

**Editorial Notes**

## AMENDMENTS

1996—Subsec. (a)(1). Pub. L. 104-105, §217(b)(1), substituted “Stand-alone assistance” for “In general” in par. heading.

Subsec. (a)(2). Pub. L. 104-105, §217(b)(2)(A), substituted “Facilitation of mergers or consolidation” for “Enumerated powers” in par. heading.

Subsec. (a)(2)(A). Pub. L. 104-105, §217(b)(2)(B), substituted “In general” for “Facilitation of mergers or consolidation” in subpar. heading.

Subsec. (a)(3)(A). Pub. L. 104-105, §217(a)(2), added subpar. (A) and struck out heading and text of former subpar. (A). Text read as follows: “Assistance shall not be provided to an insured System bank under this subsection if the amount of such assistance exceeds an amount determined by the Corporation to be the cost of liquidating the bank (including paying the insured obligations issued on behalf of the bank). This subparagraph shall not apply to the provision of assistance to a bank if the Corporation determines that the continued operation of the bank is essential to provide adequate agricultural credit services in the area of operations of the bank.”

Subsec. (a)(3)(B) to (F). Pub. L. 104-105, §217(a), added subpars. (B) to (E) and redesignated former subpar. (B) as (F).

1990—Subsec. (f). Pub. L. 101-624 substituted “prior to January 1, 1993” for “beginning on the date of the enactment of this part”.

1989—Subsec. (e). Pub. L. 101-220 inserted “and other association making direct loans under the authority provided under section 2279b of this title,” after “production credit association”.

**Statutory Notes and Related Subsidiaries**

## EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by Pub. L. 101-220 effective for insurance premiums due to the Farm Credit System Insurance Corporation under this chapter on or after Jan. 1, 1990, based on the loan volume of each bank for each calendar year beginning with calendar year 1989, and effective for the calculation of the initial premium payment required under section 2277a-5(c) of this title, see section 6(c) of Pub. L. 101-220, set out as a note under section 2020 of this title.

**§ 2277a-10a. Oversight actions by Corporation****(a) “Institution” defined**

In this section, the term “institution” means—

(1) an insured System bank; and

(2) a production credit association or other association making loans under section 2279b of this title with a direct loan payable to the funding bank of the association that comprises 20 percent or more of the funding bank’s total loan volume net of nonaccrual loans.

**(b) Consultation regarding participation of undercapitalized banks in issuance of insured obligations**

The Farm Credit Administration shall consult with the Corporation prior to approving an insured obligation that is to be issued by or on behalf of, or participated in by, any insured System bank that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration for the bank.

**(c) Consultation regarding applications for mergers and restructurings****(1) Corporation to receive copy of transaction applications**

On receiving an application for a merger or restructuring of an institution, the Farm

Credit Administration shall forward a copy of the application to the Corporation.

**(2) Consultation required**

If the proposed merger or restructuring involves an institution that fails to meet the minimum level for any capital requirement established by the Farm Credit Administration applicable to the institution, the Farm Credit Administration shall allow 30 days within which the Corporation may submit the views and recommendations of the Corporation, including any conditions for approval. In determining whether to approve or disapprove any proposed merger or restructuring, the Farm Credit Administration shall give due consideration to the views and recommendations of the Corporation.

(Pub. L. 92-181, title V, §5.61A, as added Pub. L. 104-105, title II, §218, Feb. 10, 1996, 110 Stat. 180.)

**§ 2277a-10b. Authority to regulate golden parachute and indemnification payments****(a) Definitions**

In this section:

**(1) Golden parachute payment**

The term “golden parachute payment”—

(A) means a payment (or any agreement to make a payment) in the nature of compensation for the benefit of any institution-related party under an obligation of any Farm Credit System institution that—

(i) is contingent on the termination of the party’s relationship with the institution; and

(ii) is received on or after the date on which—

(I) the institution is insolvent;

(II) a conservator or receiver is appointed for the institution;

(III) the institution has been assigned by the Farm Credit Administration a composite CAMEL rating of 4 or 5 under the Farm Credit Administration Rating System, or an equivalent rating; or

(IV) the Corporation otherwise determines that the institution is in a troubled condition (as defined in regulations issued by the Corporation); and

(B) includes a payment that would be a golden parachute payment but for the fact that the payment was made before the date referred to in subparagraph (A)(ii) if the payment was made in contemplation of the occurrence of an event described in any subclause of subparagraph (A); but

(C) does not include—

(i) a payment made under a retirement plan that is qualified (or is intended to be qualified) under section 401 of title 26 or other nondiscriminatory benefit plan;

(ii) a payment made under a bona fide supplemental executive retirement plan, deferred compensation plan, or other arrangement that the Corporation determines, by regulation or order, to be permissible; or

(iii) a payment made by reason of the death or disability of an institution-related party.

**(2) Indemnification payment**

The term “indemnification payment” means a payment (or any agreement to make a payment) by any Farm Credit System institution for the benefit of any person who is or was an institution-related party, to pay or reimburse the person for any liability or legal expense with regard to any administrative proceeding or civil action instituted by the Farm Credit Administration that results in a final order under which the person—

- (A) is assessed a civil money penalty; or
- (B) is removed or prohibited from participating in the conduct of the affairs of the institution.

**(3) Institution-related party**

The term “institution-related party” means—

- (A) a director, officer, employee, or agent for a Farm Credit System institution or any conservator or receiver of such an institution;
- (B) a stockholder (other than another Farm Credit System institution), consultant, joint venture partner, or any other person determined by the Farm Credit Administration to be a participant in the conduct of the affairs of a Farm Credit System institution; and
- (C) an independent contractor (including any attorney, appraiser, or accountant) that knowingly or recklessly participates in any violation of any law or regulation, any breach of fiduciary duty, or any unsafe or unsound practice that caused or is likely to cause more than a minimal financial loss to, or a significant adverse effect on, the Farm Credit System institution.

**(4) Liability or legal expense**

The term “liability or legal expense” means—

- (A) a legal or other professional expense incurred in connection with any claim, proceeding, or action;
- (B) the amount of, and any cost incurred in connection with, any settlement of any claim, proceeding, or action; and
- (C) the amount of, and any cost incurred in connection with, any judgment or penalty imposed with respect to any claim, proceeding, or action.

**(5) Payment**

The term “payment” means—

- (A) a direct or indirect transfer of any funds or any asset; and
- (B) any segregation of any funds or assets for the purpose of making, or under an agreement to make, any payment after the date on which the funds or assets are segregated, without regard to whether the obligation to make the payment is contingent on—
  - (i) the determination, after that date, of the liability for the payment of the amount; or
  - (ii) the liquidation, after that date, of the amount of the payment.

**(b) Prohibition**

The Corporation may prohibit or limit, by regulation or order, any golden parachute payment

or indemnification payment by a Farm Credit System institution (including any conservator or receiver of the Federal Agricultural Mortgage Corporation) in troubled condition (as defined in regulations issued by the Corporation).

**(c) Factors to be taken into account**

The Corporation shall prescribe, by regulation, the factors to be considered by the Corporation in taking any action under subsection (b). The factors may include—

- (1) whether there is a reasonable basis to believe that an institution-related party has committed any fraudulent act or omission, breach of trust or fiduciary duty, or insider abuse with regard to the Farm Credit System institution involved that has had a material effect on the financial condition of the institution;
- (2) whether there is a reasonable basis to believe that the institution-related party is substantially responsible for the insolvency of the Farm Credit System institution, the appointment of a conservator or receiver for the institution, or the institution’s troubled condition (as defined in regulations prescribed by the Corporation);
- (3) whether there is a reasonable basis to believe that the institution-related party has materially violated any applicable law or regulation that has had a material effect on the financial condition of the institution;
- (4) whether there is a reasonable basis to believe that the institution-related party has violated or conspired to violate—
  - (A) section 215, 657, 1006, 1014, or 1344 of title 18; or
  - (B) section 1341 or 1343 of title 18, affecting a Farm Credit System institution;
- (5) whether the institution-related party was in a position of managerial or fiduciary responsibility; and
- (6) the length of time that the party was related to the Farm Credit System institution and the degree to which—

- (A) the payment reasonably reflects compensation earned over the period of employment; and
- (B) the compensation represents a reasonable payment for services rendered.

**(d) Certain payments prohibited**

No Farm Credit System institution may prepay the salary or any liability or legal expense of any institution-related party if the payment is made—

- (1) in contemplation of the insolvency of the institution or after the commission of an act of insolvency; and
- (2) with a view to, or with the result of—
  - (A) preventing the proper application of the assets of the institution to creditors; or
  - (B) preferring 1 creditor over another creditor.

**(e) Rule of construction**

Nothing in this section—

- (1) prohibits any Farm Credit System institution from purchasing any commercial insurance policy or fidelity bond, so long as the insurance policy or bond does not cover any legal or liability expense of an institution described in subsection (a)(2); or

(2) limits the powers, functions, or responsibilities of the Farm Credit Administration. (Pub. L. 92-181, title V, § 5.61B, as added Pub. L. 104-105, title II, § 218, Feb. 10, 1996, 110 Stat. 181.)

**§ 2277a-10c. Corporation as conservator or receiver; certain other powers**

**(a) Definition of institution**

In this section, the term “institution” includes any System institution for which the Corporation has been appointed as conservator or receiver.

**(b) Certain powers and duties of Corporation as conservator or receiver**

In addition to the powers inherent in the express grant of corporate authority under section 2277a-7(9) of this title, and other powers exercised by the Corporation under this part, the Corporation shall have the following express powers to act as a conservator or receiver:

**(1) Rulemaking authority of Corporation**

The Corporation may prescribe such regulations as the Corporation determines to be appropriate regarding the conduct of conservatorships or receiverships.

**(2) General powers**

**(A) Successor to System institution**

The Corporation shall, as conservator or receiver, and by operation of law, succeed to—

- (i) all rights, titles, powers, and privileges of the System institution, and of any stockholder, member, officer, or director of such System institution with respect to the System institution and the assets of the System institution; and
- (ii) title to the books, records, and assets of any previous conservator or other legal custodian of such System institution.

**(B) Operate the System institution**

The Corporation may, as conservator or receiver—

- (i) take over the assets of and operate the System institution with all the powers of the stockholders or members, the directors, and the officers of the System institution and conduct all business of the System institution;
- (ii) collect all obligations and money due the System institution;
- (iii) perform all functions of the System institution in the name of the System institution which are consistent with the appointment as conservator or receiver;
- (iv) preserve and conserve the assets and property of such System institution; and
- (v) provide by contract for assistance in fulfilling any function, activity, action, or duty of the Corporation as conservator or receiver.

**(C) Functions of System institution’s officers, directors, members, and stockholders**

The Corporation may, by regulation or order, provide for the exercise of any function by any stockholder, member, director, or officer of any System institution for

which the Corporation has been appointed conservator or receiver.

**(D) Powers as conservator**

Subject to any Farm Credit Administration approvals required under this chapter, the Corporation may, as conservator, take such action as may be—

- (i) necessary to put the System institution in a sound and solvent condition; and
- (ii) appropriate to carry on the business of the System institution and preserve and conserve the assets and property of the System institution.

**(E) Additional powers as receiver**

The Corporation may, as receiver, liquidate the System institution and proceed to realize upon the assets of the System institution, in such manner as the Corporation determines to be appropriate.

**(F) Organization of new System bank**

The Corporation may, as receiver with respect to any System bank, organize a bridge System bank under subsection (h).

**(G) Merger; transfer of assets and liabilities**

**(i) In general**

Subject to clause (ii), the Corporation may, as conservator or receiver—

- (I) merge the System institution with another System institution; and
- (II) transfer or sell any asset or liability of the System institution in default without any approval, assignment, or consent with respect to such transfer.

**(ii) Approval**

No merger or transfer under clause (i) may be made to another System institution (other than a bridge System bank under subsection (h)) without the approval of the Farm Credit Administration.

**(H) Payment of valid obligations**

The Corporation, as conservator or receiver, shall, to the extent that proceeds are realized from the performance of contracts or the sale of the assets of a System institution, pay all valid obligations of the System institution in accordance with the prescriptions and limitations of this section.

**(I) Incidental powers**

**(i) In general**

The Corporation may, as conservator or receiver—

- (I) exercise all powers and authorities specifically granted to conservators or receivers, respectively, under this section and such incidental powers as shall be necessary to carry out such powers; and
- (II) take any action authorized by this section, which the Corporation determines is in the best interests of—
  - (aa) the System institution in receivership or conservatorship;
  - (bb) System institutions;
  - (cc) System institution stockholders or investors; or
  - (dd) the Corporation.