

goods related to the storage or handling of agricultural commodities or products. The term “farm supply,” which is included in the new definition of “agricultural supply,” is defined in § 613.3200(a)(2).

*Subpart C—Similar Entity Authority Under Sections 3.1(11)(B) and 4.18A of the Act*

**Section 613.3300—Participations and Other Interests in Loans to Similar Entities**

We propose to amend our regulations to conform them to changes the 2002 Farm Bill made in sections 3.1(11)(B) and 4.18A of the Act regarding similar entity transactions. Because of these changes, FCS institutions are no longer required to obtain the approvals now required by present § 613.3300(d). Although the FSRIA removed the statutory provisions that were the basis of the § 613.3300(d) approval requirements, it did not remove the statutory requirement that a bank operating under title III not participate in a loan to a similar entity under section 3.1 if the similar entity has a loan or loan commitment outstanding with an FCB or association, unless agreed to by the FCB or association. Therefore, while we propose deleting present § 613.3100(d) to reflect the elimination of other statutory approval requirements, we propose adding a new section to reflect this statutory requirement. Proposed § 613.3100(d) requires a bank operating under title III to obtain the agreement of an FCB or association in order to participate in a loan to a similar entity under section 3.1 if the similar entity has a loan, or a loan commitment outstanding, with the FCB or association. System institutions may structure the terms and conditions of the agreement to accommodate their specific situations. For example, they may grant approvals on an annual basis allowing similar entity participations in their chartered territory.

*Subpart C—Bank/Association Lending Relationship*

**Section 614.4125—Funding and Discount Relationships Between Farm Credit Banks or Agricultural Credit Banks and Direct Lender Associations**

Direct lender associations may not make or hold any loan that does not comply with the Act and FCA regulations, including, without limitation, part 613. We propose to amend § 614.4125(a) to mandate that each GFA require that the calculation of financing available be based solely on loans that are in compliance. Without limiting FCA's other authorities or

remedies, proposed § 614.4125(a) would expressly state that if financing under a GFA is based on a loan that FCA determines does not comply with the Act and these regulations, then the financing available must be recalculated without that loan. We emphasize that the remedies described in this section do not limit our other authorities or remedies under the Act.

*Subpart A—Related Services*

**Section 618.8000—Definitions and Section 618.8005—Eligibility**

We propose to amend §§ 618.8000(b) and 618.8005(c) to clarify that ACBs have the same authority to offer related services under title III of the Act as BCs, and the same authority to offer related services under title I of the Act as FCBs. Proposed § 618.8000(b) deletes the phrase, “that is appropriate to the recipient's on-farm, aquatic, or cooperative operations” in order to eliminate any possible confusion about limitations on related services offerings under title III. Similarly, proposed § 618.8005(c) deletes the phrase, “appropriate to cooperative operations.”

In addition, proposed § 618.8005(a) adds the phrase “appropriate to on-farm and aquatic operations” to the existing paragraph, in order to reflect the statutory limitation on related services offered under title I.

**IV. Regulatory Flexibility Act**

Pursuant to section 605(b) of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), the FCA hereby certifies that the proposed rule will not have a significant economic impact on a substantial number of small entities. Each of the banks in the System, considered together with its affiliated associations, has assets and annual income in excess of the amounts that would qualify them as small entities. Therefore, System institutions are not “small entities” as defined in the Regulatory Flexibility Act.

**List of Subjects**

*12 CFR Part 613*

Advertising, Aged, Agriculture, Banks, banking, Civil rights, Credit, Fair housing, Marital status discrimination, Religious discrimination, Rural areas, Sex discrimination, Signs and symbols.

*12 CFR Part 614*

Agriculture, Banks, banking, Flood insurance, Foreign trade, Reporting and recordkeeping requirements, Rural areas.

*12 CFR Part 618*

Agriculture, Archives and records, Banks, banking, Insurance, Reporting and recordkeeping requirements, Rural areas, Technical assistance.

For the reasons stated in the preamble, parts 613, 614, and 618 of chapter VI, title 12 of the Code of Federal Regulations, are proposed to be amended as follows:

**PART 613—ELIGIBILITY AND SCOPE OF FINANCING**

1. The authority citation for part 613 continues 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 of the Farm Credit Act (12 U.S.C. 2013, 2015, 2017, 2018, 2019, 2073, 2075, 2093, 2122, 2128, 2129, 2143, 2206a, 2211, 2212, 2213, 2243, 2252).

**Subpart B—Financing for Banks Operating Under Title III of the Farm Credit Act**

2. Amend § 613.3100 by revising paragraphs (b)(2)(ii), (c)(1)(v), and (c)(2) to read as follows:

**§ 613.3100 Domestic lending.**

(b) \* \* \*  
\* \* \* \* \*  
(2) \* \* \*  
\* \* \* \* \*

(ii) Any legal entity in which an eligible cooperative (or a subsidiary or other entity in which an eligible cooperative has an ownership interest) has an ownership interest, *provided that* if the percentage of ownership attributable to the eligible cooperative is less than 50 percent, financing may not exceed the percentage of ownership attributable to the eligible cooperative multiplied by the value of the total assets of such entity; or

(c) \* \* \*  
\* \* \* \* \*  
(1) \* \* \*  
\* \* \* \* \*

(v) Any legal entity in which an eligible utility under paragraph (c)(1)(ii) of this section (or a subsidiary or other entity in which an eligible utility under paragraph (c)(1)(ii) has an ownership interest) has an ownership interest, *provided that* if the percentage of ownership attributable to the eligible utility is less than 50 percent, financing may not exceed the percentage of ownership attributable to the eligible utility multiplied by the value of the total assets of such entity.

(2) *Purposes for financing.* A bank for cooperatives or agricultural credit bank may extend credit to entities that are