§ 611.210 Director qualifications and training.

(a) *Qualifications.* (1) Each bank and association board of directors must establish and maintain a policy identifying desirable director qualifications. The policy must explain the type and level of knowledge and experience desired for board members, explaining how the desired qualifications were identified. The policy must be periodically updated and provided to the institution's nominating committee.

(2) Each Farm Credit institution board must have a director who is a financial expert. Boards of directors for associations with $500 million or less in total assets as of January 1 of each year may satisfy this requirement by retaining an advisor who is a financial expert. The financial advisor must report to the board of directors and be free of any affiliation with the external auditor or institution management. A financial expert is one recognized as having education or experience in: Accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements.

(b) *Training.* Each bank and association board of directors must establish and maintain a policy for director training that includes appropriate implementing procedures. The policy must identify training areas supporting desired director qualifications. Each Farm Credit bank and association must require newly elected or appointed directors to complete director orientation training within 1 year of assuming their position and require incumbent directors to attend training periodically to advance their skills.

§ 611.220 Outside directors.

(a) *Eligibility, number and term.* (1) *Eligibility.* No candidate for an outside director position may be a director, officer, employee, agent, or stockholder of an institution in the Farm Credit System. Farm Credit banks and associations must make a reasonable effort to select outside directors possessing some or all of the desired director qualifications identified pursuant to § 611.210(a) of this part.

(2) *Number.* Stockholder-elected directors must constitute at least 60 percent of the members of each institution's board.

(i) Each Farm Credit bank must have at least two outside directors.

(ii) Associations with total assets exceeding $500 million as of January 1 of each year must have no fewer than two outside directors on the board. However, this requirement does not apply if it causes the percent of stockholder-elected directors to be less than 75 percent of the board.

(iii) Associations with $500 million or less in total assets as of January 1 of each year must have at least one outside director.

(3) *Terms of office.* Banks and associations may not establish a different term of office for outside directors than that established for stockholder-elected directors.

(b) *Removal.* Each institution must establish and maintain procedures for removal of outside directors. When the removal of an outside director is sought before the expiration of the outside director's term, the reason for removal must be documented. An institution's director removal procedures must allow for removal of an outside director by a majority vote of all voting stockholders voting, in person or by proxy, or by a two-thirds majority vote of the full board of directors. The outside director subject to the removal action is prohibited from voting in his or her own removal action.

Subpart C—Election of Directors and Other Voting Procedures

§ 611.310 Eligibility for membership on bank and association boards and subsequent employment.

(a) No person shall be eligible for membership on a bank or association board who is or has been, within 1 year preceding the date the term of office begins, a salaried officer or employee of any bank or association in the System.