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November 26, 2018

Federal Reserve Board
Alternative Reference Rate Committee
Syndicated Business Loan Working Groups
Submitted via Email

Dear ARRC Syndicated Business Loan Working Group:

On behalf of the Farm Credit Banks (FC Banks), CoBank, ACB greatly appreciates the opportunity to comment on the Alternative Reference Rate Committee (ARRC) Consultation - Regarding More Robust LIBOR Fallback Contract Language for New Originations of LIBOR Syndicated Business Loans (SBLs).

The FC Banks are government-sponsored enterprises of the United States that provide loans, leases, and financial services to rural American farmers, ranchers, and agricultural and aquatic cooperatives, across all fifty states and the Commonwealth of Puerto Rico.[1] The FC Banks are: (1) AgFirst Farm Credit Bank; (2) AgriBank, FCB; (3); CoBank, ACB and (4) Farm Credit Bank of Texas. Together, the FC Banks are among the leading lenders to rural America; they provide credit for rural housing, agricultural processing and marketing activities, utilities providers, and certain farm-related businesses.

Congress created the FC Banks, as part of the Farm Credit System (FCS), to provide a permanent, stable source of credit and related services to support rural America and improve the lives of its residents. Specifically, the FC Banks, as part of the FCS, were created “to accomplish the objective of improving the income and well-being of American farmers and ranchers by furnishing sound, adequate, and constructive credit and closely related services to them, their cooperatives, and to

[1] See generally 2017 Annual Report on the Farm Credit System by the Farm Credit Administration.

selected farm-related businesses necessary for efficient farm operations"[2]. Since its creation, CoBank was granted authorities to provide credit to rural infrastructure providers, who are vital to creating successful businesses and healthy rural communities. The FC Banks and their associations have outstanding agricultural and rural loans in the amount of $263.6 billion, as of September 30, 2018.

Before addressing the questions in the ARRC SBLs Consultation, the FC Banks would like to provide several general comments related to the transition from USD LIBOR to an alternative reference rates.

First, the FC Banks are concerned with what appears to be a lack of coordination between the different groups are providing guidance on the transitions from the USD LIBOR to the alternative reference rates. This comment relates to the areas like triggers and the technical adjustments such as term adjustments and credit spread equalization. The FC Banks are very pleased that the ARRC did release its Guiding Principles for More Robust LIBOR Fallbacks in July, but would have preferred this guidance would have been completed much earlier, since these separate sub-workgroups of the ARRC and ISDA have been formed and have been working on the issues for some time. In our view this lack of coordination could create needless substantial financial basis risks to all financial institutions if, for example, triggers for different types of instruments are invoked at varying times. The FC Banks would like to encourage the ARRC to take a leadership role in encouraging greater coordination with other working groups on these issues.

Additionally, the FC Banks are also concerned that regulators do not have a full appreciation of the complexity, expense and legal ramifications related to the transition to alternative rate indexes. It would be very regrettable if global and domestic financial markets encounter a major systemic event related to this transition implementation being done too quickly because of the influence of regulators and the major broker-dealers.

As for the specific responses to the questions, the individual FC Banks and association will provide feedback that they deem appropriate as a supplement to this letter.

The FC Banks welcome the opportunity to discuss our comments with you. Please contact the following staff with any comments or questions:

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[2] 12 U.S.C. § 2001(a)

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Sincerely,

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