5500 South Quebec Street
Greenwood Village, CO 80111
800-542-8072
www.cobank.com

November 10, 2015

**VIA ELECTRONIC DELIVERY**

Ms. Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

**RE: Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Amend FINRA Rule 4210 (Margin Requirements) To Establish Margin Requirements for the TBA Markets**

Dear Secretary Murphy:

On behalf of the Farm Credit Banks (the "**FC Banks**"), CoBank, ACB greatly appreciates the opportunity to comment on the proposed amendment to Financial Industry Regulatory Authority ("**FINRA**") Rule 4210 (the "**Proposed Rule**"),[1] which would require the margining of various agency mortgage-backed security transactions. We also understand that the Federal Home Loan Banks (the "**FHLBanks**") have submitted a comment letter on the Proposed Rule. As discussed below, the FC Banks agree with and support the FHLBanks' comments, and we respectfully request similar amendments to the Proposed Rule, as applied to the FC Banks.

## A. The FC Banks

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 selected farm-related businesses necessary for efficient farm operations."[2] Since that time 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 are government-sponsored enterprises ("**GSEs**") 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.[3] The FC Banks are: (1) CoBank; (2) AgriBank, FCB; (3) AgFirst Farm Credit Bank; 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,

[1] For the avoidance of doubt, unless otherwise defined, capitalized terms used in this letter shall have the meanings afforded to them in the Federal Register release for the Proposed Rule, 80 Fed. Reg. 63,603 (Oct. 20, 2015) (the "**Federal Register Release**").
[2] 12 U.S.C. § 2001(a).
[3] *See generally 2014 Annual Report on the Farm Credit System by the Farm Credit Administration Regulator of the FCS* ("**FCA Annual Report**"), *available at* http://www.fca.gov/Download/AnnualReports/2014AnnualReport.pdf.

utilities providers, and certain farm-related businesses. In addition, the FC Banks maintain programs to provide credit and related services to young, beginning, and small ("**YBS**") farmers and ranchers. These programs encourage those individuals to join the agricultural industry, support them in their endeavors, and foster a more diverse agricultural community.

**B. Comments**

Like the FHLBanks, the FC Banks request that FINRA amend the Proposed Rule to provide a FINRA member, entering into a transaction with an FC Bank, with discretion to exempt the FC Bank from the Proposed Rule's margin requirements. The arguments made in the FHLBanks' letter also support a discretionary exemption for the FC Banks. Specifically, like the FHLBanks, the FC Banks: (1) have long-held high credit ratings and pose a low credit risk to their Covered Agency Transaction counterparties; (2) are monitored and regulated by a "Prudential Regulator" for purposes of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Farm Credit Administration; and (3) have policies and practices to monitor and manage any risks that their transactions might pose to counterparties and the financial system as a whole. In addition, the aggregate of the FC Banks' Covered Agency Transactions comprise only a very small portion of the entire market for mortgage-backed securities transactions. Finally, like the FHLBanks, the FC Banks perform a public service: they provide credit and resources to farmers, ranchers, agricultural and aquatic cooperatives, as well as rural infrastructure providers to fulfill their mission of supporting the economic vibrancy of rural communities and American agriculture.

The FC Banks also support the FHLBanks' proposed amendments to, and clarification of the Proposed Rule. Specifically, the FC Banks believe that the Proposed Rule should: (1) require two-way margining, as two-way margining is the industry standard for to-be-announced ("**TBA**") transactions, as reflected by the Securities Industry and Financial Markets Association ("**SIFMA**") form of Master Securities Forward Transfer Agreement; (2) allow a FINRA member's counterparty to segregate any required margin, that has been posted to the FINRA member pursuant to the Proposed Rule, with an independent third-party custodian; and (3) afford FINRA members discretion to negotiate threshold amounts and minimum transfer amounts in excess of $250,000. Finally, the FC Banks respectfully request that FINRA clarify whether the Proposed Rule would permit cross-margining of transactions across trading relationships between a FINRA member and its counterparty.

We greatly appreciate the opportunity to comment on the Commission's consideration of this issue. If you have any questions or require any additional information, please do not hesitate to contact us.

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Sincerely,

Robert B. Engel

Robert B. Engel
Chief Executive Officer

c: Tim Amerson, AgFirst
Larry Doyle, Farm Credit Bank of Texas
Bill York, AgriBank