

Piping After Repair/Replacement Activities. Applicants or licensees applying the provision of IWA-4540(a) and (e) of the 2021 Edition through the latest edition and addenda incorporated by reference in paragraph (a)(1)(ii) of the ASME Code, Section XI, are required to perform a VT-2 examination of the area affected by the repair/replacement activity during the Type C test in appendix J to this part.

(xlvi) Section XI condition: Contracted Repair/Replacement Organization Fabricating Items Offsite of the Owner's Facility. When applicants or licensees apply the provision of IWA-4143 in the 2021 Edition through the latest edition and addenda incorporated by reference in paragraph (a)(1)(ii) of Section XI of the ASME Code, a contracted Repair/Replacement Organization fabricating ASME Code, Section III parts, appurtenances, piping subassemblies, and supports offsite of the Owner's facility (e.g., vendor facility) without an ASME Certificate of Authorization and without applying an ASME Stamp/Certification Mark is prohibited.

(xlviii) Section XI condition: Analytical Evaluations of Degradation. Applicants or licensees using the 2021 Edition through the latest edition and addenda incorporated by reference in paragraph (a)(1)(ii) of Section XI of the ASME Code must submit analytical evaluations performed as required by IWB-3132.3 and IWC-3122.3 to the Nuclear Regulatory Commission.

(li) Section XI condition: Pressure Testing Following Repair/Replacement Activity. The use of the provisions in IWA-4540(d)(7) of the 2023 Edition of Section XI for exemption of performing a pressure test for Class 2 and 3 welds that have had a surface or volumetric examination performed is prohibited.

(lii) Section XI condition: Preservice and Inservice Volumetric Examination of Nozzles Fabricated from Weld Buildups. When using provisions in Figure IWB-2500-7(d) of the 2023 Edition of Section XI, preservice and inservice volumetric examination of nozzles fabricated from weld buildups is required. The volumetric examination (ultrasonic) of weld buildups shall be performed with procedures and personnel in accordance with Mandatory Appendix VIII using acceptance criteria of IWB-3514 for Category B-F welds.

(liii) Section XI condition: Protection from Deterioration of Radiographic Film and Lifetime Record Retention. Protection from deterioration of

radiographic film specified in provision IWA-6310(b) of the 2023 Edition of Section XI shall include the provisions specified in IWA-6320, and the reproduction must be retained as a lifetime record in accordance with IWA-6330, IWA-6340, and IWA-6350.

- (g) * * *
(6) * * *
(ii) * * *
(D) * * *

(9) Volumetric Qualifications. Volumetric examinations of Table 1 of ASME Code Case N-729-6 may be qualified in accordance with Section XI, Division 1, Mandatory Appendix VIII, Supplement 15, in the 2021 Edition through the latest edition and addenda incorporated by reference in paragraph (a)(1)(i) of this section, in lieu of subparagraphs (a) through (j) of 2500 of ASME Code Case N-729-6.

- (F) * * *
(2) * * *

(iv) All other butt welds that rely on Alloy 82/182 for structural integrity shall be categorized as Inspection Items A-1, A-2, B-1, B-2, or B-3, as appropriate.

(v) Paragraph -1100(e) of ASME BPV Code Case N-770-7 shall not be used to exempt welds that rely on Alloy 82/182 for structural integrity from any requirement of this section.

(4) Examination coverage. When implementing Paragraph -2500(a) of ASME BPV Code Case N-770-7, essentially 100 percent of the required volumetric examination coverage shall be obtained, including greater than 90 percent of the volumetric examination coverage for circumferential flaws. Licensees are prohibited from using Paragraphs -2500(c) and -2500(d) of ASME BPV Code Case N-770-7 to meet examination requirements.

(10) Examination technique. Note 14(b) of Table 1 and Note (b) of Figure 5(a) of ASME BPV Code Case N-770-7 may only be implemented if the requirements of Note 14(a) of Table 1 of ASME BPV Code Case N-770-7 cannot be met.

(13) Encoded ultrasonic examination. Ultrasonic examinations of non-mitigated or cracked mitigated dissimilar metal butt welds in the reactor coolant pressure boundary must be performed in accordance with the requirements of Table 1 for Inspection Item A-1, A-2, B-1, B-2, B-3, E, F-2, J, K, N-1, N-2 and O. Essentially 100 percent of the required inspection

volume shall be examined using an encoded method.

* * * * *

Dated: February 10, 2026.

For the Nuclear Regulatory Commission.

Jeremy Groom,

Acting Director, Office of Nuclear Reactor Regulation.

[FR Doc. 2026-03993 Filed 2-26-26; 8:45 am]

BILLING CODE 7590-01-P

FARM CREDIT ADMINISTRATION

12 CFR Parts 607, 611, 613, 614, 615, 620, 627, 628, and 630

RIN 3052-AD52

Permanent Capital Revisions

AGENCY: Farm Credit Administration.

ACTION: Proposed rule.

SUMMARY: The Farm Credit Administration (FCA or we) requests comments on a proposed rule for Farm Credit System (System) banks and associations that would reduce the burden of calculating permanent capital and minimize potential confusion about its use in evaluating the safety and soundness of System institutions. Specifically, the proposed rule would remove references to permanent capital in shareholder and investor reporting regulations as well as in certain other regulations. It would also simplify the calculation of the permanent capital ratio and make other clarifications, corrections, and updates to capital-related regulations.

DATES: You may send us comments on or before April 28, 2026.

ADDRESSES: For accuracy and efficiency, please submit comments by email or through FCA's website. We do not accept comments submitted by fax, because faxes are difficult for us to process. Also, please do not submit comments multiple times; submit your comment only once, using one of the following methods:

- Email: Send an email to reg-comm@fca.gov.
Use the public comment form on our website:
1. Go to https://www.fca.gov.
2. Click inside the "I want to . . ." field near the top of the page.
3. Select "comment on a pending regulation" from the dropdown menu.
4. Click "Go." This takes you to the comment form.

Send the comment by mail to Autumn R. Agans, Deputy Director, Office of Regulatory Policy, Farm Credit Administration, 1501 Farm Credit Drive, McLean, VA 22102-5090.

We post all comments on the FCA website. We will show your comments as submitted, including any supporting information; however, for technical reasons, we may omit items such as logos and special characters. Personal 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.

To read comments on our website, go to <https://www.fca.gov> and follow these steps:

1. Click inside the “I want to . . .” field near the top of the page.
2. Select “find comments on a pending regulation” from the dropdown menu.
3. Click “Go.” This will take you to a list of regulatory projects.
4. Select the project in which you’re interested. If we have received comments on that project, you will see a list of links to the individual comments.

You may also review comments at the FCA office in McLean, Virginia. Please call us at (703) 883-4056 or email us at reg-comm@fca.gov to make an appointment.

Assistance to Individuals with Disabilities in Reviewing the Rulemaking Record: On request, we will provide an appropriate accommodation or auxiliary aid to an individual with a disability who needs assistance to review the comments or other documents in the public rulemaking record for the proposed regulation. To schedule an appointment for this type of accommodation or auxiliary aid, please contact (703) 883-4056.

FOR FURTHER INFORMATION CONTACT:

Technical information: Vania Suen, Senior Policy Analyst, Finance and Capital Markets Team, Office of Regulatory Policy, (916) 900-3500, TTY (703) 883-4056; or

Legal information: Jennifer Cohn, Assistant General Counsel, Office of General Counsel, (720) 213-0440, TTY (703) 883-4056.

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I. Objectives of the Proposed Rule

FCA’s objectives in proposing this rule are to:

- Reduce the role of permanent capital as a measure of capital adequacy by replacing references to “permanent capital” or “capital” in certain FCA regulations with references to “total capital” as defined in part 628.
- Respond to previous System comments that calculating the permanent capital ratio is burdensome by simplifying the calculation as permitted by statute.
- Respond to previous System comments that disclosure of permanent capital may be confusing to third parties by eliminating the disclosure of permanent capital from shareholder and investor reporting requirements.
- Make other clarifications, corrections, and updates to capital-related regulations.

II. Overview of the Farm Credit System

In 1916, Congress created the System to provide permanent, affordable, and reliable sources of credit and related services to American agricultural and aquatic producers.¹ The System is a Government-sponsored enterprise

¹ This rulemaking does not affect the Federal Agricultural Mortgage Corporation (Farmer Mac), which is governed by separate capital regulations at Subpart B of Part 652. The use of the term “System institution” in this preamble and proposed rule does not include Farmer Mac.

(GSE). System institutions are Federal instrumentalities that operate on a cooperative basis, and FCA is their regulator. FCA and the System derive their authorities from the Farm Credit Act of 1971, as amended (1971 Act).²

As of January 1, 2025, the System consists of three Farm Credit Banks, one agricultural credit bank, 54 agricultural credit associations, one Federal land credit association, several service corporations, and the Federal Farm Credit Banks Funding Corporation (Funding Corporation). System banks (which include both the Farm Credit Banks and the agricultural credit bank) issue System-wide consolidated debt obligations in the capital markets through the Funding Corporation,³ which enables associations to provide short-, intermediate-, and long-term credit and related services to eligible borrowers. Eligible borrowers include farmers, ranchers, producers and harvesters of aquatic products, their cooperatives, rural utilities, exporters of agricultural commodities products, rural residents for housing, and farm-related service businesses.⁴

III. Statutory and Regulatory Capital Requirements Governing the System

To be able to survive in times of stress, financial institutions, including System institutions, must hold an adequate amount of high-quality capital that is permanent, stable, and immediately available to absorb losses. In 1985, Congress added a requirement in section 4.3(a) of the 1971 Act that FCA “shall cause System institutions to achieve and maintain adequate capital by establishing minimum levels of capital for such System institutions and by using such other methods as the [FCA] deems appropriate.”⁵

² 12 U.S.C. 2001–2279cc. The 1971 Act, as well as the other FCA/System-related legislation referenced in this preamble, is available at www.fca.gov under “Laws and regulations” and “Statutes.”

³ The Funding Corporation was established pursuant to section 4.9 of the 1971 Act and is owned by the System banks. The Funding Corporation is the fiscal agent and disclosure agent for the System. The Funding Corporation is responsible for issuing and marketing debt securities to finance the System’s loans, leases, and operations and for preparing and producing the System’s financial results.

⁴ The agricultural credit bank lends to, and provides other financial services to, farmer-owned cooperatives, rural utilities (electric and telephone), and rural water and wastewater disposal systems. It also finances U.S. agricultural exports and imports and provides international banking services to cooperatives and other eligible borrowers. The agricultural credit bank operates a Farm Credit Bank subsidiary.

⁵ Section 4.3(a) of the 1971 Act, 12 U.S.C. 2154, amended by Farm Credit Amendments Act of 1985, Public Law 99–205, 101(1)(3), 99 Stat. 1678 (1985).

In the Agricultural Credit Act of 1987 (1987 Act), which became effective in 1988, Congress added Section 4.3A to the 1971 Act.⁶ Section 4.3A(a)(1) of the 1971 Act defines permanent capital to include “at-risk” stock; current year retained earnings; allocated and unallocated earnings; surplus; and other types of debt or equity instruments that the FCA determines are appropriate to be considered permanent capital. Section 301(a) of the 1987 Act, which was not codified into the 1971 Act, required FCA to issue regulations that establish minimum capital adequacy standards for System institutions.⁷ FCA adopted minimum risk-based permanent capital regulations in 1988 that require each System institution to maintain a ratio of at least 7 percent of permanent capital to its risk-adjusted asset base.⁸ From 1988 to 1997, the permanent capital standard was the only regulatory capital requirement for banks and associations.

In 1992, Congress amended the definition of permanent capital in section 4.3A(a)(1)(B) of the 1971 Act to permit each bank to agree with an association or other recipient of the bank’s allocated equities on whether the bank or the association or other recipient would include the allocated equities in its permanent capital.⁹ In 1994, we adopted regulations to implement this new provision.¹⁰

In 1997, the FCA added capital requirements—core surplus, total surplus, and a non-risk based net collateral ratio (NCR)—that were similar but not identical to the Basel I standards developed by the Basel Committee on Banking Supervision (BCBS or Basel Committee)¹¹ and to the requirements imposed by the Federal banking regulatory agencies (FBRAs) on the

institutions that they regulate.¹² FCA’s core surplus was similar to Basel I’s tier 1 capital, and total surplus was similar to Basel I’s total capital. FCA regulations did not include a measure similar to Basel I’s tier 2.

The BCBS and the FBRAs have continued to update their standards and requirements in an effort to strengthen the capital of financial organizations. Likewise, FCA has continued to revise its requirements to maintain comparability with the changing BCBS standards and FBRA requirements as appropriate and to further enhance the capital strength and quality of the System. Effective January 1, 2017, FCA replaced its 1997 core surplus/total surplus capital requirements with tier 1/tier 2 capital requirements (Capital Rule).¹³ To the extent appropriate for the System’s cooperative structure and status as a GSE, these requirements are comparable to the standardized approach rules of the FBRAs (U.S. Rule).¹⁴ Consistent with the U.S. Rule, FCA’s rule incorporated key aspects of the Basel III tier 1/tier 2 framework. Since adopting the 2017 Capital Rule, FCA has used tier 1/tier 2 capital measures instead of permanent capital to evaluate whether an institution has an adequate amount of total capital, including sufficient high-quality capital, to operate safely and soundly.¹⁵

Shortly before FCA’s tier 1/tier 2 capital final rule became effective in 2017, the FCA Board adopted FCA Bookletter-068 (BL-068) to provide guidance to ensure System institutions had the necessary information to correctly implement the requirements of the rule.¹⁶ BL-068 included clarifications and technical fixes on 18 separate items. Effective January 1, 2022, the FCA adopted a final rule that codified and clarified many of the items from BL-068 to address concerns identified through FCA’s monitoring

and examination of the rule.¹⁷ Also in January 2022, the FCA Board adopted revisions to BL-068 to remove 11 items that were no longer applicable or were superseded by the 2022 rule. Revised BL-068 retained the remaining seven items.¹⁸

IV. Description of the Proposed Rule

Since 2017, FCA has relied on the tier 1/tier 2 capital framework to assess the capital adequacy of System institutions. Although institutions are required by statute to satisfy the minimum permanent capital adequacy standard, FCA no longer relies on the permanent capital standard as a measure of the quality and quantity of the System’s capital. Accordingly, since the adoption of the tier 1/tier 2 capital framework, FCA has considered how we could reduce the burden of calculating the permanent capital ratio and minimize any public confusion about its use in evaluating the safety and soundness of System institutions.

In the 2020 preamble to the proposed capital rule updates, we sought comment on the System’s perspectives on permanent capital by asking the following questions:

- What, if any, changes to the permanent capital regulations should be made to increase their clarity and understanding;
- Whether calculating permanent capital is burdensome for System institutions, and are there any changes FCA could make to the calculation that would reduce the burden; and
- Whether FCA should more closely align the permanent capital calculation with the total capital calculations, considering the 1971 Act’s permanent capital requirements.¹⁹

In a comment letter submitted by the Farm Credit Council on behalf of its member System institutions (“System Comment Letter” or “Letter”),²⁰ the System supported efforts to minimize the use of the term “permanent capital,” the associated calculations, and reporting of it. The Letter stated that its use can often be confusing, detracts from Basel-comparability, and is

⁶ Section 4.3A of the 1971 Act, 12 U.S.C. 2154a, amended by Agricultural Credit Act of 1987, Public Law 100–233, § 301(b), 101 Stat. 1568, 1609 (1988).

⁷ Agricultural Credit Act of 1987, Public Law 100–233, § 301(a), 101 Stat. 1568, 1608 (1988).

⁸ 53 FR 39229 (October 6, 1988).

⁹ Farm Credit Banks and Associations Safety and Soundness Act of 1992, Public Law 102–552, 101, 106 Stat. 4102, 4103 (1992).

¹⁰ 59 FR 37400 (July 22, 1994). These regulations refer to the agreements referenced in the definition of permanent capital as allotment agreements.

¹¹ The BCBS was established in 1974 and currently has 45 members, consisting of central banks and bank supervisory authorities from 28 jurisdictions across the globe. The BCBS sets global banking standards and recommends them for adoption by member countries and others, although members and jurisdictions may deviate as needed. Although FCA is not represented on the BCBS, each of the Federal banking regulatory agencies is a member. Extensive information about the Basel Committee and its standards can be found on the website of the Bank for International Settlements, at <https://www.bis.org/bcbs/index.htm>.

¹² 62 FR 4429 (January 30, 1997). The FBRAs are the Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (FRB), and the Federal Deposit Insurance Corporation (FDIC).

¹³ 81 FR 49720 (July 28, 2016). As stated in the Objectives, this rule would replace regulatory references to permanent capital with references to total capital, one of the tier 1/tier 2 capital measures. Section 628.2 of our existing rules defines total capital as the sum of tier 1 capital and tier 2 capital; those terms are also defined in § 628.2.

¹⁴ 78 FR 62018 (October 11, 2013) (final rule of the OCC and the FRB); 79 FR 20754 (April 14, 2014) (final rule of the FDIC).

¹⁵ See 86 FR 54347, 54351 (October 1, 2021).

¹⁶ Bookletter-068 (BL-068)—Tier 1/Tier 2 Capital Framework Guidance, first published on December 28, 2016, and revised on January 13, 2022. BL-068 can be found at www.fca.gov, under “Laws & Regulations” and “Bookletters.”

¹⁷ 86 FR 54347 (October 1, 2021).

¹⁸ The first item in Revised BL-068 provides guidance on calculating the permanent capital ratio under the existing regulations. This rule would revise that calculation, so the guidance would no longer be correct. Therefore, if this proposed rule is finalized, the FCA plans to again revise BL-068 to remove the guidance in the first item.

¹⁹ 85 FR 55786, 55795–55796 (September 10, 2020) (see questions 8–10).

²⁰ Letter dated November 6, 2020, from Charles Dana, General Counsel, Farm Credit Council to David P. Grahm, Director, Office of Regulatory Policy. The Farm Credit Council is a trade association representing the interests of System banks and associations.

burdensome. The Letter supported efforts to align the calculations for permanent capital with those of total capital (under the tier 1/tier 2 capital framework) to the extent possible and eliminate the permanent capital reporting requirements from published financial reports.

FCA now proposes regulatory changes that address the comments raised in the System Comment Letter, FCA's concerns about the calculation burden, and the public perception of FCA's use of permanent capital to evaluate the safety and soundness of System institutions. FCA proposes three types of revisions to address these concerns.

First, we would revise regulations referring to permanent capital, outside of our permanent capital requirements in part 615, subpart H and part 628, to instead refer to tier 1/tier 2 capital measures under part 628. Second, to reduce the burden of calculating the permanent capital ratio, we would revise regulations in part 615, subpart H and part 628 to provide that the permanent capital ratio denominator is the same as the denominator of the total capital ratio in part 628. Third, we would revise the regulations to eliminate the requirement for System institutions to disclose their permanent capital ratio in reports to shareholders and investors.

In addition to addressing the concerns identified above, FCA also proposes to revise other regulations to clarify requirements, correct errors, and remove obsolete definitions and requirements related to capital.

A. Replacing References to Permanent Capital With References to Tier 1/Tier 2 Capital

FCA proposes to remove references to permanent capital in parts 611, 614, 615 (other than subpart H) and 627.

Although these regulations are not part of our permanent capital requirements in part 615, subpart H and part 628, they refer to permanent capital. We propose to replace the references to permanent capital with references to tier 1/tier 2 capital measures under part 628 as appropriate. We are not removing references to permanent capital in regulations that implement requirements that are imposed by the 1971 Act or other laws.

1. Preliminary Exit Fee Estimate and Final Exit Fee Calculation—§§ 611.1250 and 611.1255

FCA proposes to amend § 611.1250 and § 611.1255. Section 611.1250 governs the preliminary exit fee estimate for terminating System banks and associations. Section 611.1255

governs the final exit fee calculation for those terminating institutions. Specifically, FCA proposes to remove from § 611.1250(a)(5) and (b)(5)(v), and from § 611.1255(a)(4)(iv) and (b)(5)(v), references to capital requirements under subpart H of part 615, which are references to permanent capital, and to replace them with references to capital under part 628. In addition, FCA proposes to remove from those same provisions references to collateral requirements under subpart K of part 615. Those references are obsolete because subpart K was rescinded when the tier 1/tier 2 rules became effective in 2017.²¹

2. Lending and Leasing Limit Violations—§ 614.4360

FCA proposes to remove the reference to permanent capital in § 614.4360(b)(1), governing lending and leasing limit violations, and to replace it with a reference to total capital. This change to the lending and leasing limit violation regulation would be consistent with 2021 changes to FCA's lending and leasing limit base computation in § 614.4351.²² Section 614.4360(a) states that each outstanding loan of a System institution must comply, at all times, with applicable lending limits, and loans that do not comply must be excluded from the institution's collateral under § 615.5090. However, under certain conditions set forth in § 614.4360(b), an institution may continue to hold a noncompliant loan in its collateral. One of these conditions, as described in § 614.4360(b)(1), is when a loan exceeds the lending and leasing limit because of a decline in permanent capital after the loan was made. FCA proposes to replace the reference to permanent capital in this regulation with a reference to total capital under part 628.

3. Retirement of Other Equities—§ 615.5270

FCA proposes to remove the reference to permanent capital in § 615.5270(c)(3). Specifically, FCA proposes to remove the language providing that a bank, association, or service corporation board of directors may delegate authority to retire at-risk stock to institution management if, in pertinent part, the institution's permanent capital ratio will exceed 9.0 percent after retirement. We would retain the provision that boards may delegate authority to retire at-risk stock to institution management if, after the retirement, the institution's capital conservation buffer would be above 2.5

percent, its leverage buffer would be above 1.0 percent, and it would continue to comply with all applicable regulatory capital requirements under part 628. FCA also proposes to clarify that references to regulatory capital requirements in § 615.5270(c)(4) and (d)(1) are to the part 628 requirements and not to permanent capital standards.

4. Grounds for Appointing FCSIC as Conservator or Receiver—§ 627.3

FCA proposes to revise § 627.3(b)(3), which establishes that being in an unsafe or unsound condition to transact business is a ground to appoint FCSIC as a conservator or receiver of a System institution. Within this provision, § 627.3(b)(3)(ii) specifies that an unsafe and unsound condition includes an institution with permanent capital of less than one-half the minimum required level for the institution. We propose to replace the permanent capital condition with a condition that the institution has either a total capital ratio less than the minimum requirement specified in § 628.10(b)(3) or a tier 1 leverage ratio less than the minimum specified in § 628.10(b)(4), or both. It is appropriate to define violation of these minimum capital requirements as an unsafe or unsound condition to transact business, because an institution that violates these regulatory minimums has diminished loss absorbing capacity. In addition, an institution violating minimum capital requirements faces consequences including limitations on the ability to make capital distributions and discretionary bonus payments,²³ restrictions on issuing debt securities under the System's Market Access Agreement (MAA),²⁴ and the possibility of FCA enforcement action.

B. Simplifying the Calculation of the Permanent Capital Ratio

FCA proposes to reduce the burden of calculating the permanent capital ratio by simplifying its calculation in three ways. First, we propose to revise the composition of the permanent capital ratio denominator in part 615, subpart H, and part 628 to match the denominator of the total capital ratio in part 628. This change responds to the System Comment Letter commenting on FCA's proposed capital rule in 2020, which stated the System supports efforts to align the calculations of permanent

²³ See FCA regulation § 628.11, which governs capital conservation buffer restrictions.

²⁴ Restrictions on and the prohibition of market access are respectively addressed in Articles IV and V of the MAA. See 82 FR 5565, 5569–70 (January 18, 2017) (Notice of approval of the Draft Third Amended and Restated Market Access Agreement).

²¹ See 81 FR 49720 (July 28, 2016).

²² See 86 FR 54347, 54351 (October 1, 2021).

capital with those of total capital to the extent possible.

Second, we propose to simplify the regulation governing the capital treatment of equity investments in System banks by associations and other recipients of the equity.

Lastly, we propose to delete requirements governing how a System bank and an association that have entered into a loss sharing agreement must count assets in the permanent capital ratio denominator.

This rule does not propose to revise the permanent capital numerator because section 4.3A(a)(1) of the 1971 Act specifies the numerator's composition. Consequently, FCA is unable to simplify or relieve any burden related to the calculation of the numerator.

We explain our proposed changes in the following sections.

1. Simplified Calculation of the Permanent Capital Ratio Denominator— §§ 615.5201, 615.5205, 615.5206, 615.5207, and 628.10

FCA proposes to relieve burden in calculating the permanent capital ratio by making the denominator of this ratio, which is defined in part 615, the same as the denominator of the total capital ratio in part 628. We propose to accomplish this by updating regulatory references in §§ 615.5201, 615.5205, 615.5206, 615.5207, and 628.10.²⁵

Removing the Definition of Risk-Adjusted Asset Base (Current Permanent Capital Ratio Denominator)— [§ 615.5201]

We propose to remove the definition of risk-adjusted asset base in § 615.5201. As discussed below, this term refers to the denominator of the permanent capital ratio. Section 615.5201 defines “risk-adjusted asset base” as standardized total risk-weighted assets (a term defined in § 628.2 that is used in the calculation of the total capital ratio denominator), with certain deductions that are different than those that are made to the total capital ratio denominator. For some institutions, these deductions could result in different denominators.²⁶ Removing this

²⁵ In addition, as mentioned above, if this rule is finalized, FCA would revise BL-068 to remove the guidance on the existing calculation requirement, because that guidance would not be correct under the regulations as revised.

²⁶ In general, the differences stem from (1) the deduction of the adjusted allowance for credit losses (AACL) in the definition of risk-adjusted asset base compared to the inclusion of AACL in the total capital ratio denominator and (2) the different denominator deductions in § 615.5207(h) (for the permanent capital ratio) and in § 628.22(g) (for the total capital ratio).

definition would eliminate the different deductions in the permanent capital ratio denominator.

Updating the Permanent Capital Ratio Denominator—[§§ 615.5205, 615.5206(c), and 628.10(c)(5)]

Because we are proposing to delete “risk-adjusted asset base” from our definitions, we propose to delete that term where it is used in §§ 615.5205, 615.5206(c), and 628.10(c)(5) to refer to the permanent capital ratio denominator. Instead, we propose to specify in those provisions that an institution's permanent capital ratio denominator is its total capital ratio denominator (assets) as specified in § 628.10(c)(3).²⁷

Existing § 615.5205 sets a minimum permanent capital requirement of at least 7 percent of an institution's “risk-adjusted asset base.” Section 615.5206(c) identifies the denominator of the permanent capital ratio as an institution's “risk-adjusted asset base.” In addition, § 628.10(c)(5) provides that an institution's permanent capital ratio denominator is its total “risk-adjusted asset base” calculated in accordance with part 615. Changing these provisions to refer to the total capital ratio denominator (assets) as specified in § 628.10(c)(3),²⁸ rather than to the risk-adjusted asset base, would make the two denominators the same.

In addition, we propose to replace “asset base” in § 615.5206(b) with “assets,” to clarify this section would reference the total capital denominator. Section 615.5206(b) governs the requirement for institutions to use the average daily balances for the most recent three months in the calculation of the permanent capital ratio. This change would align with the changes mentioned in this section.

Updating Permanent Capital Ratio Denominator Deductions—[§ 615.5207 Heading, Introductory Paragraph, (a) and (h)]

FCA proposes to eliminate the deductions that are made to the permanent capital ratio denominator in § 615.5207. Specifically, FCA proposes to remove references to assets and risk-weight categories in the heading, introductory paragraph, and paragraph (a) of § 615.5207. In addition, FCA proposes to delete paragraph (h), which requires an institution to make certain deductions from its risk-adjusted asset base. Under our proposal to make the

²⁷ Section 615.5205 would refer to § 615.5206(c), which in turn would refer to § 628.10(c)(3).

²⁸ As noted above, the reference in § 615.5205 would be to § 615.5206(c), which in turn refers to § 628.10(c)(3).

permanent capital ratio denominator the same as the total capital ratio denominator, the denominator of the permanent capital ratio would instead be subject to the deductions specified in § 628.22(g) that are currently made to the denominator of the total capital ratio.

Analysis of Permanent Capital Ratio Denominator Changes on System Institutions

We determined the proposed changes to the permanent capital ratio denominator would not cause any System institution to violate the 7.0 percent permanent capital ratio requirement. To make this determination, we compared the actual permanent capital ratio of each institution, as reported in FCA call reports, with what that ratio would have been if it used the total capital denominator, for the years ending in 2022–2024. Our analysis showed that using the total capital ratio denominator in the permanent capital ratio would not lead to material changes in the permanent capital ratios of most institutions. In most cases, the variance between the total capital ratio and the proposed permanent capital ratio is less than 1.0 percent.²⁹ In addition, we determined any differences in ratios would be outweighed by the decrease in regulatory burden, as requested by the System letter.

2. Simplified Equity Investment Capital Treatment Requirements—§§ 615.5207 and 615.5208

FCA proposes to simplify and clarify §§ 615.5207 and 615.5208, which set forth the capital treatment of equity investments in System banks by associations and other recipients of the equity.³⁰ Most of these revisions are to simplify the organization of the regulations for ease of understanding

²⁹ A small number of institutions may have a variance larger than 1.0 percent. This is mainly due to the different deductions in the two denominators discussed above. Regardless of the size of the variance, our analysis showed all institutions would continue to comply with the 7.0 percent permanent capital ratio requirement.

³⁰ Section 4.3A(a)(1)(B) of the 1971 Act defines permanent capital to include earnings allocated by a System bank to an association or other recipient and retained by the bank, and it allows the bank to agree with the association or other recipient on whether the bank or the association or other recipient would include the allocated equities in its permanent capital. In regulation §§ 615.5207 and 615.5208, FCA refers to these agreements as allotment agreements. In the preamble to the proposed rule that resulted in the allotment agreement regulations, FCA explained that an “other recipient” of bank allocated equities could include an “other financing institution” or another System bank. See 58 FR 34004, 34007 (June 23, 1993).

and are not intended to change requirements.

Replacing “Stock” With “Equity”— [§ 615.5207(a)]

FCA proposes to clarify § 615.5207(a) by replacing the word “stock” with “equity.” This provision addresses the treatment of reciprocal holdings of stock investments between System institutions. The term “equity” is a broader term that includes both stock and allocated equities, which better reflects the nature of investments between System institutions.

Clarifying Paragraph (b) Purchased and Allocated Equities—[§ 615.5207(b), (c), (d)]

We propose to combine existing paragraphs (b), (c), and (d) of § 615.5207 into a revised paragraph (b). This proposed reorganization is for clarity and ease of use and is not intended to make any substantive changes.

We propose to add new § 615.5207(b)(1)(A) and (b)(1)(B). Like existing § 615.5207(b)(1), (c), and (d), the new provisions would require a System bank to consider all equities purchased by an association or other recipient as its own permanent capital.

Proposed § 615.5207(b)(2)(A), like existing § 615.5207(b)(2), (c), and (d), would permit a System bank and an association or other recipient to enter into an agreement to provide for the allotment of allocated equities.³¹ The agreement would specify, for permanent capital purposes only, a dollar amount and/or percentage allotment of the association’s or other recipient’s allocated investment between the bank and the association or other recipient. The agreement would continue to have to satisfy the conditions in § 615.5208.

Simplifying Capital Treatment in the Absence of Allotment Agreement— [§ 615.5207(c) and (d)]

Proposed § 615.5207(b)(2)(B), like existing § 615.5207(c) and (d), would provide that in the absence of an allotment agreement between a System bank and an association or other recipient, the allocated equities must be allotted 100 percent to the bank and 0 percent to the association or other recipient. Accordingly, we propose to delete § 615.5208(b), which sets forth an allotment formula for equities allocated to associations in the absence of an allotment agreement. This change would simplify the capital treatment between a System bank and an

association in the absence of an allotment agreement.

Simplifying Capital Treatment Upon the Expiration of an Allotment Agreement— [§ 615.5208(a)(5)]

In addition, we propose to delete § 615.5208(a)(5), which governs the capital treatment of equities allocated from a System bank to an association upon the expiration of an allotment agreement. Because proposed § 615.5207(b)(2)(B) provides for capital treatment in the absence of an allotment agreement, this provision is unnecessary and deleting it would simplify the capital treatment of these allocated equities.

Finally, because we are proposing to delete several paragraphs of § 615.5207, we would renumber the remaining paragraphs in the regulation.

3. Elimination of Requirements Pertaining to Loss Sharing Agreements—§ 615.5207

FCA proposes to delete § 615.5207(i), which governs how a System bank and an association must count assets in the permanent capital ratio denominator when they have a written agreement to share losses on those assets. Part 628 has no similar requirement for the total capital ratio denominator (which under this proposed rule would be the permanent capital ratio denominator). If needed, FCA would determine the counting of assets under its reservation of authority in § 628.1(d)(6).

C. Changes to Disclosures and Reporting

FCA proposes to remove requirements to report permanent capital in disclosures to shareholders and investors in parts 620 and 630, respectively. While the 1971 Act requires institutions to comply with the permanent capital standard, it does not require the public disclosure of permanent capital to shareholders and investors. We agree with the System Comment Letter that the disclosure of permanent capital to third parties can be confusing. We are concerned that third parties might rely on an institution’s disclosure of permanent capital, even though FCA does not use permanent capital to assess the quality and quantity of an institution’s capital. Accordingly, we propose to eliminate the requirement to report permanent capital in shareholder and investor disclosures.³²

³¹ The System Comment Letter acknowledged that FCA might continue to require permanent capital reporting in call reports. Since FCA must continue to assess institutions’ compliance with the permanent capital standard, we plan to continue to require its reporting in a call report schedule that is not available to the public.

1. Definitions Related to Disclosure to Shareholders—§ 620.1

FCA proposes to remove references to permanent capital from shareholder disclosure definitions in § 620.1. Specifically, FCA proposes to remove the 620.1(j) definition of “permanent capital.” In addition, FCA proposes to remove the reference to permanent capital standards in the § 620.1(q) definition of “significant event.” We also propose to clarify that the § 620.1(q) reference to capital adequacy requirements is referring to part 628.

2. Contents of the Annual Report to Shareholders—§ 620.5

Paragraph (d) and (g)—Description of Capital Structure and Management’s Discussion and Analysis of Financial Condition and Results of Operations [§ 620.5(d)(1)(ix), (d)(2), (d)(3), (d)(4), (g)(4)(vi)]

FCA proposes to clarify that the requirements in § 620.5(d) for an institution to describe its capital structure in its annual report to shareholders refer only to capital requirements under part 628 and not to permanent capital standards. FCA proposes these clarifications in paragraphs (d)(1)(ix), (d)(2), (d)(3), (d)(4), and (g)(4)(vi), and proposes other minor changes to paragraphs (d)(1)(ix) and (d)(3) for clarity.

Paragraph (d)—Description of Capital Structure [New Provision § 620.5(d)(5)]

FCA proposes to add § 620.5(d)(5). This new provision would require an institution that chooses to report permanent capital in its shareholder disclosures to include a statement that although FCA has established a minimum permanent capital ratio pursuant to statutory requirements, it currently uses the tier 1/tier 2 capital ratios in part 628 to evaluate the capital adequacy of an institution. As discussed above, we agree with the System Comment Letter that the disclosure of permanent capital in financial statements can be confusing to stockholders and other users, and including this statement would help lessen this confusion. Institutions that choose not to report permanent capital in their shareholder disclosures would not be required to include this statement.

Paragraph (f)—Selected Financial Data [§ 620.5(f)(2)(i) and (f)(3)(i)]

FCA proposes to delete the disclosure requirements in § 620.5(f)(2)(i) (for all banks) and § 620.5(f)(3)(i) (for all associations). With these requirements deleted, banks and associations would

³¹ This provision is required by Section 4.3A(a)(1)(B) of the 1971 Act.

no longer be required to disclose their permanent capital ratios for the last five fiscal years in their annual reports to shareholders. Sections 620.5(b)(2) and (b)(3) would continue to require banks and associations, respectively, to disclose their tier 1/tier 2 capital ratios.

Paragraph (g)(4)—Capital Resources [§ 620.5(g)(4)(ii)]

FCA proposes to delete the requirement in § 620.5(g)(4)(ii) that the management's discussion and analysis section of an institution's annual report must discuss changes in permanent capital. This provision would continue to require institutions to describe trends or changes to tier 1/tier 2 capital in the annual report.

3. Contents of the Annual Report to Investors—§ 630.20

FCA proposes to delete the § 630.20(e)(4) requirement that the System's annual report to investors must describe minimum permanent capital standards for banks and associations. We also propose to clarify that § 630.20(e)(4) and (g)(4)(iii) refer to capital requirements in part 628 and not to permanent capital standards.

D. Other Capital-Related Changes

FCA proposes to revise other regulations to clarify requirements, correct errors, and remove obsolete definitions and requirements related to capital.

1. Assessment and Apportionment of Administrative Expenses—§§ 607.2 and 607.3

FCA proposes to make a technical revision in § 607.2(b) to replace "average risk-adjusted asset base means" with "average assets mean." We propose this change for consistency with proposed changes in parts 615 and 628. The existing § 607.2(b) defined term is based on the § 615.5201 defined term "risk-adjusted asset base." As explained above in Section B.1, *Simplified calculation of the permanent capital ratio denominator*, we are proposing to delete this term from § 615.5201 because it would no longer be used in the permanent capital ratio denominator calculation. Instead, under our proposed changes to parts 615 and 628, the calculation of all capital denominators would be based on assets as specified in § 628.10(c)(3). The new term defined in § 607.2(b) would be consistent with these changes.

Consequently, we also propose technical revisions to § 607.3(b) to clarify that the equitable apportionment of FCA's assessment of System institutions would be based on the total

capital ratio denominator (assets) instead of on the risk-adjusted asset base. These proposed changes would provide consistency with the proposed permanent capital denominator simplification discussed above in Section B.1, *Simplified calculation of the permanent capital ratio denominator*.

2. International Lending—§ 613.3200

FCA proposes to change the reference in § 613.3200(c) from capital to total capital. Section 613.3200(c) sets forth requirements for export transactions by banks for cooperatives (BCs) and agricultural credit banks (ACBs),³³ including that the total amount of balances outstanding on certain export financing shall not exceed 50 percent of the bank's capital. This change would clarify that the balances must not exceed 50 percent of the bank's total capital.

3. Purchase and Sale of Interests in Loans—§ 614.4325

FCA proposes to replace a typographical error in § 614.4325(b)(3)(ii) referring to "total its capital" with a reference to "its total capital." Section 614.4325(b)(3)(ii) governs a System institution's authority to purchase interests in loans from the Federal Deposit Insurance Corporation (FDIC). This correction affirms that an association must obtain approval from its funding bank if it purchases loans or pools of loans from the FDIC that exceed 10 percent of its total capital.

4. Definitions Related to Capital Adequacy—§ 615.5201

Deletion of Preferred Stock and Term Preferred Stock Definitions

FCA proposes to delete the definitions of "preferred stock" and "term preferred stock" from § 615.5201, which provides definitions for subpart H of part 615 related to permanent capital. Neither of these terms is used in subpart H. However, preferred stock and term preferred stock continue to be included in permanent capital as provided in paragraph (4) of the definition of permanent capital in § 615.5201.³⁴ These instruments also continue to be included in additional tier 1 capital or tier 2 capital provided they satisfy the criteria specified in § 628.20(c)(1) or § 628.20(d)(1), respectively.

³³ The System currently does not include BCs.

³⁴ Under paragraph (4), permanent capital includes stock issued by a System institution, subject to four exclusions. Preferred stock and term preferred stock issued by a System institution are included in this definition, unless they fit within one of the exclusions.

Align Part 615 Capital Element Addition Process With Part 628 Process

FCA proposes to update paragraph (7) of the permanent capital definition in § 615.5201 to align the way additional capital elements may be included in permanent capital with the way they are included in part 628 capital. Paragraph (7) currently provides that permanent capital includes any debt or equity instruments or other accounts FCA has determined are appropriate to be considered permanent capital. Under the proposed revision to paragraph (7), permanent capital would include any capital element FCA has found may be included in CET1 capital, AT1 capital, or tier 2 capital pursuant to FCA's reservation of authority under § 628.1(d)(2)(ii). Under this proposed revision, if FCA found, using its reservation of authority, that an additional capital element may be included in CET1 capital, AT1 capital, or tier 2 capital, that element would also be included in permanent capital. FCA would no longer directly determine whether an instrument is appropriate to be included in permanent capital, without it being included in one of the part 628 capital measures.³⁵

Deletion of Nonagreeing Association Definition

FCA proposes to remove the definition of nonagreeing association from § 615.5201. Nonagreeing association is defined as an association that does not have an allotment agreement with its affiliated bank. Due to the changes we propose to make to our allotment agreement regulations discussed above in Section B.2, entitled *Simplified Requirements Governing the Capital Treatment of Equity Investments in System Banks by Associations and Other Recipients*, this term would no longer be used in our regulations.

5. Contents of the Annual Report to Shareholders—§ 620.5

FCA proposes to remove § 620.5(f)(4), which requires banks and associations to disclose in their annual reports through fiscal year end 2021 their historical core surplus, total surplus, and (banks only) net collateral ratios. This requirement is obsolete.³⁶

³⁵ This change relates to the inclusion in permanent capital of additional capital elements only. It does not affect the instruments that Section 4.3A(a)(1) requires to be included in permanent capital.

³⁶ Minimum core surplus, total surplus, and net collateral ratio requirements were in effect prior to the 2017 adoption of the tier 1/tier 2 regulatory capital ratios. See 81 FR 49720, 49722 (July 28, 2016). Historical reporting on those ratios through 2021 was for informational purposes.

6. Clarifications to Capital Adequacy Regulations—§ 628.1

FCA proposes to clarify that references to capital requirements in § 628.1(a) and (c)(1) are to the part 628 requirements and not to permanent capital standards.

V. Regulatory Matters

A. Determination Under Executive Order 12866 and Expected Determination Under Executive Order 14192

The Office of Management and Budget's Office of Information and Regulatory Affairs has determined that this proposed rule is not a "significant regulatory action" as defined by Section 3(f) of Executive Order 12866, made applicable to FCA by Executive Order 14215. This action, if finalized as proposed, is expected to be an Executive Order 14192 deregulatory action.

B. 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 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.

C. Providing Accountability Through Transparency Act of 2023

The Providing Accountability Through Transparency Act of 2023³⁷ requires a notice of proposed rulemaking to include the internet address of a posted summary of the proposed rule, in plain language and less than 100 words.

Public commenters may access the summary for this rulemaking under RIN 3052-AD52 at: <https://www.fca.gov/laws-and-regulations/regulatory-projects-plan>.

Lists of Subjects

12 CFR Part 607

Agriculture, Banks, Banking, Assessment and Apportionment of Administrative Expenses.

12 CFR Part 611

Agriculture, Banks, Banking, Organization.

12 CFR Part 613

Agriculture, Banks, Banking, Rural areas.

12 CFR Part 614

Agriculture, Banks, Banking, Loans and operations, Rural areas.

12 CFR Part 615

Accounting, Agriculture, Banks, Banking, Government securities, Investments, Rural areas.

[12 CFR Part 620

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

12 CFR Part 627

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

12 CFR Part 628

Accounting, Agriculture, Banks, Banking, Government securities, Investments, Rural areas.

12 CFR Part 630

Accounting, Agriculture, Banks, Banking, Organization and functions (Government agencies), Reporting and recordkeeping requirements, Rural areas.

For the reasons stated in the preamble, the Farm Credit Administration proposes to amend parts 607, 611, 613, 614, 615, 620, 627, 628, and 630 of chapter VI, title 12 of the Code of Federal Regulations as follows:

PART 607—[AMENDED]

■ 1. The authority citation for part 607 continues to read as follows:

Authority: Secs. 5.15, 5.17 of the Farm Credit Act (12 U.S.C. 2250, 2252) and 12 U.S.C. 3025.

§ 607.2 [Amended]

■ 2. Amend § 607.2 by:

■ a. Removing from paragraph (b) the words "Average risk-adjusted asset base means" and adding in their place the words "Average assets mean."

■ b. Removing from paragraph (b) the words "risk-adjusted asset base (as defined in § 615.5201 of this chapter)" and adding in their place the word "assets (as specified in § 628.10(c)(3))."

■ c. Removing from paragraphs (b)(1) through (b)(4) the words "risk-adjusted" wherever they appear.

§ 607.3 [Amended]

■ 3. Amend § 607.3 by:

■ a. Removing from paragraphs (b)(1) through (b)(3) the words "risk-adjusted assets," "risk-adjusted asset base," and

"risk-adjusted asset bases" wherever they appear and adding in their place the word "assets."

■ b. Removing from paragraph (b)(2) the words "risk-adjusted asset" wherever they appear and adding in their place the word "asset."

PART 611—[AMENDED]

■ 4. The authority citation for part 611 is revised to read as follows:

Authority: Secs. 1.2, 1.3, 1.4, 1.5, 1.12, 1.13, 2.0, 2.1, 2.2, 2.10, 2.11, 2.12, 3.0, 3.1, 3.2, 3.3, 3.7, 3.8, 3.9, 4.3A, 4.12, 4.12A, 4.15, 4.20, 4.25, 4.26, 4.27, 4.28A, 5.9, 5.17, 5.25, 7.0–7.3, 7.6–7.13, 8.5(e) of the Farm Credit Act (12 U.S.C. 2002, 2011, 2012, 2013, 2020, 2021, 2071, 2072, 2073, 2091, 2092, 2093, 2121, 2122, 2123, 2124, 2128, 2129, 2130, 2154a, 2183, 2184, 2203, 2208, 2211, 2212, 2213, 2214, 2243, 2252, 2261, 2279a–2279a–3, 2279b–2279f–1, 2279aa–5(e)); secs. 411 and 412 of Pub. L. 100–233, 101 Stat. 1568, 1638, as amended by secs. 403 and 404 of Pub. L. 100–399, 101 Stat. 989, 999 (12 U.S.C. 2071 note and 2202 note).

§ 611.1250 [Amended]

■ 5. Amend § 611.1250 by:

■ a. Revising paragraph (a)(5) to read as follows:

* * * * *

(5) Subtract from liabilities any liability that we treat as regulatory capital under the capital requirements in part 628 of this chapter.

■ b. Revising paragraph (b)(5)(v) to read as follows:

* * * * *

(v) Subtract from liabilities any liability that we treat as regulatory capital under the capital requirements in part 628 of this chapter.

§ 611.1255 [Amended]

■ 6. Amend § 611.1255 by:

■ a. Revising paragraph (a)(4)(iv) to read as follows:

* * * * *

(iv) Subtract from liabilities any liability that we treat as regulatory capital under the capital requirements in part 628 of this chapter.

■ b. Revising paragraph (b)(5)(v) to read as follows:

* * * * *

(v) Subtract from liabilities any liability that we treat as regulatory capital (or that we do not treat as a liability) under the capital requirements in part 628 of this chapter.

PART 613 [AMENDED]

■ 7. The authority citation for part 613 is revised to read as follows:

Authority: Secs. 1.5, 1.7, 1.9, 1.10, 1.11, 2.2, 2.4, 2.12, 3.1, 3.7, 3.8, 3.22, 4.18A, 4.25, 4.26, 4.27, 5.9, 5.17, 5.25, 7.0–7.3, 7.6–7.13,

³⁷ 5 U.S.C. 553(b)(4).

8.5(e) of the Farm Credit Act (12 U.S.C. 2002, 2011, 2012, 2013, 2020, 2021, 2071, 2072, 2073, 2091, 2092, 2093, 2121, 2122, 2123, 2124, 2128, 2129, 2130, 2154a, 2183, 2184, 2203, 2208, 2211, 2212, 2213, 2214, 2243, 2252, 2261, 2279a–2279a–3, 2279b–2279f–1, 2279aa–5(e)); secs. 411 and 412 of Pub. L. 100–233, 101 Stat. 1568, 1638 (12 U.S.C. 2071 note and § 2202 note).

§ 613.3200 [Amended]

■ 8. Amend § 613.3200 by revising paragraph(c) to add the word “total” before “capital” in the last sentence.

PART 614 [AMENDED]

■ 9. The authority citation for part 614 is revised to read as follows:

Authority: Secs. 1.3, 1.5, 1.6, 1.7, 1.9, 1.10, 1.11, 2.0, 2.2, 2.3, 2.4, 2.10, 2.12, 2.13, 2.15, 3.0, 3.1, 3.3, 3.7, 3.8, 3.10, 3.20, 3.28, 4.12, 4.12A, 4.13B, 4.14, 4.14A, 4.14D, 4.14E, 4.18, 4.18A, 4.19, 4.25, 4.26, 4.27, 4.28, 4.36, 4.37, 5.9, 5.10, 5.17, 7.0, 7.2, 7.6, 7.8, 7.12, 7.13, 8.0, 8.5 of the Farm Credit Act (12 U.S.C. 2011, 2013, 2014, 2015, 2017, 2018, 2019, 2071, 2073, 2074, 2075, 2091, 2093, 2094, 2097, 2121, 2122, 2124, 2128, 2129, 2131, 2141, 2149, 2183, 2184, 2201, 2202, 2202a, 2202d, 2202e, 2206, 2206a, 2207, 2211, 2212, 2213, 2214, 2219a, 2219b, 2243, 2244, 2252, 2279a, 2279a–2, 2279b, 2279c–1, 2279f, 2279f–1, 2279aa, 2279aa–5); 12 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

§ 614.4325 [Amended]

■ 10. Amend § 614.4325 by revising paragraph (b)(3)(ii) to read as follows:

§ 614.4325 Purchase and sale of interest in loans

* * * * *

(b) * * *

(3) * * *

(ii) Obtains funding bank approval if a Farm Credit System association purchases loan or pools of loans that exceed 10 percent of its total capital.

* * * * *

§ 614.436 0 [Amended]

■ 11. Amend § 614.4360 by revising paragraph(b)(1) to remove the words “permanent capital” and add in its place the words “total capital.”

PART 615 [AMENDED]

■ 12. The authority citation for part 615 is revised to read as follows:

Authority: Secs. 1.5, 1.7, 1.10, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.3A, 4.9, 4.14B, 4.25, 5.9, 5.17, 8.0, 8.3, 8.4, 8.6, 8.8, 8.10, 8.12 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2018, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2154a, 2160, 2202b, 2211, 2243, 2252, 2279aa, 2279aa–3, 2279aa–4, 2279aa–6, 2279aa–8, 2279aa–10, 2279aa–12); sec. 301(a), Pub. L. 100–233, 101 Stat. 1568, 1608 (12 U.S.C. 2154 note); sec. 939A, Pub. L. 111–203, 124 Stat. 1326, 1887 (15 U.S.C. 78o–7 note).

§ 615.5201 [Amended]

■ 13. Amend § 615.5201 by:
 ■ a. Removing the definitions of “Nonagreeing association,” “Preferred stock,” “Risk-adjusted asset base,” and “Term preferred stock”; and
 ■ b. Revising in paragraph (7), the definition of “Permanent capital” to read as follows:

§ 615.5201 Definitions.

* * * * *

(7) Any other capital element the FCA has found the System institution may include in CET1 capital, AT1 capital, or tier 2 capital pursuant to FCA’s reservation of authority under § 628.1(d)(2)(ii).

§ 615.5205 [Amended]

■ 14. Amend § 615.5205 by revising it to read as follows:

§ 615.5205 Minimum permanent capital standards.

Each institution must maintain permanent capital of at least 7 percent of assets, as specified in § 615.5206(c).

§ 615.5206 [Amended]

■ 15. Amend § 615.5206 by revising paragraphs (b) and (c) to read as follows:

§ 615.5206 Permanent capital ratio computation.

* * * * *

(b) The System institution’s permanent capital (numerator) and assets, as specified in § 615.5206(c), are computed using average daily balances for the most recent 3 months.

(c) A System institution’s permanent capital ratio is the ratio of the System institution’s permanent capital, adjusted in accordance with § 615.5207 (the numerator), to its assets (denominator) of its total capital ratio in § 628.10(c)(3).

§ 615.5207 [Amended]

■ 16. Amend § 615.5207 by revising it to read as follows:

§ 615.5207 Adjustments to permanent capital.

A System institution must make the following adjustments to permanent capital (numerator) before it computes its permanent capital ratio:

(a) Where two System institutions have equity investments in each other, such reciprocal holdings must be eliminated to the extent of the offset. If the investments are equal in amount, each System institution must deduct from its permanent capital an amount equal to the investment. If the investments are not equal in amount, each System institution must deduct from its permanent capital an amount equal to the smaller investment. The

elimination of reciprocal holdings required by this paragraph must be made prior to making the other adjustments required by this section.

(b) Where an association or other recipient has an equity investment in a System bank, the investment is treated, for permanent capital purposes only, in the following manner:

(1) *Purchased equities.*

(A) *Equities purchased by an association.* The association must deduct the investment from its permanent capital and the bank will consider the investment as its permanent capital.

(B) *Equities purchased by a recipient other than an association.* The bank will consider the investment as its permanent capital.

(2) *Allocated equities.*

(A) *Allotment agreement.* The bank and the association or other recipient of allocated equities may enter into an allotment agreement that specifies, for permanent capital purposes only, a dollar amount and/or percentage allotment of the association’s or other recipient’s allocated equities in the bank between the bank and the association or other recipient. Allotment agreements are subject to the conditions specified in § 615.5208.

(B) *Absence of allotment agreement.* In the absence of an allotment agreement that satisfies the conditions specified in § 615.5208, the allocated equities must be allotted 100 percent to the allocating bank and 0 percent to the association or other recipient.

(c) Where a System institution has an equity investment in another System institution to capitalize a loan participation interest, the investing System institution must deduct from its permanent capital an amount equal to its investment in the participating System institution.

(d) Each System institution must deduct from permanent capital any equity investment in a service corporation chartered under section 4.25 of the Act or the Funding Corporation chartered under section 4.9 of the Act.

(e) Each System institution must deduct from its permanent capital an amount equal to all goodwill, whenever acquired.

(f) The permanent capital of a System institution must exclude any accumulated other comprehensive income (loss) as reported under GAAP.

(g) For purposes of calculating capital ratios under this part, deferred-tax assets are subject to the conditions, limitations, and restrictions described in § 628.22(a)(3) of this chapter.

§ 615.5208 [Amended]

- 17. Amend § 615.5208 by:
 - a. Revising the introductory text of paragraph (a);
 - b. Removing paragraph (a)(5); and
 - c. Removing and reserving paragraph (b).

The revisions and removals read as follows:

§ 615.5208 Allotment of allocated investments.

(a) The following conditions apply to agreements that a System bank enters into with an association or other recipient pursuant to § 615.5207(b)(2)(A):

- * * * * *
- (1) * * *
- (2) * * *
- (3) * * *
- (4) * * *
- (5)[Removed]
- * * * * *
- (b) [Removed and Reserved]
- * * * * *

§ 615.5270 [Amended]

- 18. Amend § 615.5270 by:
 - b. Revising paragraphs (c)(3) and (c)(4); and
 - c. Revising paragraph (d)(1).

The revisions read as follows:

§ 615.5270 Retirement of other equities.

- * * * * *
- (c) * * *
- (1) * * *
- (2) * * *
- (3) After any retirements, the institution’s capital conservation buffer, set forth in § 628.11 of this chapter, will be above 2.5 percent, and its leverage buffer, set forth in § 628.11 of this chapter, will be above 1.0 percent;
- (4) The institution will continue to satisfy all applicable regulatory capital requirements under part 628 of this chapter after any retirements; and
- * * * * *
- (d) * * *
- (1) Establish any delegations of authority to retire preferred stock and the conditions of delegation, which must meet the requirements of paragraph (c) of this section and include minimum levels for regulatory capital requirements under part 628 of this chapter as applicable and commensurate with the volatility of the preferred stock.
- * * * * *

PART 620 [AMENDED]

- 19. The authority citation for part 620 continues 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, Pub. L. 100–233, 101 Stat. 1568, 1656 (12 U.S.C. 2252 note); sec. 514, Pub. L. 102–552, 106 Stat. 4102, 4134.

§ 620.1 [Amended]

- 20. Amend § 620.1 by removing and reserving paragraph (j) and revising paragraph (q) to read as follows:

§ 620.1 Definitions.

- * * * * *
- (j) [Reserved]
- * * * * *

(q) *Significant event* means any event that is likely to have a material impact on the reporting institution’s financial condition, results of operations, cost of funds, or reliability of sources of funds. The term “significant event” includes, but is not limited to, actual or probable noncompliance with the regulatory minimum capital adequacy requirements in part 628 of this chapter, stock impairment, the imposition of or entering into enforcement actions, execution of financial assistance agreements with other institutions, collateral deficiencies that impact a bank’s ability to obtain loan funds, or defaults on debt obligations.

§ 620.5 [Amended]

- 21. Amend § 620.5 by:
 - a. Revising paragraph (d)(1)(ix) to read as follows:

* * * * *

(ix) The regulatory restrictions regarding retirement of capital and distribution of earnings pursuant to part 628 of this chapter, and any requirements to add capital under a plan approved by the Farm Credit Administration pursuant to subparts L or M of part 615 of this chapter.

- b. Revising paragraph (d)(2) to read as follows:

(2) Describe regulatory minimum capital requirements in part 628 of this chapter, and the institution’s compliance with such requirements. For banks, also discuss any related associations that are not currently in compliance with the requirements.

- c. Revising paragraph (d)(3) to read as follows:

(3) State whether the institution is currently prohibited or limited from retiring stock or distributing earnings by the regulatory restrictions described in paragraph (d)(1)(ix) of this section, or knows of any reason such prohibitions may apply during the fiscal year subsequent to the fiscal year just ended.

- d. Revising paragraph (d)(4) to read as follows:

(4) Describe the institution’s capital adequacy requirements under part 628 of this chapter and the minimum stock purchase requirement in effect.

- e. Adding paragraph (d)(5) to read as follows:

* * * * *

(5) An institution is not required to disclose its permanent capital ratio. If it does, it must also provide the following disclosure: As required by Farm Credit laws, FCA established a minimum permanent capital ratio for System institutions. However, FCA uses capital ratios in part 628 of this chapter to evaluate whether an institution has an adequate amount of total capital, including sufficient high-quality capital, to operate safely and soundly.

- f. Removing and reserving paragraph (f)(2)(i);
- g. Removing and reserving paragraph (f)(3)(i);
- h. Removing paragraph (f)(4);
- i. Revising paragraph (g)(2)(iii) to read as follows:

(iii) Discuss the factors underlying the material changes, if any, in the return on average assets, the return on average protected borrower capital and at-risk capital, and the total capital ratio as determined in accordance with part 628 of this chapter. An explanation of the basis of the calculation of ratios relating to total capital shall be included.

- j. Removing the words “permanent capital,” from paragraph (g)(4)(ii).
- k. Revising paragraph (g)(4)(vi) to read as follows:

(vi) Discuss any trends, commitments, contingencies, or events that are reasonably likely to have a materially adverse effect upon the institution’s ability to meet the capital adequacy requirements under part 628 of this chapter.

* * * * *

PART 627 [AMENDED]

- 22. The authority citation for part 627 continues to read as follows:

Authority: Secs. 4.2, 5.9, 5.10, 5.17, 5.51, 5.58, 5.61 of the Farm Credit Act (12 U.S.C. 2183, 2243, 2244, 2252, 2277a, 2277a–7, 2277a–10).

§ 627.3 [Amended]

- 23. Amend § 627.3 by revising paragraph (b)(3)(ii) to read as follows:

§ 627.3 Grounds for appointing FCSIC as conservator or receiver.

* * * * *

- (b) * * *
- (3) * * *

(ii) For all institutions, a total capital ratio or a tier 1 leverage ratio that is less than the minimum capital ratios required by § 628.10(b) of this chapter; or

* * * * *

PART 628 [AMENDED]

■ 24. The authority citation for part 628 continues to read as follows:

Authority: Secs. 1.5, 1.7, 1.10, 1.11, 1.12, 2.2, 2.3, 2.4, 2.5, 2.12, 3.1, 3.7, 3.11, 3.25, 4.3, 4.3A, 4.9, 4.14B, 4.25, 5.9, 5.17, 8.0, 8.3, 8.4, 8.6, 8.8, 8.10, 8.12 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2018, 2019, 2020, 2073, 2074, 2075, 2076, 2093, 2122, 2128, 2132, 2146, 2154, 2154a, 2160, 2202b, 2211, 2243, 2252, 2279aa, 2279aa-3, 2279aa-4, 2279aa-6, 2279aa-8, 2279aa-10, 2279aa-12); sec. 301(a), Pub. L. 100-233, 101 Stat. 1568, 1608, as amended by sec. 301(a), Pub. L. 103-399, 102 Stat 989, 993 (12 U.S.C. 1254 note); sec. 939A, Pub. L. 111-203, 124 Stat. 1326, 1887 (15 U.S.C. 78o-7 note).

§ 628.1 [Amended]

■ 25. Amend § 628.1 by removing from paragraphs (a) and (c)(1) the word “standards” and in their place, each time they appear, adding the word “requirements.”

§ 628.10 [Amended]

■ 26. Amend § 628.10 by revising paragraph (c)(5) to read as follows:
(5) Permanent capital ratio. A System institution’s permanent capital ratio is the ratio of the institution’s permanent capital to its total capital denominator (assets), as specified in § 628.10(c)(3), and as reported on the institution’s Call Report.

PART 630 [AMENDED]

■ 27. The authority citation for part 630 is revised to read as follows:

Authority: Secs. 4.12, 5.9, 5.17, 8.11, 8.31, 8.32, 8.33, 8.34, 8.35, 8.36, 8.37, 8.41 of Pub. L. 92-181, 85 Stat. 583 (12 U.S.C. 2183, 2243, 2252, 2279aa-11, 2279bb, 2279bb-1, 2279bb-2, 2279bb-3, 2279bb-4, 2279bb-5, 2279bb-6, 2279cc); sec. 514 of Pub. L. 102-552, 106 Stat. 4102; sec. 118 of Pub. L. 104-105, 110 Stat. 168.

§ 630.20 [Amended]

■ 28. Amend § 630.20 by revising paragraph(e)(4) and (g)(4)(iii) to read as follows:

§ 630.20 Contents of the annual report to investors.

* * * * *

(e) * * *

(4) Describe regulatory minimum capital adequacy requirements in part 628 of this chapter for banks and associations. State the number of institutions, if any, categorized by banks and associations, that are not currently in compliance with such requirements and include a brief discussion of the reasons for the noncompliance.

* * * * *

(g) * * *

(4) * * *

(iii) Provide a general discussion of any trends, commitments, contingencies, or events that are reasonably likely to have a material adverse effect on System institutions’ ability to comply with regulatory capital requirements under part 628 of this chapter.

* * * * *

Ashley Waldron,

Secretary to the Board, Farm Credit Administration.

[FR Doc. 2026-03923 Filed 2-26-26; 8:45 am]

BILLING CODE 6705-01-P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA-2026-1131; Airspace Docket No. 25-AAL-163]

RIN 2120-AA66

Modification of Class E Airspace; Nenana Municipal Airport, Nenana, AK

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Notice of proposed rulemaking (NPRM).

SUMMARY: This action proposes to modify the Class E airspace extending upward from 700 feet above the surface at Nenana Municipal Airport, Nenana, AK, to accommodate revisions to the airport’s instrument approach procedures (IAP). This action would support the safety and management of instrument flight rules (IFR) operations at the airport.

DATES: Comments must be received on or before April 13, 2026.

ADDRESSES: Send comments identified by FAA Docket No. FAA-2026-1131 and Airspace Docket No. 25-AAL-163 using any of the following methods:
* *Federal eRulemaking Portal:* Go to www.regulations.gov and follow the online instructions for sending your comments electronically.

* *Mail:* Send comments to Docket Operations, M-30; U.S. Department of Transportation, 1200 New Jersey Avenue SE, Room W12-140, West Building Ground Floor, Washington, DC 20590-0001.

* *Hand Delivery or Courier:* Take comments to Docket Operations in Room W12-140 of the West Building Ground Floor at 1200 New Jersey Avenue SE, Washington, DC, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays.

* *Fax:* Fax comments to Docket Operations at (202) 493-2251.

Docket: Background documents or comments received may be read at www.regulations.gov at any time. Follow the online instructions for accessing the docket or go to the Docket Operations in Room W12-140 of the West Building Ground Floor at 1200 New Jersey Avenue SE, Washington, DC, between 9 a.m. and 5 p.m., Monday through Friday, except Federal holidays. FAA Order JO 7400.11K, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at www.faa.gov/air_traffic/publications/.

FOR FURTHER INFORMATION CONTACT: Nathan A. Chaffman, Federal Aviation Administration, Western Service Center, Operations Support Group, 2200 S 216th Street, Des Moines, WA 98198; telephone (206) 231-3460.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA’s authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency’s authority. This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of the airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This regulation is within the scope of that authority as it would modify Class E airspace to support IFR operations at Nenana Municipal Airport, Nenana, AK.

Comments Invited

The FAA invites interested persons to participate in this rulemaking by submitting written comments, data, or views. Comments are specifically invited on the overall regulatory, aeronautical, economic, environmental, and energy-related aspects of the proposal. The most helpful comments reference a specific portion of the proposal, explain the reason for any recommended change, and include supporting data. To ensure the docket does not contain duplicate comments, commenters should submit only one time if comments are filed electronically, or commenters should send only one copy of written comments if comments are filed in writing.

The FAA will file in the docket all comments it receives, as well as a report summarizing each substantive public