

## § 620.20

## 12 CFR Ch. VI (1-1-08 Edition)

established by the Farm Credit Administration and the notice requirement of § 620.15(a);

(ii) Indicates the institution's current level of permanent capital; and

(iii) Notifies shareholders that the institution's permanent capital is below the Farm Credit Administration regulatory minimum standard.

(2) A statement of the effect that noncompliance has had on the institution and its shareholders, including whether the institution is currently prohibited by statute or regulation from retiring stock or distributing earnings or whether the Farm Credit Administration has issued a capital directive or other enforcement action to the institution.

(3) A complete description of any event(s) that may have significantly contributed to the institution's noncompliance with the minimum permanent capital standard.

(4) A statement that the institution is required by regulation to provide another notice to shareholders within 45 days following the end of any subsequent quarter at which the institution's permanent capital ratio decreases by one half of one percent or more from the level reported in the notice.

[62 FR 15093, Mar. 31, 1997, as amended at 67 FR 16634, Apr. 8, 2002]

### Subpart E—Annual Meeting Information Statement

#### § 620.20 [Reserved]

#### § 620.21 Contents of the information statement and other information to be furnished in connection with the annual meeting.

Each bank and association of the Farm Credit System must prepare and provide an information statement ("statement" or "AMIS") to its shareholders at least 10 days prior to any annual meeting or any director elections. The AMIS must reference the annual report required by subpart B of this part and such other material information as is necessary to make the required statement, in light of the circumstances under which it is made, not misleading. The AMIS must address the following items:

(a) *Date, time, and place of the meeting(s).*

(b) *Voting shareholders.* For each class of stock entitled to vote at the meeting, state the number of shareholders entitled to vote, and, when shareholders are asked to vote on preferred stock, the number of shares entitled to vote. State the record date as of which the shareholders entitled to vote will be determined and the voting requirements for each matter to be voted upon.

(c) *Directors.* (1) State the names and ages of persons currently serving as directors of the institution, their terms of office, and the periods during which such persons have served. No information need be given with respect to any director whose term of office as a director will not continue after the meeting to which the statement relates.

(2) State the name of any incumbent director who attended fewer than 75 percent of the board meetings or any meetings of board committees on which he or she served during the last fiscal year.

(3) If any director resigned or declined to stand for reelection since the last annual meeting because of a policy disagreement with the board, and if the director has provided a notice requesting disclosure of the nature of the disagreement, state the date of the director's resignation and summarize the director's description of the disagreement. If the institution holds a different view of the disagreement, the institution's view may be summarized.

(4) If any transactions between the institution and its senior officers and directors of the type required to be disclosed in the annual report to shareholders under § 620.5(j), or any of the events required to be disclosed in the annual report to shareholders under § 620.5(k) have occurred since the end of the last fiscal year and were not disclosed in the annual report to shareholders, the disclosures required by § 620.5(j) and (k) shall be made with respect to such transactions or events in the annual information statement. If any material change in the matters disclosed in the annual report to shareholders pursuant to § 620.5(j) and (k) has occurred since the annual report to shareholders was prepared, disclosure

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shall be made of such change in the annual information statement.

(d) *Nominees.* (1) For each nominee, state the nominee's name, city and state of residence, business address if any, age, and business experience during the last 5 years, including each nominee's principal occupation and employment during the last 5 years. List all business interests on whose board of directors the nominee serves or is otherwise employed in a position of authority, and state the principal business in which the business interest is engaged. Identify any family relationship of the nominee that would be reportable under part 612 of this chapter if elected to the institution's board.

(2) If fewer than two nominees for each position are named, describe the efforts of the nominating committee to locate two willing nominees.

(3) If association directors are nominated or elected by region, describe the regions and state the number of voting shareholders entitled to vote in each region.

(4) State whether nominations will be accepted from the floor. Associations must accept floor nominations. Any director nominee from the floor must be an eligible candidate for the director position for which the person has been nominated.

(i) For association directors not elected by region:

(A) If the annual meeting is to be held in more than one session and paper mail or electronic mail balloting will be conducted upon the conclusion of all sessions, state that nominations from the floor may be made at any session or, if the association's bylaws so provide, state that nominations from the floor shall be accepted only at the first session.

(B) If shareholders will not vote solely by paper mail or electronic mail ballot upon conclusion of all sessions, state that nominations from the floor may be made only at the first session.

(ii) For association directors elected by region:

(A) If more than one session of an annual meeting is held in a region, and if paper mail or electronic mail balloting will be conducted at the end of all sessions in a region, state that nominations from the floor may be made at

any session in the region or, if the association's bylaws so provide, state that nominations from the floor shall be accepted only at the first session held in the region.

(B) If shareholders will not vote solely by paper mail or electronic mail ballot upon conclusion of all sessions in a region, state that nominations from the floor may be made only at the first session held in the region.

(5) For each nominee who is not an incumbent director, except a nominee from the floor, provide the information referred to in §620.5(j) and (k) and paragraph (d)(1) of this section. If shareholders will vote by paper mail or electronic mail ballot upon conclusion of all sessions, each floor nominee must provide the information referred to in §620.5(j) and (k) and paragraph (d)(1) of this section in paper or electronic form to the Farm Credit institution within the time period prescribed by the institution's bylaws. If the institution's bylaws do not prescribe a time period, state that each floor nominee must provide the disclosure to the institution within 5 business days of the nomination. The institution must ensure that the information is provided to the voting shareholders by delivering the ballots for the election of directors in the same format as the comparable information contained in the information statement. If shareholders will not vote by paper mail or electronic mail ballot upon conclusion of all sessions, each floor nominee must provide the information referred to in §620.5(j) and (k) and paragraph (d)(1) of this section in paper or electronic form at the first session at which voting is held.

(6) Each bank and association must adopt policies and procedures that assure a disclosure statement is prepared by each director candidate. No person may be a nominee for director who does not make the disclosures required by this subpart. Candidate disclosure information must be distributed or mailed with ballots or proxy ballots to all shareholders eligible to vote in the election. Institutions may either restate such information in a standard format or provide complete copies of candidate disclosure information.

(e) *Other shareholder action.* (1) If shareholders are asked to vote on matters not normally required to be submitted to shareholders for approval, describe fully the material circumstances surrounding the matter, the reason shareholders are asked to vote, and the vote required for approval of the proposition.

(2) The statement shall describe any other matter that will be discussed at the meeting upon which shareholder vote is not required.

(f) *Relationship with independent public accountant.* If an institution of the Farm Credit System has had a change or changes in accountants since the last annual report to shareholders, or if a disagreement with an accountant has occurred, the institution shall disclose the information required by §621.4 (c) and (d) of this chapter.

[51 FR 8656, Mar. 13, 1986. Redesignated and amended at 56 FR 29421, 29425, June 27, 1991; 56 FR 42649, Aug. 28, 1991; 58 FR 48791, Sept. 20, 1993; 60 FR 20013, Apr. 24, 1995; 60 FR 57922, Nov. 24, 1995; 67 FR 16634, Apr. 8, 2000; 71 FR 5765, Feb. 2, 2006]

**Subpart F—Bank and Association Audit and Compensation Committees**

SOURCE: 71 FR 5766, Feb. 2, 2006, unless otherwise noted.

**§ 620.30 Audit committees.**

Each Farm Credit bank and association must establish and maintain an audit committee. An audit committee is established by adopting a written charter describing the committee's composition, authorities, and responsibilities in accordance with this section. All audit committees must maintain records of meetings, including attendance, for at least 3 fiscal years.

(a) *Composition.* Each member of an audit committee must be a member of the Farm Credit institution's board of directors. An audit committee may not consist of less than three members and must include any director designated as a financial expert under §611.210(a)(2) of this chapter. All audit committee members should be knowledgeable in at least one of the following: Public and corporate finance,

financial reporting and disclosure, or accounting procedures.

(b) *Independence.* Every audit committee member must be free from any relationship that, in the opinion of the board, would interfere with the exercise of independent judgment as a committee member.

(c) *Resources.* Farm Credit institutions must permit their audit committees to contract for independent legal counsel and expert advisors. If an institution hires a financial expert advisor pursuant to §611.210(a)(2), that advisor will also serve as an advisor to the audit committee. Each institution is responsible for providing monetary and nonmonetary resources to enable its audit committee to contract for external auditors, outside advisors, and ordinary administrative expenses. A two-thirds majority vote of the full board of directors is required to deny an audit committee's request for resources.

(d) *Duties.* Each audit committee must report only to the board of directors. In its capacity as a committee of the board, the audit committee is responsible for the following:

(1) *Financial reports.* Each audit committee must oversee management's preparation of the report to shareholders; review the impact of any significant accounting and auditing developments; review accounting policy changes relating to preparation of financial statements; and review annual and quarterly reports prior to release. After the audit committee reviews a financial policy, procedure, or report, it must record in its minutes its agreement or disagreement with the item(s) under review.

(2) *External auditors.* The external auditor must report directly to the audit committee. Each audit committee must:

(i) Determine the appointment, compensation, and retention of external auditors issuing audit reports of the institution;

(ii) Review the external auditor's work;

(iii) Give prior approval for any non-audit services performed by the external auditor, except the audit committee may not approve those non-