

## Farm Credit Administration

## § 614.4720

for cooperatives or an agricultural credit bank as calculated on a monthly basis after eliminating from its net worth an amount equal to the total of the bank's investments made to capitalize participation interests purchased by other institutions. However, if such acceptances are secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance, the 10-percent limit shall not apply.

(ii) The sum of all acceptance liabilities outstanding described in paragraph (a)(1) of this section, exclusive of participations sold to others, issued to all borrowers shall not exceed 150 percent of the bank for cooperatives' or agricultural credit bank's net worth, but the aggregate of acceptances growing out of domestic transactions shall not exceed 50 percent of net worth calculated on a monthly basis.

(2) The limit specified in paragraph (a)(1)(i) of this section is separate from and in addition to the lending and leasing limits of § 614.4355 of this part if the acceptances are rediscounted.

(3) During any period within which a bank for cooperatives or an agricultural credit bank holds its own acceptance, having given value therefor, the amount thereof shall be included against the lending and leasing limits set forth in § 614.4355 of this part if the acceptance was made.

(4) The terms and requirements for the offering and purchase of participations in acceptance financing shall be the same as those for loans made under § 614.4020(b) of this part.

(5) When acceptances denominated in foreign currencies are not funded in the same currency, the bank for cooperatives or an agricultural credit bank shall take corresponding action to minimize foreign exchange risk.

(b) *Purchases of participations in bank-ers acceptances.* (1) A bank for cooperatives or an agricultural credit bank shall determine limits on purchasing participations in discounted acceptances of another bank for cooperatives or an agricultural credit bank on the same basis as prescribed in § 614.4355 of this part for purchasing participations

in loans of another bank for cooperatives or an agricultural credit bank.

(2) Participations in discounted acceptances shall be offered in accordance with § 614.4020(b) of this part.

(c) *Funding Corporation.* All acceptances created by the banks for cooperatives or agricultural credit banks shall be physically accepted by the Funding Corporation when intended for rediscount.

[55 FR 24886, June 19, 1990, as amended at 57 FR 38250, Aug. 24, 1992; 58 FR 40324, July 28, 1993; 59 FR 37404, July 22, 1994; 62 FR 4445, Jan. 30, 1997; 64 FR 34518, June 28, 1999]

### § 614.4720 Letters of credit.

Banks for cooperatives and agricultural credit banks, under policies adopted by their boards of directors, may issue, advise, or confirm import or export letters of credit in accordance with the Uniform Commercial Code, or the Uniform Customs and Practice for Documentary Credits, to or on behalf of its customers. In addition, as a matter of sound banking practice, letters of credit shall be issued in conformity with the list which follows.

(a) Each letter of credit shall be in writing and shall conspicuously state that it is a letter of credit, or be conspicuously entitled as such.

(b) The letter of credit shall contain a specified expiration date or be for a definite term.

(c) The letter of credit shall contain a sum certain.

(d) The bank's obligation to pay should arise only upon fulfilling the terms and conditions as specified in the letter of credit. The bank must not be called upon to determine questions of fact or law at issue between the account party and the beneficiary.

(e) The bank's customer should have an unqualified obligation to reimburse the bank for payments made under the letter of credit.

(f) All letters of credit shall be irrevocable.

[46 FR 51879, Oct. 22, 1981, as amended at 55 FR 24887, June 19, 1990; 62 FR 4445, Jan. 30, 1997; 64 FR 43049, Aug. 9, 1999]