AD because of those comments.

We will post all comments we receive, without change, to <http://www.regulations.gov>, including any personal information you provide. We will also post a report summarizing each substantive verbal contact we receive about this proposed AD.

##### Discussion

We received reports from multiple operators that have found fatigue cracking of the skin and bear strap in the corners of the forward galley service doorway. Some of the reported cracks were found outside of areas of directed or recommended inspections, or in areas

modified as specified in previous revisions of Boeing Alert Service Bulletin 737-53A1116. Some airplanes were found to have multiple cracks in the corner areas. This condition, if not corrected, could result in rapid loss of cabin pressure.

#### Related Rulemaking

AD 90-06-02, Amendment 39-6489 (Docket No. 89-NM-67-AD; 55 FR 8372, March 7, 1990); AD 98-11-04 R1, Amendment 39-10984 (64 FR 987, January 7, 1999); AD 2008-08-23, Amendment 39-15477 (73 FR 21237, April 21, 2008); and AD 2008-09-13, Amendment 39-15494 (73 FR 24164, May 2, 2008); are supplemental structural inspection (SSI) program ADs that contain inspection requirements that are near or overlap the inspection areas that this proposed AD would require. The inspections mandated by those exploratory SSI ADs are not sufficient to address the unsafe condition identified in this proposed AD.

#### Relevant Service Information

We reviewed Boeing Alert Service Bulletin 737-53A1116, Revision 4, dated September 30, 2013. For information on the procedures and compliance times, see this service information at <http://www.regulations.gov> by searching for Docket No. FAA-2014-0057.

#### FAA's Determination

We are proposing this AD because we evaluated all the relevant information and determined the unsafe condition described previously is likely to exist or develop in other products of the same type design.

#### Proposed AD Requirements

This proposed AD would require repetitive inspections for certain The Boeing Company Model 737-100, -200, -200C, -300, -400, and -500 series airplanes for any cracking of the skin and bear strap doublers in the corners of the forward galley service doorway, and corrective action if necessary. This proposed AD would also provide optional terminating actions for certain repetitive inspections.

The phrase "corrective actions" is used in this proposed AD. "Corrective actions" are actions that correct or address any condition found. Corrective actions in an AD could include, for example, repairs.