May individuals who are not members of a nominating committee participate in the committee's activities?

Your current directors, director candidates, officers, employees, and agents are not only prohibited from serving on your nominating committee, they also must not be present when the nominating committee deliberates or votes on whom to nominate. However, your nominating committee may invite them to your meetings to answer questions on general matters, such as director qualifications and duties, issues the institution will face in the future, and any specific skills and knowledge not adequately represented on the current board.

You may also accept from your directors and institution staff the names of stockholders who might be willing to serve as directors, although you must perform your own evaluation of any person who is recommended. You may not allow others to influence the nomination process, and you must preserve your committee's independence in selecting director candidates.

What operational resources may a nominating committee receive from its Farm Credit bank or association?

Your institution is required to provide your committee with reasonable access to administrative resources, including the following:

- A current list of stockholders
- The most recent bylaws
- The current policy on desirable director qualifications
- Copies of the policies and procedures your institution has adopted to ensure impartial elections and to govern nominating committee operations

The committee may also request a summary of the current board's self-evaluation; in return, the board may require a pledge of confidentiality before allowing access to the evaluations.

Also, your institution's staff may assist with logistical, clerical, and administrative support to help the committee perform its duties effectively. However, institution staff members must not be present when the nominating committee deliberates or votes on whom to nominate.

How do I indicate interest in serving on my institution's nominating committee?

Contact your Farm Credit bank or association. Your institution can tell you whom to notify to express your interest in serving on the nominating committee.

What is the source of my nominating committee's authority?

Your committee's authority is based on section 4.15 of the Farm Credit Act of 1971, as amended, and FCA regulations at 12 CFR part 611, subpart C.

Where can I get further information about nominating committees?

Check out the revised FCA Bookletter-043, "Guidance on Farm Credit bank and association nominating committees." Located on the FCA website, this bookletter discusses the important role nominating committees play in the System's cooperative structure.

This brochure is produced by the Farm Credit Administration, the regulator of the Farm Credit System. For additional copies, contact FCA's Office of Congressional and Public Affairs at 703-883-4056 or info-line@fca.gov.
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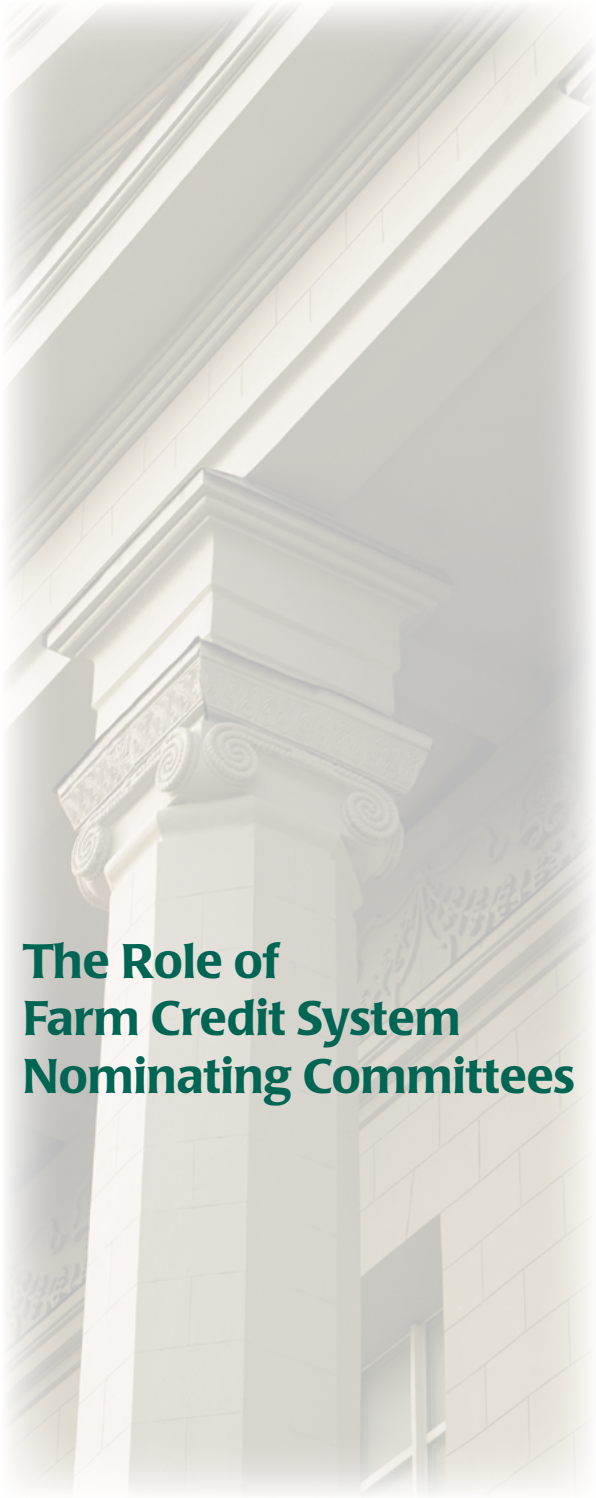

The Role of Farm Credit System Nominating Committees

This brochure is designed to help you fulfill one of the most important contributions you can make to your institution — serving on the nominating committee. By serving on this committee, you contribute to your institution's leadership and commitment to good governance.

What is a nominating committee?

A nominating committee is a committee of stockholders who own voting stock. It is responsible for identifying, evaluating, and nominating candidates for election to the board of directors of a Farm Credit bank or association. The nominating committee is not a committee of the board, and its independence from the influence of the board and management is critical to the success of your financial cooperative and the preservation of stockholder control.

Who serves on a nominating committee?

At an association, you must be an owner of voting stock to serve on the committee. At a Farm Credit bank, you must be an authorized representative of the bank's voting stockholders.

You may not serve on an association or Farm Credit bank nominating committee if you are a director; a director candidate; or an officer, employee, or agent of the institution.

At both associations and banks, nominating committee members may not stand for election to the board of directors in the same election in which the committee is identifying director candidates.

How large is a nominating committee, and how long do members serve?

A nominating committee consists of at least three members, each of whom is elected by the majority vote of all the institution's voting stockholders. An institution may have a larger committee to better represent its territory. It may also have a larger committee to ensure absences or recusals do not leave it with fewer than the minimum of three members. Alternates may also be used to address this concern.

The term of office for association nominating committee members is one year, and members may be re-elected to serve consecutive terms. The term of office for Farm Credit bank nominating committee members is decided by each bank.

Must all director candidates be selected by a nominating committee?

Generally, director candidates are nominated by a nominating committee. However, at an association, director candidates may be nominated from the floor to stand for election. Farm Credit banks may also allow floor nominations but are not required to do so.

What are my responsibilities as a nominating committee member?

Your main responsibility is to nominate individuals for service on the board of directors. This involves the following:

- Identifying, from the current list of stockholders and other resources, individuals who are qualified and willing to serve as directors
- Evaluating the qualifications of potential nominees, keeping in mind the desired director qualifications provided by your institution
- Considering whether any obstacles exist that would prevent a director candidate from performing his or her duties
- Nominating at least two suitable persons for each open position
- Preparing a written report on your efforts to identify director candidates
- Nominating director candidates for special elections that are held when mid-term vacancies occur
- Keeping records of meetings

When nominating director candidates, keep in mind that the board should represent all areas of your institution's territory and, as nearly as possible, all types of agriculture practiced in the territory. Also, strive to nominate candidates from diverse demographics, with a variety of experience, skills, and viewpoints. Demographic diversity includes income, age, gender, and ethnicity differences.

As a member of the nominating committee, how do I determine a person is qualified to serve as a director?

Review the eligibility requirements set forth in the Farm Credit Act of 1971, as amended, and FCA regulations. Your institution may also have standards for service on its board of directors that are contained within its bylaws or in its director qualifications policy. For example, your institution may require director candidates to meet certain age and term limits.

Consult these documents when evaluating director candidates. Keep in mind that each director-nominee must also certify he or she is eligible to serve as a director of the institution.

For more information, see "The Director's Role," which is available from your institution or on FCA's website at www.fca.gov.